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ARTIGOS · IS THE INTERNATIONAL BUSINESS ENVIRONMENT THE ACTUAL CONTEXT FOR INTERNATIONAL BUSINESS RESEARCH?

# IS THE INTERNATIONAL BUSINESS ENVIRONMENT THE ACTUAL CONTEXT FOR INTERNATIONAL BUSINESS RESEARCH?

SERÁ O AMBIENTE INTERNACIONAL DE NEGÓCIOS O CONTEXTO EFETIVO PARA A PESQUISA EM NEGÓCIOS INTERNACIONAIS?

## ABSTRACT

The International Business Environment (IBE) has been argued to be the essential context for international business (IB) studies and the distinguishing factor from other management studies and studies of large enterprises. Two content analysis show that many papers published in top tier IB journals either lack reference to any dimension of the IBE or tend to be uni-or bi-dimensional when addressing the IBE; it is not a surprise that the cultural dimension is the most often used. We suggest that: (a) there is need to developed more uni-and multi-dimensional environmental constructs; (b) a more holistic view of the IBE provides richer insights on the actual complexity underlying IB research. Future studies that provide more comprehensive models of the IBE that overcome the usual broad classifications of the international environment as undefined and uncontrollable factors are warranted to advance conceptual and empirical research.

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**RESUMO** O ambiente internacional de negócios tem sido apontado como contexto essencial para pesquisa em negócios internacionais e fator distintivo frente a estudos de grandes empresas. Duas análises de conteúdo revelam que muitos artigos publicados em importantes revistas acadêmicas carecem de referência ao ambiente internacional ou tendem a usar apenas uma ou duas dimensões do ambiente; não surpreende que a dimensão cultural seja mais frequentemente usada. Sugerimos que: (a) é necessário desenvolver mais construtos uni- ou multidimensionais do ambiente; (b) uma perspectiva holística do ambiente internacional proporciona melhor percepção da complexidade da pesquisa em negócios internacionais. Para avançar na pesquisa em negócios internacionais, são necessários modelos mais completos do ambiente internacional, que ultrapassem suas classificações usuais como um conjunto mal definido e vago de variáveis incontroláveis.

**KEYWORDS** International business environment, IB research, content analysis, environmental complexity, cross-culture.

**PALAVRAS-CHAVE** Ambiente internacional de negócios, pesquisa em negócios internacionais, análise de conteúdo, complexidade ambiental, multiculturalismo.



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## INTRODUCTION

Dating back to the origins of the international business (IB) discipline, scholars such as Vernon (1966), Fayerweather (1960), and others, have articulated the importance of the international business environment (IBE) in international business studies. For example, Nehrt, Truitt, and Wright (1970, p. 109) suggested almost four decades ago that international business research is “concerned with the interrelationship between the operations of the business firm and international or foreign environments in which the firm operates”, and that “more attention is being devoted to the environment of international business”. Guisinger (2000, 2001) argued that the IBE is the central element that established IB as a distinct discipline because the IBE is the idiosyncratic feature that distinguishes IB research from other management areas, and from studies of management of large-scale enterprises. In this regard, the IBE emerges as a dominant context that bounds IB studies. As Boyacigiller and Adler (1997, p. 398) argued:

“by definition, IB is contextual. It specifically includes the external international environment in which firms conduct business; that is, the international context in which firms are embedded. It is precisely the nature of this embeddedness in an external international environment that has distinguished IB from other areas of management inquiry”.

The business environments seem particularly important for IB studies because we are concerned, essentially, with a variety of cross-border operations. As firms expand to foreign markets, structural and environmental complexity and uncertainty increase (MASCARENHAS, 1982; EBRAHIMI, 2000; GUISSINGER, 2001), requiring managers to attend to the impact of the foreign business environment on their firms' operations. Because the IBE is multidimensional - it encompasses political risks, cultural differences, exchange risks, legal and taxation idiosyncrasies - scholars seeking to understand the cross-border effects have been picking from different disciplines (e.g., marketing, finance, operations, strategy, organizational behavior) the relevant theories and methods. Thus, it is no surprise, nor demeaning, that IB has a cross-disciplinary tendency.

If the IBE is the context of IB studies, as Nehrt, Truitt, and Wright (1970), Boyacigiller and Adler (1997), and Guisinger (2001) suggested, and it is the IBE that bounds the domain of IB research, we should expect that extant research has, in some way, incorporated and emphasized

the many dimensions of the environment over the past years. Noticeably, although there has been a diffuse debate on the nature of IB as a discipline (PENG, 2004; TUNG & WITTELOOSTUIJN, 2008), and on whether it is running out of steam (BUCKLEY, 2002), when looking inside to acclaim and critique the discipline no one has yet examined the role of the IBE in shaping and driving research. Nor has any study examined the extent to which the IBE has been included in prior extant publications in the major IB journals.

Therefore, we ask whether the discipline as a whole is moving away from the study of international business to the study of management of international operations. Specifically, we examine how and to what extent have the international business environments been used in extant IB research in top tier journals. To answer this question, we adopted the content analysis method which has been used in the literature to assess the evolution of research. In the first content analysis study, full-texts of 889 papers published in one top tier IB journal were examined. In the second content analysis, we confined the content analysis to the titles and abstracts of the papers published in the three top IB journals. Two main conclusions were drawn: first, many papers lack reference to any dimension of the IBE; second, research tends to be uni-or bi-dimensional.

## MULTIDIMENSIONALITY OF THE IBE

The IBE is multidimensional. By multidimensional we mean that the understanding of only a few variables will not be enough to capture the complexity of the IBE. The added environmental complexity of operating across geographies is not only a major source of uncertainties, but also a distinguishing factor from studies of management of large scale enterprises. Moreover, the interactions among environmental dimensions increase this complexity and make it more arduous to disentangle the specific effects of each environmental factor. By using only one environment dimension in our studies, we obtain only a fragmented view of the complexity associated to managing foreign operations, evaluating international strategies, location, entry mode, entry timing, management of foreign subsidiaries, and so forth. Each of the multinational enterprises' (MNEs) decisions, whether concerning their capabilities, strategies or structural forms, is dependent on many environmental dimensions simultaneously. While in some cases it is possible that one of these dimensions predominates, this is not generally the case.





Recent worldwide political, cultural, social, and military developments plea for a larger emphasis on the IBE. The IBE is changing rapidly (DUNNING, 2009; PENG, 2004) under the influences of globalization of some markets, the progress in information technologies, the modifications in the national and supranational institutions (e.g. WTO, UN, EU, NAFTA), the emergence of non-governmental organizations (NGOs), the economic growth of emerging economies, the attention to the natural environment and business ethics, and the recent terrorist events. Other changes such as the advent of the alliance capitalism (DUNNING, 1995), and the emergence of MNEs from non-traditional locations may also lead to important environmental shifts. These changes have a profound impact on the IBE in which MNEs operate, and on how MNEs operate. Li, Tallman and Ferreira (2005), for example, have recently showed how MNEs' capabilities, strategies and structures changed in the post-September 11th 2001 to adapt to the new international environment. However, to a large extent, according to Young (2001, p. 121) the multiple dimensions of the IBE continue to be seen as "foreign environment uncontrollable", and object of little scholar research. Varadarajan and colleagues (1992) had previously noted how firms can control their uncontrollable market environment. Stephen Young (2001, p. 124) noted that:

"while an unprecedented level of information is now available on the international environment through the internet, and through the publications of national and international organizations, this has not been translated into increased research effort. Yet, this is an area where international marketers have a real contribution to make by focusing on company-level behavior; and one which is complementary to that of other subject disciplines, and where (the desirable) interdisciplinary research is possible".

Many recent events, some specific to the U.S., others to foreign spaces, are sufficient evidence that the opportunities for IB research to incorporate the IBE are munificent. Academic journals organize special issues on, for example, corruption, and impact of terrorist events, global corporate social responsibility, and emerging economies. We still need to develop a broader understanding of, for instance, the impact on MNEs of the worldwide institutional changes, and the liberalization of multiple countries' markets. How do internationalization and structural forms change to accommodate these environmental shifts? How do MNEs adapt their strategies to the institutional changes occurring specifically in the

Eastern European countries? How do the MNEs' location preferences change in response to environmental shifts? The fact, as recent calls for papers denote, we have to some extent assumed environmental complexity as a given, and have been devoting more attention to the internal processes and the management of international, or foreign operations, in partial disregard for the environmental context (RICART et al., 2004). Hence, we seem to be ignoring these environmental "uncontrollables" as Young suggested. The fact that many aspects of the IBE are considered uncontrollable may help explain the limited attention to such factors. For example, Young (2001) further suggested that some conflicting results on internationalization process studies might be due to changes in host government rules; but these are seldom included in internationalization process research. Notwithstanding, there have been studies seeking to assess some of these uncontrollable factors. For example, studies on international business political behavior (BODDEWYN & BREWER, 1994; HENISZ, 2000, 2002) or on the increased limitations on government sovereignty (KOBIRIN, 2001), on culture (MOROSINI, SHANE & SINGH, 1998), tax regimes (EDEN, 1998), legal systems (LA PORTA et al., 1997).

### **Taxonomy of IBE**

The complexity and multidimensionality of the international business environment lead to the development of some frameworks trying to classify its components. Without accepted taxonomies of the many dimensions that compose the environment, research becomes more difficult to conduct and publish. Broad acceptance of what the international business environment comprises is, thus, a milestone for research that delves deeper into the influencing facets of the environment. For example, Mascarenhas (1982) developed a perspective of multiple factors the MNE faces due to environmental uncertainty and focused on foreign exchange uncertainty, political uncertainty, and employment problems. Hambrick (1982) decomposed the environment into four categories: administrative, engineering, entrepreneurial, and regulatory, and these categories in twenty sub-categories. Several other scholars contributed to the classification in two broad dimensions: task (competitors, customers, and suppliers) and remote (political/legal, social/cultural, technological, and economic) environment (see DESS & BEARD, 1984; EBRAHIMI, 2000). More recently, Guisinger (2001) based on prior work, proposed the geovalent construct to comprise eight "mutually exclusive, exhaustive





quantifiable, and largely replicable” (GUISINGER, 2000, p. 4) environmental dimensions and encapsulate some of the main features of the IBE. These dimensions are: culture, legal system, political risk, income profile, tax regimes, econography (Guisinger described it as a “portmanteau word” that joins economic geography and demography, thus encompassing physical and human assets that the countries possess), exchange rate, and restrictions.

In essence, when building taxonomy of the environmental dimensions, what we are actually looking for are the major environmental factors that must be weighted in carrying operations to foreign markets, planning adaptation of products, selecting partnerships, and adjusting the internal processes of the firm to foreign operations (GUISINGER, 2001). Hence, no environmental taxonomy is, in itself, the analysis of the IBE, but one is needed to support both researchers’ and practitioners’ assessment of the responsiveness of firms to environmental pressures (GUISINGER, 2000). Guisinger’s (2001) geovalent construct offers a disaggregated conceptualization on the major dimensions that constitute the IBE, which is important to overcome a usual conception of the environment in a too broad manner that was described by Stephen Young (2000) as “everything out there”.

An interesting avenue to understand how and how much the environment has actually been the fundamental context underlying IB studies is to trace the content of quality published research. We will do that in the next section, but first we need to identify a parsimonious set of environmental dimensions. By parsimonious we mean that it is almost impossible to capture all environmental dimensions without being overwhelming. Hence, we acknowledge that the geovalent is also not an absolute classification, and other environmental dimensions could be added to the analysis.

Seven important dimensions of the international business environment are briefly described below (as per GUISINGER, 2001), and are then exposed to a brief content analysis in published research in IB journals, in the following sections. Culture is defined as the set of values, attitudes and beliefs that can be used to distinguish one group of people, or society, from another. There are some no cultural taxonomies, such as Hofstede’s (1980) and Trompenaars and Hampden-Turner’s (1997). Multinationals also need to adjust their policies and practices to the legal systems of the regions in which they operate. For example, Rafael La Porta and associates have measured the quality of government and the degree

of trust in societies and used these measures to explain patterns of national economic development (LA PORTA et al., 1998) and how differences between common and civil law systems (LA PORTA et al., 1997) may impact firms. Differences in income profiles among countries may require the MNE to adapt its operations, such as the labor skills and labor intensity used in production, pricing strategies and compensation policies. Jeffrey Sachs and colleagues (1996) developed measures that compute the economic distance of a country from its major markets to express the degree of “landlockedness” of countries and distinguish between temperate and tropical climates on a cardinal index.

Other dimensions include, the political risks arising from instabilities caused by regime shifts, unwanted bureaucratic interventions, civil insurrection or foreign aggression. The work of Transparency International on corruption comes to mind as an interesting way to quantify important aspects of political risk. Multinational firms further face a variety of tax regimes when they venture abroad, including national, regional and local fiscal obligations that may differ significantly from those at the home country. Additionally, MNEs are constrained to adopt policies to avoid or reduce exchange rate risk that may hinder profitability and induce relative shifts in the location (dis)advantages. Finally, restrictions refer to various forms of regulations such as tariff or non-tariff barriers that host governments place on foreign products and services, or on foreign firms themselves, when they enter the host economy.

The disaggregation of the IBE offered by Guisinger (2001) geovalent construct is better suited, than other classifications, for our study because it provides a more fine-grained distinction of the multiple components of the IBE, which permits us a finer identification using content analysis method. These are also environmental dimensions that are well accepted by IB scholars and because and large they are self-explanatory. It is worth noting that although Guisinger proposed that these dimensions are mutually exclusive, some interactions may exist among them. For example, differences in legal systems may induce or be induced by disparities in national culture. High-income inequalities in a country may result in more corruption, which could also be captured by the political risk dimension. We overcame this limitation by not allowing overlap among dimensions in our list of keywords. Nevertheless, although this procedure may result in under- or over-representation of one dimension in favor of another, the overall focus on the IBE remains unaffected.





## CONTENT ANALYSES OF EXTANT IB RESEARCH

We conducted two content analysis studies of published papers to investigate the extent to which extant IB research has taken up on the IBE as the context (BOYACIGILLER & ADLER, 1997), or as the distinguishing element (GUISINGER, 2001). Weber (1990) argued that content analysis is a good technique that permits us to uncover and observe the focus of individual, group, and social attention on a specific research field. Content analyses permit us assess the evolution of research, and explore trends in IB research (CZINKOTA & RONKAINEN, 1997). Content analyses have been used before in international business (ALBUM & PETERSON, 1984; LEONIDOU & KATSIKEAS, 1996; LIANG & PARKHE, 1997).

We drew seven major dimensions of the international business environment and constructed a list of keywords

that capture those dimensions. Each co-author constructed a list of possible keywords for each environment dimension: income, legal system, culture, exchange rate, political risk, taxation, and restrictions. These lists were discussed and aggregated with the final list of 12 keywords shown in Exhibit 1. This list was validated by Stephen Guisinger. This list, even if in a parsimonious manner, captures synonyms and related concepts, without being overly detailed.

For each article identified, the following information was collected: the year of publication, number of pages, and word count for each keyword. Each article was scanned for all keywords shown in Exhibit 1. All the articles that matched the keywords defined were viewed as an Adobe Acrobat® pdf file. Tracking the keyword in the article the coders read the context to assure that the meaning of the word was "relevant" and counted its frequency.

Exhibit 1 - List of keywords

ENVIRONMENT DIMENSION	KEYWORDS USED TO IDENTIFY DIMENSION
Culture	Culture, cultural or culturally, acculturation, multiculture or multicultural, transculture or transcultural, cross-culture or cross-cultural, subculture, multiculturalism, unicultural, monocultural
Legal systems	Legal, law(s), competition law(s), property rights, safety regulation(s), corruption, patent law(s), property law(s), payoff(s), civil law, common law
Income profile	income (income inequality, income per capita, per capita income, income distribution, income elasticity, income group, high/low/middle-income, premium income, income level, net income, residual income, income growth), purchasing power parity or PPP, GDP per capita, GNP per capita
Political risk	Political risk, civil unrest, political unrest, turbulence, civil disturbance, bureaucratic risk(s)
Tax regimes	Tax(es), taxation, foreign taxation, tax rate(s), tax-exemption, taxable, after-tax or pre-tax, government revenue
Exchange rates	Exchange rate(s), exchange risk, currency risk, currency variation, currency variability, currency changes, currency movement(s), currency uncertainty, currency instability, foreign exchange risk, foreign exchange changes, foreign exchange movement(s), foreign exchange variation, foreign exchange variability, foreign exchange instability, foreign exchange uncertainty, monetary risk, monetary variation, monetary variability, monetary changes, monetary uncertainty, monetary movement(s), monetary instability
Restrictions	Tariff(s), pre-tariff or post-tariff, quota(s), TRIM, trade related investment measures, trade policies, investment policy(ies), investment incentive(s), national treatment, border taxes, right (non right) of establishment, effective tariff protection, effective protection, performance requirements







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Often, descriptions of the impact of the IBE on the multinationals' operations and strategies are couched in terms, or words, that allow us to identify the environmental dimension being analyzed. Moreover, it is reasonable to expect that the more one paper refers some idea, expression, or word, the more attention is being devoted to that topic. For example, a paper that uses the word 'culture' (or some derivation of it) 100 times is more likely to be about 'culture' than a paper with only one count. The frequency of word count per paper gives us a measure of the emphasis dedicated to the subject in the paper. Scant references to the environment may only seek to position a paper into an accepted IB dialectic. This is important because, ultimately, it is *prima facie* evidence that some authors may be simply seeking to position the research within the expected contextual boundaries of IB research.

## STUDY 1

In the first study, we content analyzed the papers published in the Journal of International Business Studies (JIBS) from 1970 to 2000. JIBS was recognized as the leading journal for IB research (RICKS, 1985; MORRISON & INKPEN, 1991; INKPEN & BEAMISH, 1994; PHENE & GUISSINGER, 1998; DUBOIS & REEB, 2001). Between 1970 and 2000, JIBS published 889 papers (We used as papers all published papers available in JIBS online, including comments, replies and introductions of symposia), which we searched for all pre-defined keywords. All the papers were viewed in Adobe Acrobat PDF form, and we used the 'find' command to identify the keyword in the text. We analyzed the context of the keyword to assure that the meaning was relevant (the two coders read at least the entire sentence where the count was found). For example, if the word 'culture' referred to 'organization culture', it was not recorded because it did not relate to the concept of national or country culture. Inter-rater reliability was close to 100%.

If, as some scholars have proposed, the consideration of the environment is central for IB research, then we should expect to see a large number of references to the IBE, both in an holistic or multidimensional manner, as well as see some papers focusing exclusively on one dimension. In fact, despite some variability, we observed an upward trend in references to some dimensions of the IBE: 'culture', 'legal systems', and 'tax regimes', particularly after 1986. 'Culture' and 'legal system' were the two most addressed dimensions, and conversely 'political risk' was the dimension that captured the least research attention,

followed by 'exchange rate' and 'income profile'. Moreover, some dimensions have been prevailing. While 'culture' appeared in 355 papers (about 40% of the papers), and 'political risk' was referred in only 90 papers (less than 10%). 'Legal system' and 'tax regimes' were also significant dimensions in IB research over the 31 years. The relative emphasis on each dimension, assessed as the frequency of counts per paper, reinforces the strong inclusion of cultural elements in existing research. 'Culture' averaged about 27 counts per paper and 'income profile' a mere 16 counts throughout 169 papers.

## Environment at the margin

A salient observation is that over 40% of the papers were identified for legal system, income profile and political risk have only one keyword count. This is clear evidence that these studies only marginally address the impact of these environmental dimensions on the relationships or research question, being examined. That is, the environment seems to rest at the margin in IB studies. We identified the papers that had one, two, and five keyword counts in each environment dimension for a sensitivity analysis (Table 1).

We can clearly note that a large portion of the papers only "marginally" use the IBE dimensions. For example, 179 of the 302 papers (or 59%) identified for 'legal system' and for 'income profile' had at most 2 keyword counts; similarly for 'political risk', 'tax regime', and 'restrictions'. More than 40% of the papers have 2 or less counts. Using counts as a measure of emphasis, we seek to uncover and distinguish those papers that conceptualize (or are about) an environment dimension from those that also deal with it (or talk about). In the environment at the margin we identified many papers that only 'talk about'.

## Multi-dimensionality of the IBE

The IBE is multidimensional, therefore we sought to distinguish between the extent to which the papers comprised a multi-dimensional environment focus (the number of IBE dimensions used) and the papers that did not reference any IBE dimension. It now seems plausible, given our prior findings, that some papers may not reference at all the IBE. We found (see Table 2) that 15 papers out of about 900 papers (or 17%) did not include any IBE dimension, 284 (about 30%) are uni-dimensional in their approach to the IBE, and that no single study addressed all seven IBE dimensions.

In a content analysis, it is fair to say that the more the paper refers to some idea, expression or word, the more attention is devoted to such issue in the paper. For



example, a paper that uses the word ‘culture’ (or some derivation of it) 100 times is more likely to be about ‘culture’ than one with only one count of the word in the text. The frequency of word count per article may thus give us a measure of the importance dedicated to the subject in the paper. Similarly, occasional references may be made only for stylistic reasons and little advancement to the study of the construct (the IBE in this case) is expected from these situations. The sensitivity analysis used one, two and five keyword counts as cut-offs, and is illustrative of the sharp drop of the vast majority of studies to the one or zero IBE dimensions when these cut-offs are considered. Most notably, while more than 80% satisfied the one count criteria (889-152=737), once we raised the cut-off to two counts 313 papers showed up as including zero IBE dimensions and only 576 papers (or about 65%) passed this cut-off. More drastic was the decline when we set the cut-off at five counts and about half of all papers (450) dropped to the zero IBE dimensions. Given these results it seems reasonable to say that a majority of the published papers very marginally include environment dimensions and variables.

## STUDY 2

We conducted a second study comprising more journals and a more strict analysis. We selected the three leading IB journals: Journal of International Business Studies (JIBS), Management International Review (MIR), and the Journal of World Business (JWB/ CJWB - the Columbia Journal of World Business (CJWB) was renamed as Journal of World Business (JWB) in 1997) (DUBOIS & REEF 2001). Including several journals avoids possible biases in our Journal selection since different journals may have different preferences and editorial orientations.

This study proceeded similarly to the first, and employed the same keywords (Exhibit 1). However, we imposed more strict, even if arguably superficial, criteria for the content analysis by restricting it to the titles and abstracts of the papers published in these journals. If the focus of the paper is on a certain dimension it should show in the title or abstract. We used Texshare OVID over the period available: 1985-2000, to search each article. Texshare is publicly available for use from the Texas State Library.

Table 1 – The environment “at the margin”

	CULTURE	LEGAL SYSTEM	INCOME PROFILE	POLITICAL RISK	TAX REGIME	EXCHANGE RATE	RESTRICTIONS
Number of papers with counts	355	302	169	90	256	153	189
Mean number of counts in the papers above	26,81	5,71	4,86	6,69	9,54	17,48	5,20
Number of papers with more than 5 counts	226	63	32	23	84	81	42
%	63,66	20,86	18,93	25,56	32,81	52,94	22,22
Number of papers with more than 2 counts	293	123	68	41	135	103	95
%	82,54	40,73	40,24	45,56	52,73	67,32	50,26
Number of papers with 2 counts	33	55	32	12	44	18	39
%	9,30	18,21	18,93	13,33	17,19	11,76	20,63
Number of papers with only 1 count	29	124	69	37	77	32	55
%	8,17	41,06	40,83	41,11	30,08	20,92	29,10

Note: % refers to the percentage of the above number of papers over the total number of papers with counts in the specific IBE dimension.



Two results warrant consideration: first, the apparent absence of the IBE from published research is largely journal insensitive, since we did not find significant variations in environment focus or dimensions across all journals. We cannot conclude for some relative specialization of one or another Journal. The JWB

seems to have a lesser focus on culture and a relatively higher focus on several other dimensions (see Table 3). One simple explanation is that the JWB has a more business (possibly economics), rather than management orientation. MIR and JIBS follow similar patterns, possibly more management/marketing oriented.

Table 2 – Single and multi-dimensionality of IB studies

	NUMBER OF PAPERS <sup>(1)</sup>	NUMBER OF PAPERS <sup>(2)</sup> (> 2 COUNTS)	NUMBER OF PAPERS <sup>(3)</sup> (> 5 COUNTS)
7 IBE dimensions	0	0	0
6 IBE dimensions	6	0	0
5 IBE dimensions	25	3	1
4 IBE dimensions	53	12	2
3 IBE dimensions	116	37	10
2 IBE dimensions	254	161	74
1 IBE dimension	284	363	352
0 IBE dimensions	151	313	450

Note: (1) Includes any paper that has at least one count in an IBE dimension. Otherwise, papers without any count are reported in “0 IBE dimensions”. (2) Includes papers with more than 2 keyword counts, otherwise the papers are reported in “0 IBE dimensions”. (3) Includes only papers that have more than 5 counts.

Table 3 – The environment in JIBS, JWB and MIR: 1985-2000

		CULTURE	LEGAL SYSTEM	INCOME PROFILE	POLITICAL RISK	TAX REGIME	EXCHANGE RATE	RESTRICTIONS
JIBS (612)	Number of articles	89	9	5	9	14	16	6
	% of total articles	14,54	1,47	0,82	1,47	2,29	2,61	0,98
	Number of counts	252	20	7	22	43	49	9
JWB/ CJWB (568)	Number of articles	43	49	6	5	21	9	19
	% of total articles	7,58	8,63	1,06	0,88	3,70	1,58	3,35
	Number of counts	79	83	7	21	50	15	47
MIR (477)	Number of articles	54	5	4	5	11	16	4
	% of total articles	11,32	1,05	0,84	1,05	2,31	3,35	0,84
	Number of counts	140	11	5	21	33	35	5

Note: CJWB and JWB are aggregated as the second came to substitute the first. In parentheses the number of papers used.



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Second, environmental dimensions do not seem to emerge as strong as we could expect in guiding IB research. The row indicating the percentage of the total articles with counts illustrates that an environmental dimension appears as a main factor of research in less than 30% of the articles, across all journals. Articles focusing on culture are more frequent: 14,5% in JIBS, 11,3% in MIR and 7,6% in JWB. Interestingly in the JWB legal systems is the most recurrently examined dimension.

#### ADVANCING IB RESEARCH THROUGH AN IBE PERSPECTIVE

In addition to studies that take a uni-dimensional approach we also need multi-dimensional studies. This does not mean, however, that we need to consider all environmental dimensions, even because that is unviable. It means that IB research is improved by considering the simultaneous effect of more than one environmental dimension. The empirical findings would also be more easily generalizable. For example, research on MNEs may be improved if the researcher considers how legal and regulatory factors, social contracts, and restrictions to expatriates, simultaneously, impact on the core relationship being studied. That is, an accurate interpretation of empirical tests requires a broad understanding of collateral environmental dimensions that may have an impact beyond the immediate relationship being studied. It is not generally plausible that MNEs' concerns are exclusive to one IBE dimension. Rather, MNEs need to balance multiple, and diverse, pressures in every location and for every operation, even if there may be one dimension with a particularly high impact.

It is possible that IB as a discipline gains from endorsing more environment-based research. On occasion, the multidisciplinary focus of IB research (BARTLETT & GHOSHAL, 1991) has raised some doubts as to the legitimacy of IB as a discipline and has lead some scholars to call for a clearer understanding of what IB is as a research discipline (BODDEWYN, 1999; MARTINEZ & TOYNE, 2000; CONTRACTOR, 2000; PENG, 2004), or what international management means (BODDEWYN, TOYNE & MARTINEZ, 2004). It is possible that the IBE as context will take increasing importance in distinguishing IB research from other management disciplines. The growing internationalization of businesses also makes the IBE non-negligible for disciplines such as strategic management.

Finally, IBE-based research will probably contribute to practitioners. There are numerous blunders by firms,

even internationally experienced MNEs, that failed to understand the foreign environment. Ricks' (2000) depicts many situations of "Blunders in international business" whereby firms misunderstand the host country business environment. Academic research will most likely transpire to managers and MNEs may more easily develop environmental management and adaptation strategies.

#### From IB to management research

The IB research may advance its own theories and paradigms, and contribute to broadly strengthen management research by dedicating effort to disentangle and scrutinize the impact of environmental dimensions. Bartlett and Ghoshal (1991) pointed out that often IB research provides the stress laboratory for management research. Aharoni and Burton (1994) positioned it as the search for universal rules and the generalizability of management research (SHENKAR & VON GLINOWSKY, 1994). Boyacigiller and Adler (1991) criticized the parochialism in much of the research on national culture and noted that often researchers do not adapt instruments or assess the true meaning of theoretical constructs in the specific culture in which they are being applied. Moreover, focusing on only one environmental dimension may not suffice and there is great value in taking a multidimensional perspective because many phenomena are driven by several environmental dimensions.

In contributing to a better understanding of the context, IB research clarifies which theories are universal and which are particular (TRIANDIS, 1978). This is the more important as the scholarly focus has been gradually shifting from technical to social views (see ROSENZWEIG, 1994) where the environmental context is of great importance. The environment influences the strategy and structure of the firm. For example, Lachman and colleagues (1994) advanced how organizational structures change with the specific culture in which they are designed. Shane (1993) noted the change in entrepreneurial activity across international geographical space. Graham et al. (1994) noted how cross-national negotiation behaviors change. However, many other areas of management research still warrant research to demonstrate their universal validity and generalizability. Without generalizability across space, we are dealt a set of domestic, uni-national, and narrow scope theories. Krathwohl (1985, p. 74) put it better when he asked a fundamental question for external validity of models, constructs and theories: "[w]ould this relationship replicate with people or other cultures, in other countries of the world?"





## DISCUSSION

Guisinger (2001) argued that the IBE is likely to be the foundation to sustain IB as an independent discipline in business schools, and to provide consistency to what has been a largely multidisciplinary discipline. Boyacigiller and Adler (1997) advanced that the context is essential for IB studies. Young (2000) and Varadarajan et al. (1992) posted that we can move beyond a view of the environment as a set of uncontrollable and deterministic elements. We sought to reinforce these perspectives but went to the core by employing content analyses in assessing how the IBE has been addressed in extant published IB research in top IB journals. Although many scholars agree that the IBE is the context and should be examined holistically, we found that the IBE has been, at best, a rather peripheral issue. Although omnipresent, the IBE is not operational, and remains a vague “everything out there”.

### A critique of published research

The content analyses of published research highlight four major issues that warrant additional exploration: (a) a substantial share of the papers (about 17%) absolutely lack any reference to the IBE, (b) ‘culture’ is by far the most included environmental dimension, (c) the majority of the papers are uni-dimensional (32,1%) or bi-dimensional (28,7%), (d) the environment appears mostly at the margin (Table 2).

We found surprising that a substantial portion of the papers lacked any reference to the IBE. Taken in isolation this result indicates that albeit the environment is the context to IB research, it has not been explicitly addressed. It is possible, however, that the focus was on dimensions not captured here, such as dimensions of the institutional environment [although it is likely that when scholars refer to the institutional environment they will address culture (normative) and legal/political systems (regulatory)], and so forth. Future research may develop conceptual and empirical studies, which extend the boundaries of the traditional environment dimensions. These can be studies exploring the effect of political culture on MNEs’ strategies, decomposing broader environmental dimensions into its sub-parts, and studies examining how known constructs validate across space (BOYACIGILER & ADLER, 1991).

Notwithstanding, we should not discard the gradual shift of emphasis from country and industry analyses (that were central at the emergence of the discipline) to analyses of the internal processes of the MNE, the novel models of international inter-firm cooperation, the coordination of the MNEs’ subsidiaries, and the focus on the management

of foreign operations. That is, research may have shifted from the issues involved in conducting operations across nations to the issues relating to managing and integrating operations dispersed across multiple countries. This is a shift to “management” (BODDEWYN and colleagues, 2004) from “business”, but it also moves from the external to the internal environment of the MNEs (see also RICARTE et al., 2004; GRIFFITH; CAVUSGIL & XU, 2008; TUNG & WITTELOOSTUIJN, 2008). Future research may look at the external and the internal aspects of what cross-border operations mean and how it impacts IB studies.

It is worthwhile understanding why ‘culture’ is the environmental dimension that most attention has captured in extant research (see also BUCKLEY, 2002 and KIRKMAN; LOWE & GIBSON, 2006, for a review of how Hofstede’s cultural dimensions have been used in IB research over the period 1980 to 2002), particularly after 1980. IB studies are certainly not only about culture, nor are they about single countries (as per TUNG & WITTELOOSTUIJN, 2008). Probably, Hofstede’s (1980) work accounts for this impetus given to culture by providing researchers with a known, quantifiable, understood, available, applicable for inter-country comparisons, largely replicable framework for categorizing ‘culture’ across countries, and generally accepted cultural taxonomy. It may be the ability to measure cultural characteristics that is, at least partly, facilitating the inclusion of culture in IB studies. Hence, perhaps a holistic conceptualization and operationalization of the IBE that is exhaustive, quantifiable, replicable, and provide a comparable set of measures across countries may ease its inclusion in future research, much like Hofstede’s measures. At the moment there is a lack of usable, comprehensible and validated measures of the IBE. Possibly this lack of validation is even conceptual and some scholars may argue that the dimensions we used for the content analyses provide more a list of “cross-country factors” than “international” factors. Future research looking into this issue may prove valuable.

Finally, it is reasonable that an IB expert could conclude that in analyzing a particular problem only some variables are relevant, and the others could be safely ignored. Actually, this is appropriate, and it is not our claim that IB research needs to be always multidimensional to be worthwhile. The rules of conducting research, and scholarly contributions, tend to require that we take parsimonious endeavors and isolate effects in a set of what should be *ceteris paribus* hypotheses. Such is the nature of normal scientific progress and knowledge development. Our findings may be an artifact of this narrowness. While





researchers may view the added complexity of the IBE as a “stress laboratory” (BARTLETT & GHOSHAL, 1991, p. 5) to test models, assumptions, and theories, they may do so by relying on selected dimensions. Moreover, the empirical complexity and the cost of collecting data on many variables are likely to deter a holistic approach to the IBE. Nonetheless, while a uni- or bi-dimensional focus may be appropriate, it does not camouflage that about 20% of the papers did not include a single environmental variable (see Table 2).

### Additional future directions

The dramatic increase in studies on culture-related topics or topics using culture following Hofstede’s quantifiable cultural taxonomy is an encouragement for researchers pursuing the operationalization of other environment dimensions, namely in the form of multidimensional indexes. Such research would permit a more accurate comparison of results of different studies. Future research may use recent statistical techniques and software, such as structural equation modeling, for example, to develop overall scores of the IBE for each country using a structure of both/either latent and emergent factors. For instance, calculating scores for each environment dimension and these scores factored to obtain an IBE value per country. These country scores would permit considering many “uncontrollable” and be useful to study the mechanisms for IB in different countries. At the very least, they may be better than mere country controls.

It is important to understand where the discipline is heading, namely by scrutinizing why some dimensions receive more emphasis than others and how the emphasis is changing over time. For example, there is a growing focus on political constructs, the instability in the world and the terrorist attacks may be driving it. These events will influence how MNEs develop inter-national operations (LI, TALLMAN & FERREIRA, 2005). That is, is IB research sensitive to real world occurrences, which for example, change locations’ relative attractiveness? We also used to take exchange rate fluctuations for granted but the Asian crisis and later the financial crisis of 2008 brought the topic to the research table, namely given its impact on the global sourcing decisions and models. It may be further interesting to probe the combinations between dimensions to explore future research topics. In sum, there are many possible research avenues on how a greater emphasis on the environment may enrich research.

Additional conceptual development on the issues developed in this paper is desirable. On the process of presenting this paper in international conferences and

seminars we faced some disagreement on what the IBE is and on whether our dimensions capture the “international” or the “cross-national” environment, and how they differ. Albeit the disagreements, we propose that IB research may push its agenda by moving towards a stronger integration of the environmental dimensions in research.

Because our purpose was to evaluate how the IBE has been included, we did not show how these dimensions have been utilized regarding specific themes, such as on research in knowledge, entry modes, alliances, international joint ventures, the network perspective on MNEs and subsidiaries-headquarters relations. Future research may use a classification of the paper, such as that by Werner (2002) to assess how the IBE has been included in each area of IB studies. This could be interesting in determining which areas are more lacking in understanding of how the environment matters. This additional research would allow the study of the interaction between the IBE dimensions and the mechanisms for doing IB.

### Limitations

Although our purpose was conceptual, we used data collected through a content analysis of published material, thus warranting a comment on some *prima facie* data limitations. These limitations warrant some caution in interpretation. First, it is arguable that the keywords better capture the “cross-national” comparative environment rather than the “international” environment per se, as we noted. For IB research, national environments and how they compare to one another are particularly relevant and may be a large part of what we commonly refer to as “international”. Second, our list of keywords is certainly extensive, but not exhaustive, as an exhaustive list would be impossible. We are also aware that the authors may resort to the use of synonyms for stylistic or aesthetic motives (WEBER 1990). For example, other vocabulary such as industrial strategy, obsolescing bargain, state power, public policy, political hazards, and so forth, could be added as keywords to capture ‘political risk’. Also not exhaustive is our list of possible environment dimensions. Other non-core dimensions could be included to capture the institutional environment and aspects related to the characteristics of the human, labor and of the financial markets, demographic characteristics, geography, and so forth. To some extent, this questions whether we have a concise and yet exhaustive taxonomy that encompasses a complete definition of what the international business environment really is. With these limitations, perhaps the inclusion of the IBE may be under-represented in our





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content analysis, but we believe to be capturing the largest share of what we, as researchers, more often look at.

## FINAL REMARKS

Our analyses point to a simple fact: the IBE has not been the distinguishing factor for IB research, whether we take the IBE holistically or piecemeal. It may be that increasingly IB research is becoming more management oriented and taking upon increasing use of management concepts and theories not directly related to the more economics oriented traditional IB focus (see BUCKLEY, 2002; BODDEWYN et al., 2004). The distinction between what IB theory has been and theories about IB deserves additional research. Additional research on both the conceptual and the empirical delimitation of the IBE is also needed, as we gain from departing from all encompassing controls to attentive considerations of external environmental dimensions.

## NOTE

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