

**RUTGERS UNIVERSITY
RUTGERS BUSINESS SCHOOL Ph.D. PROGRAM
AND
GRADUATE DIVISION OF GLOBAL AFFAIRS**

**GRADUATE COURSE IN THEORY OF INTERNATIONAL BUSINESS
RBS Course Code 26:553:601:01
DGA Course Code 26:478:597:01**

COURSE CONVENOR: PROFESSOR J.A. CANTWELL

**(1 Washington Park, Room 1093, office hour Tuesday, 2-3pm
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Fall Semester 2012

Class Program and Reading List

Course outline description, and requirements of students

An outline description of the course in the Theory of International Business:

This course provides a critical overview of the major theoretical approaches in the international business literature. These strands of analysis can be grouped under the five headings of the market power, internalization, eclectic paradigm, competitive international industry and macroeconomic approaches. We examine both the differences and the scope for complementarities between these alternative means of thinking about international business. Drawing upon this analytical background, the course then reviews the key areas of recent research focus. These crucial new research issues include the role of location in international business, the strategy and organization of multinational corporations, subsidiary level development, cross-border alliances and international mergers and acquisitions. The course concludes with an assessment of the role of methodological design and prospective new directions in international business research.

Requirements of students on the course:

1. To attend all weekly classes, and any other additional lectures as may be advised from time to time. The weekly classes are to be held on Tuesdays from 10.00am to 12.50pm, and the full schedule is set out below.
2. To complete a term paper by the end of the Fall semester, to be submitted in week 15 (by Wednesday, December 12th). Term papers should not normally exceed 2,500 words of text (the bibliography is not part of this word count). The title for the term paper must be chosen from the titles given below, each associated with a particular class topic (from topics 2-11; it is not possible to write on topic 1, which is a background introduction). The term paper must demonstrate an understanding of the issues raised in the relevant lecture, and make reference to the readings set for that topic. The term paper must answer the question set, with reference to the key themes of the course articulated in the lectures and readings. It is not to be treated as an independent research paper. All students should read the chapters and articles indicated in the lists below, whether or not they are writing their term paper on that topic. The course has been designed as an integrated treatment of the subject with underlying connections between topics. The term paper should therefore also demonstrate an appreciation of how the answer to a specific question on a given topic fits into the broader context of the course. The course must not be regarded as a set of 11 separate topics that can be treated in isolation from one another. Thus, while students are welcome if they wish to undertake additional reading on the topic of their term paper, this must be related to or used to critique the central themes of the course in the term paper. Any such extra readings should not be used in the term paper merely to provide some other alternative essentially unrelated approaches to the topic, and in

particular additional readings on a specific topic must not be regarded as a potential substitute for undertaking (and where they are relevant, referring to) the readings for other topics that are also part of the course. To reiterate: a term paper should answer the question set so as to (i) incorporate understandings derived from all the readings for the relevant topic and from the lecture on that topic, (ii) incorporate reference to other selected readings required in the course, and to general themes that recurred at various stages during the classes, and (iii) should only incorporate other references not included in the readings for the course to the extent that these help build upon and consolidate (but not detract from) the key themes and content of the course.

3. For Ph.D. students, and selected M.S. students, to give a presentation on their chosen topic to the class towards the end of the semester, prior to the submission of the paper itself at the end of the semester. Presentations can last for a maximum of 15 minutes when given by just one student, and for a maximum of 20 minutes when a joint presentation is given by two or more students (the allotted time then being divided equally between them). Presentations are to be prepared in PowerPoint, and to ensure that the necessary time limits are observed they must be contained in a maximum of 12 slides per student for a lone presenter or 8 slides per student in the case of joint presentations (excluding a title slide, if there is one), and all the text of each slide must be in at least a minimum font size of 24. Any presentation that does not conform to these guidelines may be stopped before it is completed. A hard copy of the slides to be used is to be given to the course convenor prior to the oral presentation. Topics will be allocated in week 1 (September 4th), and presentations will be scheduled for specific slots during the classes in weeks 13 or 14 (November 27th or December 4th). Where students give presentations, assessment will be 25% for the presentation, and 75% for the paper.
4. Those students that will give presentations are expected to consult the class materials for their topic ahead of the session to be held on that topic, and to prepare some questions on the lecture in order to begin a class discussion once that week's lecture has been completed.

Class topics

1. The main strands of analysis in the international business literature.
2. The market power approach.
3. The internalization approach.
4. The eclectic paradigm.
5. Competitive international industry, competence-based evolutionary and strategic approaches.
6. Macroeconomic, developmental and finance-based approaches.
7. Distinguishing types of foreign direct investment and locational issues.
8. Strategy and organization of the multinational corporation.
9. Subsidiary level analysis.
10. Strategic alliances and international mergers and acquisitions.
11. New directions in international business research, and how theories have evolved or emerged.

Key texts

In various parts of the course, reference will be made to readings from the following books, citations to which below will rely on the abbreviations shown here:

Rugman, A.M. (ed., 2008), *The Oxford Handbook of International Business*, New York: Oxford University Press (hereafter OHIB).

Pitelis, C.N. and Sugden, R. (eds., 2000), *The Nature of the Transnational Firm*, New York: Routledge, second edition (hereafter NTF).

Havila, V., Forsgren, M. and Håkanson, H. (eds., 2002), *Critical Perspectives on Internationalisation*, New York: Pergamon (hereafter CPI).

Ietto-Gillies, G. (2012), *Transnational Corporations and International Production: Concepts, Theories and Effects*, Northampton: Edward Elgar (hereafter TCIP).

Dunning, J.H. and Lundan, S.M. (2008), *Multinational Enterprises and the Global Economy*, Northampton: Edward Elgar (hereafter MEGE).

Forsgren, M. (2008), *Theories of the Multinational Firm: A Multidimensional Creature in the Global Economy*, Northampton: Edward Elgar (hereafter TMF).

Detailed topic schedule, outlines and reading lists

Week 1, September 4th

1. The main strands of analysis in the international business literature.

(An introduction pertinent to each of the remaining topics; students should treat this as essential background material, but there is no term paper corresponding to this topic.)

Cantwell, J.A. (2000), "A survey of theories of international production", chapter 2 in NTF.

Dunning, J.H. (2008), "The key literature on IB activities: 1960-2006", chapter 2 in OHIB.

Pitelis, C.N. and Sugden, R. (2000), "The (theory of the) transnational firm", chapter 1 in NTF.

Dunning, J.H. and Lundan, S.M. (2008), "Theories of foreign direct investment", chapter 4 in MEGE.

Hedlund, G. (1996), "Organization and management of transnational corporations in practice and research", in J.H. Dunning and K.P. Sauvant (eds.), *Transnational Corporations and World Development*, New York: Routledge.

Week 2, September 11th

2. The market power approach.

Paper Title: Describe and comment on Hymer's explanation of international direct investment as a means of establishing and exploiting positions of market power.

Yamin, M. (2000), "A critical re-evaluation of Hymer's contribution to the theory of the transnational corporation", chapter 3 in NTF.

Hymer, S. and Rowthorn, R. (1970), "The multinational corporation and international oligopoly", in C.P. Kindleberger (ed.), *The International Corporation*, Cambridge, Mass.: MIT Press.

Ghuri, P.N. and Buckley, P.J. (2002), "Globalisation and the end of competition: a critical review of rent-seeking multinationals", chapter 1 in CPI.

Forsgren, M. (2008), "The dominating multinational: a tale of market power", chapter 2 in TMF.

Ietto-Gillies, G. (2012), "Hymer's seminal work", chapter 4, and "Transnational monopoly capitalism", chapter 13 in TCIP.

Week 3, September 18th

3. The internalization approach.

Paper Title: Assess the strengths and weaknesses of the internalization explanation of the existence of the multinational corporation.

Buckley, P.J. and Casson, M.C. (2002), "A long-run theory of the multinational enterprise", chapter 2 in *The Future of the Multinational Enterprise*, New York: Palgrave Macmillan (25th Anniversary Edition; originally published in 1976).

Hennart, J.-F. (2008), "Theories of the multinational enterprise", chapter 5 in OHIB.

Letto-Gillies, G. (2012), "Internalization and the transnational corporation", chapter 8 in TCIP.

Kogut, B. and Zander, U. (1993), "Knowledge of the firm and the evolutionary theory of the multinational corporation", *Journal of International Business Studies*, vol. 24, no. 4, pp. 625-645.

Forsgren, M. (2008), "The coordinating multinational: a tale of cost efficiency", chapter 3 in TMF.

Week 4, September 25th

4. The eclectic paradigm.

Paper Title: Examine the usefulness of the eclectic paradigm as a framework for combining and relating alternative theories of international business, and in coping with changes over time in the practice of international business.

Dunning, J.H. (2000), "The eclectic paradigm of international production: a personal perspective", chapter 5 in NTF.

Cantwell, J.A. and Narula, R. (2001), "The eclectic paradigm in the global economy", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 155-172; revised version reprinted as "Revisiting the eclectic paradigm: new developments and current issues", chapter 1 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Dunning, J.H. (2001), "The eclectic (OLI) paradigm of international production: past, present and future", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 173-190; revised version reprinted as chapter 2 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Letto-Gillies, G. (2012), "Dunning's eclectic framework", chapter 9 in TCIP.

Tolentino, P.E.E. (2001), "From a theory to a paradigm: examining the eclectic paradigm as a framework in international economics", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 191-209; revised version reprinted as chapter 7 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Week 5, October 2nd

5. Competitive international industry, competence-based evolutionary and strategic approaches.

Paper Title: Examine the merits of analysing the multinational firm as an evolutionary and learning entity, which progresses in interaction with other firms and institutions.

Cantwell, J.A. (2008), "Innovation and information technology in the multinational enterprise", chapter 16 in OHIB.

Ietto-Gillies, G. (2012), "Evolutionary theories of the TNC", chapter 11 in TCIP.

Ietto-Gillies, G. (2012), "The product life cycle and international production", chapter 5, and "Oligopolistic reactions and the geographical pattern of FDI", chapter 6 in TCIP.

Graham, E.M. (2000), "Strategic management and transnational firm behaviour: a formal approach", chapter 7 in TNF.

Forsgren, M. (2008), "The knowing multinational: a tale of value creation", chapter 4 in TMF.

Week 6, October 9th

6. Macroeconomic, developmental and finance-based approaches.

Paper Title: Compare and contrast the role of long term developmental and short term financial management influences on patterns of foreign direct investment.

Ozawa, T. (1992), "Theory of foreign direct investment as a dynamic paradigm of economic development", *Transnational Corporations*, vol. 1, no. 1, pp. 27-54.

Ozawa, T. and Castello, S. (2001), "Toward an 'international business' paradigm of endogenous growth: multinationals and governments as co-endogenisers", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 211-228; revised version reprinted as "FDI and endogenous growth: IB perspectives", chapter 4 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Cantwell, J.A., Dunning, J.H. and Lundan, S.M. (2010), "An evolutionary approach to understanding international business activity: the co-evolution of MNEs and the institutional environment", *Journal of International Business Studies*, vol. 41, no.

4, pp. 567-586.

Ietto-Gillies, G. (2012), "Currency areas and internationalization", chapter 7 in TCIP.

Bowe, M. (2008), "International financial management and multinational enterprises", chapter 20 in OHIB.

Week 7, October 16th

Note: No class this week.

Week 8, October 23rd

7. Distinguishing types of foreign direct investment and locational issues.

Paper Title: Assess the reasons why location has again become a critical issue in the theory of international business.

Rugman, A.M. and Verbeke, A. (2008), "Location, competitiveness, and the multinational enterprise", chapter 6 in OHIB.

Dunning, J.H. and Lundan, S.M. (2008), "The motives for foreign production", chapter 3, and "Linkages, spillovers and clustering", chapter 16 in MEGE.

Dunning, J.H. (1998), "Location and the multinational enterprise: a neglected factor?", *Journal of International Business Studies*, vol. 29, no. 1, pp. 45-66.

Cantwell, J.A. (2009), "Location and the multinational enterprise", *Journal of International Business Studies*, vol. 40, no. 1, pp. 35-41.

Cantwell, J.A., Iammarino, S. and Noonan, C. (2001), "Sticky places in slippery space - the location of innovation by MNCs in the European regions", in N. Pain (ed.), *Inward Investment, Technological Change and Growth: The Impact of MNCs on the UK Economy*, New York: Palgrave Macmillan.

Week 9, October 30th

8. Strategy and organization of the multinational corporation.

Paper Title: Examine whether, and if so how, the theory of the strategy and organization of the multinational corporation can be used to complement and extend the eclectic paradigm in international business research.

Tallman, S.B. and Yip, G.S. (2008), "Strategy and the multinational enterprise", chapter 12 in OHIB.

Westney, D.E. and Zaheer, S. (2008), "The multinational enterprise as an organization", chapter 13 in OHIB.

Dunning, J.H. and Lundan, S.M. (2008), "The organisation of MNE activity: the internal network", chapter 8 in MEGE.

Forsgren, M. (2008), "The designing multinational: a tale of strategic fit", chapter 5, and "The networking multinational: a tale of business relationships", chapter 6, in TMF.

Guisinger, S. (2001), "From OLI to OLMA: incorporating higher levels of environmental and structural complexity into the eclectic paradigm", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 257-272; revised version reprinted as chapter 6 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Week 10, November 6th

9. Subsidiary level analysis.

Paper Title: Discuss whether, and if so how, multinational firms can overcome the tension between the need for subsidiaries to be embedded in their own local environment, and the need for subsidiaries to be integrated in their multinational corporate group.

Birkinshaw, J. and Pedersen, T. (2008), "Strategy and management in MNE subsidiaries", chapter 14 in OHIB.

Birkinshaw, J. and Hood, N. (1998), "Multinational subsidiary development: capability evolution and charter change in foreign-owned subsidiary companies", *Academy of Management Review*, vol. 23, no. 4, pp. 773-795.

Andersson, U. and Forsgren, M. (2000), "In search of centre of excellence: network embeddedness and subsidiary roles in multinational corporations", *Management International Review*, vol. 40, no. 4, pp. 329-350.

Kutschker, M. and Schurig, A. (2002), "Embeddedness of subsidiaries in internal and external networks: a prerequisite for technological change", chapter 5 in CPI.

Forsgren, M., Holm, U. and Johanson, J. (2005), "Subsidiary power in the embedded

multinational", chapter 10, "Transfer of knowledge in the embedded multinational - the role of shared values and business networks", chapter 11, and "Learning in the embedded multinational", chapter 12 in *Managing the Embedded Multinational: A Business Network View*, Northampton: Edward Elgar.

Week 11, November 13th

10. Strategic alliances and international mergers and acquisitions.

Paper Title: Examine the extent to which inter-firm alliances and international mergers and acquisitions may arise for reasons other than increasing market power or reducing transaction costs. Have these other factors become more important in recent years, and if so, how and why?

Inkpen, A.C. (2008), "Strategic alliances", chapter 15 in OHIB.

Dunning, J.H. and Lundan, S.M. (2008), "The organisation of MNE activity: the external network", chapter 9 in MEGE.

Lundan, S. and Hagedoorn, J. (2001), "Alliances, acquisitions and multinational advantage", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 229-242.

Contractor, F. and Ra, W. (2002), "How knowledge attributes influence alliance governance choices: a theory development note", *Journal of International Management*, vol. 8, no. 1, pp. 11-27.

Dunning, J.H. (1995), "Reappraising the eclectic paradigm in an age of alliance capitalism", *Journal of International Business Studies*, vol. 26, no. 3, pp. 461-491.

Week 12, November 20th

Note: The date and time of this class and the room booked is subject to change in this Thanksgiving week.

11. New directions in international business research, and how theories have evolved or emerged.

Paper Title: Evaluate what is new in recent international business research, and how much that is sometimes claimed to be new may be simply 'old wine in new bottles'. Assess how well theories of international business have been adapted or developed as global business has evolved through to the present day.

Zander, U. (2002), "When Muhammed goes to the mountain: globalisation, cathedrals of modernity and a new world in order", chapter 7 in CPI.

Dunning, J.H. (1999), "Forty years on: American investment in British manufacturing industry revisited", *Transnational Corporations*, vol. 8, no. 2, pp. 1-34.

Cantwell, J.A. (1992), "Innovation and technological competitiveness", in P.J. Buckley and M.C. Casson (eds.), *Multinational Enterprises in the World Economy: Essays in Honour of John Dunning*, Brookfield, Vermont: Edward Elgar.

Oviatt, B.M. and McDougall, P. (1994), "Toward a theory of international new ventures", *Journal of International Business Studies*, vol. 25, no. 1, pp. 45-64.

Chang, S.J. and Rhee, J.H. (2011), "Rapid FDI expansion and firm performance", *Journal of International Business Studies*, vol. 42, no. 8, pp. 979-994.

Week 13, November 27th

Discussion of first set of student presentations.

Week 14, December 4th

Discussion of second set of student presentations.

Weeks 15, December 11th

No class; completion of term papers; submission of term papers is due by Wednesday, December 12th, via the Blackboard course site (under the tab "Assignment", you'll find an assignment named "Term paper", click "View/Complete", upload your paper there, and submit).