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## Retrospective and prospective views about the future of the multinational enterprise

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### ABSTRACT

This paper reflects upon Buckley and Casson's seminal volume *The Future of the Multinational Enterprise* (1976). Retrospectively, it examines the reasons for the impact of *The Future* on research in international business, on the one hand, while it reviews the merit of the different chapters in today's economic environment. The paper subsequently also introduces some prospective views on the use of internalization theory, which are elaborated upon in the other papers in this issue.

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## 1. Introduction

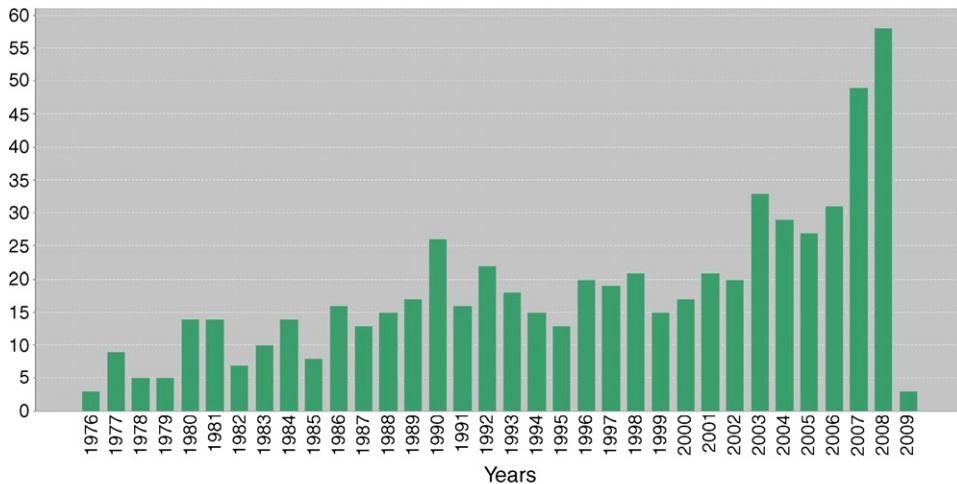
The *Future of the Multinational Enterprise* (Buckley & Casson, 1976) is a seminal work that has served as the basis for much of the research on multinational enterprises and has inspired many a researcher in international business. That a small book of only 116 pages written in 1976 had such an enormous influence on the study of the multinational enterprise (MNE) and foreign direct investment (FDI) has been a remarkable achievement, not only because it was written by two young lecturers of 26 (Buckley) and 30 (Casson) years of age, but also because it was their first publication, if exception is made for a textbook on mathematical economics by Casson that came out 2 years before. It attracted a large following in the IB community, given that their internalization theory was analytically powerful, methodologically accessible, and focused on the institutional basis of economic activity (Safarian, 2003).

Part of the story why 'The Future of the Multinational Enterprise,' hereafter abbreviated as the FMNE, was and still is so successful, was also because it was the beginning of an impressive publication record by both authors. Between 1976 and 2006 they wrote 38 more books, edited 36 volumes (78 if one includes the series volumes) and published 186 refereed articles, 126 book chapters and 18 reports. It is quite surprising that during those 30 years there were only 15 really joint publications, even though they spanned the whole period. As a result, they continued to bring their ideas and insights to the forefront of research on the multinational enterprise.

The FMNE itself was reprinted in 1978 and a paperback edition came out in 1991, with reprints in 1992, 1994 and 1998. A Japanese translation was published in 1993 and a Korean edition followed in 1995, making it into a global bestseller. In 2005 the book was also translated into Chinese. In 2002 a 25th anniversary edition was printed and in 2003 a special issue of the *Journal of International Business Studies* appeared (Yeung, 2003). It consisted of six different papers in which colleagues discussed the merits of the book. During the 32nd Annual Conference of the European International Business Academy (EIBA)

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Source: Cited References, Web of Science, ISI, 2009.

Fig. 1. The number of citations to *The Future of the Multinational Enterprise*, by year. Source: Cited references, Web of Science, ISI, 2009.

in Fribourg, Switzerland, a special commemorative session was organized on the occasion of the 30th anniversary of the publication of “*The Future of the Multinational Enterprise*”. The EIBA session started with an introduction by Daniel Van Den Bulcke and continued with a keynote address by Mark Casson. Together with the authors of the FMNE two other panel members were asked to reflect on the FMNE, i.e. Niron Haishai and Alain Verbeke, while Peter Buckley drew concluding comments before a lively discussion took place. Given the interest shown for the subjects discussed in the session, the presenters were asked to develop their retrospective and prospective views on internalization theory in order to further expand this theme.

A brief analysis of the cited references to the FMNE in ISI’s Web of Science reveals that it has 588 citations in the social science citation index (SSCI) in a variety of subject areas. The number increases to 623 when one allows the publication year to include reprints such as the 25th anniversary booklet (Buckley & Casson, 2002). Most articles come from business (336) and management (317), but also many researchers in the fields of economics (154), international relations (40) and geography (38) applied the concepts of the book by Buckley and Casson usefully. As a true sign of its status as a long-run theory of the multinational enterprise the number of references to their work has not abated. On the contrary, the number of citations continues to increase – admittedly also as a result of the growth of the social science index – from a level of between 5 and 15 references a year to more than 50 citations in 2008 (see Fig. 1).

The paper will first analyse the original book, which consisted of five chapters. After an introductory chapter about the MNE in the world economy, follows chapter 2 with ‘a long-term theory of the MNE’ and chapter 3 with a discussion of alternative theories of the MNE. Rightfully so, the chapters 2 and 3 have captured most of the interest of the book as it is in those parts that internalization is explained and the other theories are sidelined. But also chapter 4 about the ‘world’s largest firms’ on which the data are analyzed and chapter 5 with the title ‘predictions and policy options’ are worthwhile to look at in retrospect. The text will subsequently put forward some prospective insights, which are discussed in detail in the following papers by Buckley about the application of internalization thinking to the global factory, Hashai about knowledge transfer and the internalization hypothesis, Verbeke and Brugman about an internalization perspective on multinationality–performance research, and finally Casson, Dark and Gulamhussen on extending internalization theory from the multinational enterprise to the knowledge-based empire.

## 2. Data challenges

At the time of writing of the FMNE very little information was available about FDI and MNEs. Apart from the Fortune list, the Harvard MNE database and the data collected by Dunning and Pearce (1975), there was little else that the authors could have used. In the last paragraph of chapter 4 they wrote ‘The shortcomings of the available data severely restrict the power of the statistical tests, but there is no reason to believe that the confirmatory nature of the tests is in any way attributable to errors of specification’. It is amazing how much empirical testing the authors were able to carry out with the limited data they had at their disposal. The first chapter presents general data, while the fourth chapter empirically tests the earlier formulated hypotheses on the basis of those and other data.

In 1990 in the preface to the second edition the authors proudly stated that ‘It is undeniable that a search for proxies has had to be undertaken and that the design for crucial experiments is not easy. However, results to date show that the theory has survived a number of serious attempts to refute it.’ It is clear that in 2009 their claim still stands. Today much more information has become available both at the national level and at the level of the company. The obligation introduced by

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