Local Contexts in Global Business

Klaus Meyer,
China Europe International Business School
Shanghai, China
International Business matters because Local Context matters!
Which Context?

Historical (time) Context
- 2014

Geographic Context
- British Columbia - Canada - NAFTA

Organizational Context
- Firms acquired by Chinese SOEs

Industry Context
- Natural Resources

Klaus Meyer
www.klausmeyer.co.uk
Global Business = Multiple Local Contexts

Globalization = “a process leading to greater interdependence and mutual awareness (reflexivity) among economic, political and social units in the world, and among actors in general.”

“Local” contexts differ along many dimensions, ...

Yang Liu (A Chinese Artist living in Berlin)
“The Design of Cultural Difference”,
http://blog.sina.com.cn/s/blog_5d20abc20100hkwy.html
Convergence?

Divergence?

Semi-globalization?
Two People,

**The Exceptionalist**  
“those foreign ideas won’t work here”

**The Universalist**  
“let’s roll our best practices out worldwide”

*Not Invented Here*

*Global Best Practice*

both will fail in Global Business
What does this imply for practice?

Many of the most innovative, most exciting companies don’t just “do local and global”, they **integrate local and global** knowledge.

IB scholars know both how important that is, and how difficult to achieve in practice!
What does this imply for practice?

The Case of the Business Education Industry in China

Klaus Meyer

www.klausmeyer.co.uk
What does this imply for scholarship?

“There are no such things as universal management theories… Not only practices but also the validity of theories may stop at national borders”

• The word ‘management’ actually refers to different activities in Germany, Japan, France, Holland, Overseas Chinese, South-East Asia, Eastern Europe, Russia, China, USA.

• Cultural values of the context within which managers act imply that the role of ‘manager’ is quite different in different context.

• Consequently, assuming validity of US-generated theories when practicing or researching ‘management’ around the world is highly flawed.
Is “general theory” scholarly hubris?

How useful is “general theory” for management in a diverse world?

Good general theories are the most powerful analytical tools of the social sciences.

But,

General theory is feasible only at a very high level of abstraction

Inappropriately claimed general validity is leading into the ivory tower

Focusing on what holds true everywhere provides low explanatory power to real world questions.
Formulation of 'testable' hypotheses

At high levels of abstraction general theory is feasible

Grand Idea of the theoretical argument

Already at this stage, implicit assumptions about context are common

Operationalization & measurement of constructs

At this stage context-specific assumptions are almost unavoidable

Data Collection and Analysis

Contextual moderators; Noise in the data varies across contexts (systematic bias).

Apart from the general idea, not much can truly be generalized from a single-context empirical study!
IB research in the context of ‘global’ management knowledge

Context-specific research
- Local research disconnected from global conversations
- Making the novel look familiar
- Making the familiar look novel

IB research (context-embedded)
- Context as an independent variable
- Context as a moderating variable

H: Context matters!
- yes
- no

Context-specific models or knowledge
- Context-bounded models or knowledge
- General (context-free) models or knowledge

Global Management Knowledge

[Sources: Tsui, APJM, 2004; Meyer, JIBS 2007]
We need *less*

- Leaning-over-backward to pretend generalizability of our findings

We need *more*

- Critical and honest reflections over what aspect of the research are generalizable, and what aspects are not
Exploring contextual variation is both a core mission and a key challenge for International Business scholars!

**Single Country Studies**
- Indigenous Research

**Multiple Country Studies**
- Comparative studies
- Replication studies

**Many Country Studies**
- Large cross country datasets
- Meta-Analysis

Is this relevant beyond the context you are analyzing?

Which of the many context differences actually explains the behaviour differences observed?

Can the crucial phenomenon actually be measured equivalently in all these countries?
Investigating how and why context matters for business is our core mission as IB scholars.

Enhancing mutual understanding of people across contexts is our social responsibility!
Some of my own work relevant to the issues raised in this talk:

**On Context in Research Designs:**

**On Central/East Europe as Context for International Business:**
Some of my own work relevant to the issues raised in this talk:

**Studies of the impact of sub-national contexts:**

**Studies of the impact of host county national contexts (selection):**

**Study of the interaction of home and host contexts:**