

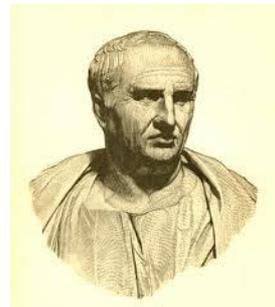
International
Entrepreneurship:
A Business History
Perspective

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Why history?

- “Study the past if you would define the future.”
Confucius (ancient Chinese philosopher, 551-479 BC)
- “Not to know what happened before one was born is always to remain a child.” Marcus Cicero (ancient Roman philosopher 106BC- 43BC)
- “Business History and International Business are cognate subjects. Time is a key variable in any analysis of MNEs and a test of a good theory is how well it can account for time.”
Peter Buckley (President AIB 2002-2004, in 2009)



“History Matters”

- AIB Fellows from Dunning and Vernon to Hennart and Cantwell (and many others) have used historical evidence to build and test theory;
- Concepts of change over time are inherent in evolutionary, resource-based, product cycle (and other) widely-used theories in IB;
- Over the last decade, “history matters” has been repeated so often that it risks cliché status.

Is anyone listening?

- Khanna/Jones, “Bringing history (back) into international business,” *JIBS* 2006;
- Buckley, “Business history and international business,” *Business History* 2009;
- And yet....the journals, this conference are not full of papers purposefully engaging with historical evidence.



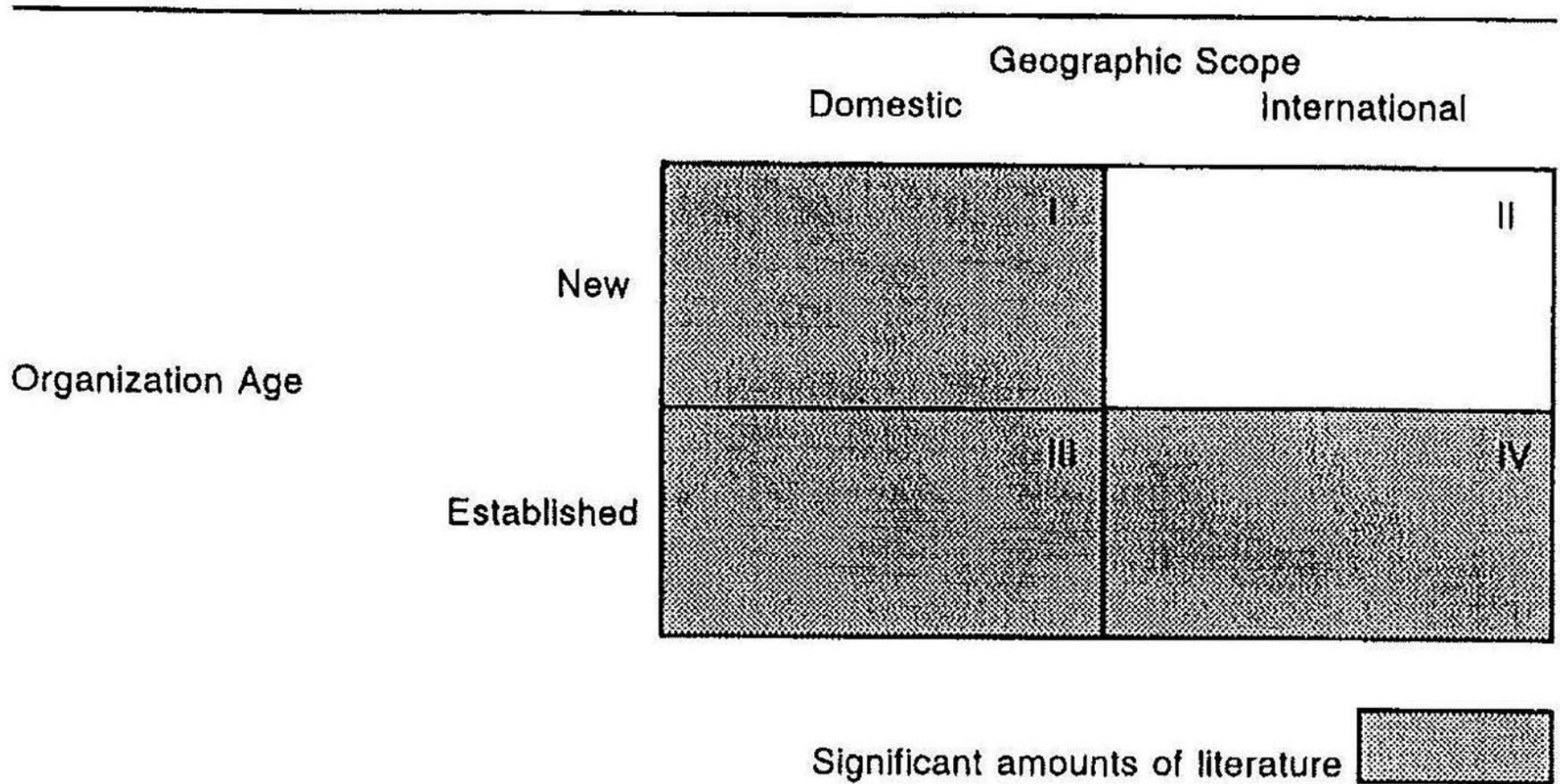
How can history add value to IB?

- Challenge phenomenon erroneously identified as new;
- Correctly identify trends;
- Locate decisions and strategies in temporal context.

Making sure new is really new

- In the academy, there is great pressure to show “research gaps” and provide new frameworks;
- This can lead to an exaggeration of “newness” and missed opportunities in theory development;
- Take (unfairly) the case of the very exciting rediscovery of the entrepreneur in IB through the lens of INVs and born globals.

FIGURE 1
The Domain of Academic Literature on Organizations¹



Born global firms

- “During the past couple of decades... the emergence of mechanisms and infrastructures that are facilitating the internationalization of countless smaller, entrepreneurial firms. The trend has been hastened by the development of technologies that allow companies to internationalize and conduct global business much more efficiently than ever before.” (Knight and Cavusgil 2004)
- “Electronic interconnectedness in particular is driving the emergence of a borderless global economy. Information technology and the Internet are liberating forces, permanently altering the landscape of international trade.” (2004)
- “Until recently, international business was mainly performed by large, well-resourced multinational enterprises (MNEs). The appearance of large numbers of born-global firms is revolutionizing the traditional character of international business.” (Knight and Cavusgil 2009)



Not so new...

- Wilkins (1986, 1988, and Schroter, 1998) discuss thousands of (primarily) European-based “free-standing companies” formed before 1914 (Dunning 1976 had also seen the phenomena);
- They also had no prior domestic business, and typically operated with a very small head office;
- Like born globals today, they were typically not “global” but often single project or market niche firms, and usually single region.
- Free-standing firms largely disappeared by 1930s.

What could historical knowledge contribute?

- IT and the internet are evidently time-bounded explanations of the phenomenon;
- This kind of international entrepreneurship could be seen as the “norm” except when exchange controls, tariffs and public policies constrain and distort globalization, as they did 1930s-1970s;
- The historical evidence might also suggest that we are simply looking at one growth path of “regular” MNEs;
- It also shows that entrepreneurial founders in the past had prior industry experience, capabilities or networks – no new theory necessary then (or now?)

Identifying trends

- “Diversified business groups operating in a collection of unrelated activities are typical of the capitalist countries that industrialized after World War II-the emerging economies of Southern Europe, Latin America, and Asia” (Guillen, *AMJ*, 2000);
- Explanations vary, from ISI policies to institutional voids;
- They were (are) often predicted to disappear when “institutional voids” improve or policies change.

Not so new...

- Jones (2000) showed that the diversified business group form was widely used in pre-1914 UK FDI (half the world total).
- These groups survived for a (very) long time – many until late 20th century. (Jones 2000, 2015) suggests they were successful forms of international business organization until UK capital markets decided they were unfashionable;
- Survivors of the nineteenth century cohort, listed outside the UK, remain prominent.



What could historical knowledge contribute?

- Rules out various general theoretical explanations, like specific policy regimes;
- Renders suspect any view that business groups are not a viable form of business organization;
- Clearly shows that family ownership and management can provide a viable form of IB.

Historical reasoning

- “History” involves a lot more than background information or longitudinal data (helpful as they are);
- Sequence and context are crucial – actors and actions are temporally located;
- Interdependency of variables over time: variation in casual relationships between independent and dependent variables can change over time.

“All behavior is historical. It takes place over time and in particular contexts. Moreover, contexts themselves, the social relations and institutional forms, rules, and processes in which we exist, are subject to historical change. Although these statements would seem to be unexceptionable, **most of our mainstream journal articles are written as if they apply to some disembodied abstracted realm.** Articles are written about abstract topics (e.g., principle-agent theory) or abstracted entities (e.g., the possibilities of mergers), as if the paper dealt with some timeless entity. In the text, if the article is empirical, the time and place frame of the data may be mentioned; however, the implications of that time and place frame for the topic under consideration may barely be mentioned.”

Mayer N. Zald, *ASQ*, Vol. 41, No. 2, 1996.

Implications

- Concepts such as the MNE are not timeless; strategies and functions are rooted in time;
- This is particularly important for understanding entrepreneurship - the key issues of cognition, judgmental decisions, assembly of resources are contextual bound;
- Yet the entrepreneurship literature has developed an especially ahistorical nature with limited regard for context.



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Creation of “FSAs” a ragged process

- The CEM interviews reveal that creation of large (often international) businesses by entrepreneurs in emerging markets were and are full of exogenous shocks, serendipity, etc – at different points of time and stages of firm growth ;
- Does this mean emerging market MNEs are different and need a new theory? – probably not;
- Does it mean that IB scholars could engage more rigorously dynamics of international entrepreneurship? – yes.

A final word of warning

- History with “stylized facts”, or uncritically employing “secondary sources,” is often worse than no history;
- It is necessary to treat the past with as much rigor as we treat statistical techniques;
- Which means engaging with historical materials (whether archives, interviews or data).

Conclusions

- Engagement with the context of time offers major opportunities for IB theory development;
- It permits clearer understanding of trends, and the newness (or otherwise) of phenomenon;
- Major insights can be gleaned from understanding the temporal context of events and institutions;
- Progress will depend on a willingness to relax methodological orthodoxy by journal editors and promotion committees. That is the biggest challenge of all.

