

JIBS Special Issue

Zoom in, Zoom out, and Beyond: Locational Boundaries in International Business

Guest Editors

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Introduction

Traditional international business (IB) literature uses a country as a primary geographic unit of analysis in studies of strategic behavior and performance of multinational enterprises (MNEs) (Dunning, 1988; Zaheer, 1995). In recent years, two streams of IB research have emerged to focus on different levels and kinds of geographic units to study the locational effects. On one side, a line of research has begun to zoom in and use finer geographic units, i.e. subnational regions, to examine the effects of within-country differences (Chan, Makino, & Isobe, 2010; Ma, Tong, & Fitza, 2013). On the other side, a group of researchers zoom out and coin the term “regionalization” to argue that MNEs use supra-national regions rather than individual countries to define the primary geographical scope of business (Qian, Li, Li, & Qian, 2008; Qian, Li, & Rugman, 2013; Rugman, 2005). These new advances in IB also echo findings from international economic geography, which suggest that a simple host-home country dichotomy becomes insufficient (Fujita, Krugman, & Venables, 1999; Iammarino & McCann, 2013).

Indeed, some aspects of globalization are inherently geographical (Dicken, 2004) and the explicit incorporation of space in IB analysis holds the promise of significant advancements in our understanding of the world economy. In the field of IB, the main focus of study has been the effects of transiting from one country to another, what are in reality *discontinuous* “border effects” in the sense that they change abruptly at national frontiers (Beugelsdijk & Mudambi, 2013). In contrast, economic geography and regional science have focused more on the effects of various forms of “proximity”

(viewed as the reverse of “distance effects”) (Boschma, 2005) and these are continuous, in the sense that they change smoothly over space.

IB scholars have long recognized the importance of integrating local contexts into their research (Fujita, Krugman & Venables, 1999; Meyer, Mudambi & Narula, 2011). However, the nuances of local spatial analysis that have been developed in the large clusters literature in economic geography and regional science (e.g., Malmberg & Maskell, 2002) offer fruitful avenues for enhancing IB theories and models. Similarly, the analysis of regional economic blocs like the EU, NAFTA, ASEAN and Mercosur has received considerable attention in the international trade literature and this analysis has the potential to inform and extend the regionalization thesis in IB (e.g., Carrere, 2004; Frankel, Stein & Wei, 1997). These streams of research suggest that the effects of locational factors are multi-level in nature and the locational boundaries of IB should reflect both the diversities and connections between and across different levels and kinds of geographic scopes. Such an approach echoes and complements the literature on the “relational turn” in economic geography (Dicken & Malmberg, 2001), and focuses on the evolution and nature of connections of IB at various spatial scales.

Placing an MNE’s strategies within an integrated view of these different levels and kinds of geographic units to define an MNE’s locational boundary of activities could be the new challenges and opportunities IB researchers face. Accordingly, classical IB theories, which focus on “general” country-specific characteristics as a primary interest of analysis, should be extended to incorporate (a) more fine-grained information at various subnational levels; (b) more generic information at supranational levels. Such multi-level analysis holds the promise of significantly improving the specification of IB models and empirical estimates. It is possible that several effects currently ascribed to country factors may in fact arise either from local characteristics or from supranational regional variation. Further, different levels may evolve differently and at different rates (Cantwell, Dunning & Lundan, 2010). Since MNEs evolve with local environments, such multi-level analysis has important dynamic aspects as well.

The goal of this Special Issue is thus to encourage research that (a) goes beyond our understanding of traditional IB to focus on the cross-border activities of MNEs across multiple geographic levels; and (b) examines the multi-level effects of geographic layers on strategies and performance of MNEs and their foreign subsidiaries. We particularly welcome manuscripts that can stimulate dialogue between different fields of scholarship within and outside the realm of the conventional IB studies (Cantwell and Brannen, 2011). For example, theoretical insights of economic geography, regional

science, political economy, and international organization may shed new light on the development of the economic activities of MNEs across economies at different geographic levels of locations. Similarly, recent theoretical and empirical advances in regional and urban studies, geography, political science, sociology, and anthropology may provide new theoretical perspectives for examining the nested structures of economic activities of MNEs across the geographic kinds of locations.

Topics for the Special Issue

We welcome both theoretical and empirical contributions, and papers that address regional and subnational issues relating to MNEs. We offer a few questions below to provide a sense of what the special issue seeks to address. These questions are illustrative at best and are not intended to set boundaries in terms of the key themes of interest.

1. How do different IB theories intersect to explain the effects of locations at different levels? How can studies outside of the business domain, such as regional and urban studies, political science, sociology, and anthropology, complement the IB theories on the issue?
2. Why do MNEs choose different levels of concentration and spread within and across regions? How do regional, national and subnational differences affect the concentration and spreading strategies of MNEs within and across regions? How do these strategies affect market performance of MNEs' operations?
3. The international setting consists of different levels and kinds of locational effects. For example, European managers have to follow not only the common EU policies but also distinct national and subnational regulations. How do managers make sense the complex levels/kinds of influence of regulations and design their internationalization strategies?
4. Can historical ties provide additional explanatory power regarding the MNEs' location choice and geographic diversification decisions beyond the conventional distance effects? How do these ties affect MNEs' regional and global strategies?
5. Given that MNEs are simultaneously embedded in multiple subnational contexts, how do they take advantage of their regional or global portfolio of FDI to improve

their performance? What are the underlying organizational and relational mechanisms that make such arbitrage possible?

6. Industry effects can be subnational, national, regional and global, which has been shown in recent economic geography studies on the strategic roles played by industry clusters (Lorenzen & Mudambi, 2013). How do these effects interact to affect the behavior and performance of MNEs? In particular, how do the development of new technologies, structure of industry clusters, regional agreements, and changes in host government policies jointly interact to influence MNEs' internationalization trajectory, agglomeration efforts, and innovation patterns?
7. A focus on regionalization and subnational regions (and beyond) creates new methodological challenges and also opens new opportunities for IB research. On one hand, how do advances in multi-level modeling help in increasing precision to predict the crossing effects within, between, and across different levels/kinds of MNEs' locational boundaries? On the other hand, how do qualitative studies can be used to capture the complexities and differentiated contexts of above-mentioned issues?

Submission Process

All manuscripts for this special issue will be reviewed as a cohort. Manuscripts must be submitted between October 15, 2016 and October 31, 2015, at <http://mc.manuscriptcentral.com/jibs>. All submissions will go through the JIBS regular double-blind review process that the JIBS uses for regular manuscripts and follow the same norms and processes that have been established by the journal; see www.jibs.net.

For more information about this call for papers, please contact the Special Issue Editors.

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About the Guest Editors

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Postscript

When we initially proposed the topic, we consulted with Professor Rugman, a pioneer in regionalization. He fully agreed on the importance of this issue. He not only supported our initiative for a special issue but was also willing to serve as a consulting editor. To our sorrow, Professor Rugman passed away unexpectedly. Our efforts to organize this special issue can be regarded as a commemoration of this great scholar in international business.