

CONTRIBUTION AND COMMENT OF SELECTED DISCIPLINES ON THE DEVELOPMENT OF A PARADIGM IN INTERNATIONAL BUSINESS

Tai, Fang-Mei

National Penghu University of Science and Technology, Taiwan, Republic of China

wfmtai@gmail.com, fmtai@npu.edu.tw

Abstract

International Business (IB), in other words might be ‘trans-national’—business, is in constant transformation at ever accelerating rates of change. It is impacted by everything, i.e., politics, finance, technology, manufacturing, transportation, economics, and in turn impacts everything. Channels of business keep broadening, relationships become more complex, competition is waged ever more fiercely. In the arena of international business, competitive advantage is a short-lived thing and understanding the contribution from disciplines is crucial, the power of knowledge is valued enough to prosper the international business. The related literatures were reviewed, described, analyzed, and evaluated in this study so that the contribution of some root disciplines, i.e., organizational theory, economics, political science, on the development of the paradigm in IB were integrated. Through Qualitative and Quantitative method, the stage of the development of IB paradigm was also commented.

Keywords: Paradigm, International Business, FDI, Organizational Theory, Political Science, Economics

INTRODUCTION

International Business (IB), in other words might be ‘trans-national’—business, is in constant transformation at ever accelerating rates of change. It is impacted by everything, i.e., politics, finance, technology, manufacturing, transportation, economics, and in turn impacts everything. Channels of business keep broadening, relationships become more complex, competition is waged ever more fiercely. In the arena of international business, competitive advantage is a short-lived thing and understanding the contribution from disciplines is crucial, the power of knowledge is valued enough to prosper the international business. Under this study, in the

context of IB, the major determinants of FDI include market size, growth prospect, rate of return, urbanization, etc. would be discussed. Overall, some studies, such as ADB Institute (2006) found that FDI (Foreign Direct Investment) has a significantly positive impact on growth and more beneficial for the export-led growth economies of some countries; the major determinants of FDI are market size, labor force growth, infrastructure index, and trade openness. The most significant and influential factors in South Asia are market size and labor force growth.

LITERATURE REVIEW

There are many factors impacting IB Development and the most important as follows:

The Contribution of Root Discipline from Organizational Theory

Organizations and environment (O&E). Researchers stated either organizational outcomes or environmental outcomes are significantly different approaches to O&E research. The first aims to contribute to organization theory and performance; the other aims to improve environmental performance (Bansal & Gao, 2006).

Organizational Theory in Education. The quality of education and training implies that technical training should be enhanced in comparison with general education. If the governments have measures to direct a large numbers of pupils to technical training schools, in other words, as at early stage of industrialization, governments had placed a priority on development of skill-intensive sectors of labor-intensive industries, they were improving in quality of the whole educational and training system, which is a prerequisite as well as contribution on the development of a paradigm (like organization advantages) in IB.

Others Attracting FDI. In order to build strategy for attracting FDI on the comparative advantages, specifically for the regions having natural resources, policy usually is aimed at calling resource-seeking FDI, which foreign investors are provided most favored condition in doing their business there. And the regional authority themselves offer investment opportunities rather than waiting foreign investors submitting their proposals. For long-term strategy, common measures, such as public investment on infrastructure and education and training (mentioned as the above) should be used to help contribute in IB.

According to literatures, Law on domestic and foreign investment should be merged into one to create the image that host country does not treat domestic investment and foreign investment unequally. Regulation should be more transparent and more investor-friendly by widespread dissemination of information about the investment environment in the country. Labor-intensive type is the FDI another choice: In investment promotion workshop, the personal

contacts also should be used. In addition, skilled human capital is crucial for capturing and impacting the positive effects from FDI; countries with skilled labors can more easily adjust and develop the gain from FDI. And which will facilitate the contribution to the development of IB.

The Contribution of Root Discipline from Political Science

Political Science. In placing a priority of development for export-oriented FDI, although protection is sometimes desired from foreign investors at pre-operational stage, openness obvious is a significant positive determinant of FDI. Therefore, to really promote FDI into any country, countries should be more open. In general, the tariff rate for foreign invested firm's imports should gradually reduce according to international agreements, which would also be a contribution for political science on the development of a paradigm in IB.

Keeping stable political and economic stability, improving overall legal framework for promotion of FDI by creating favorable investment environment, i.e., the foreign investors enjoy same treatment on possible areas where the host enterprises are not allowed to keep leading position, or the dual price system for infrastructure service should be abolished. If all of these are taken, they would contribute to the development of IB paradigm, too. Also, trade treaties, both on the world-wide level of the WTO and in a convoluted spider web of individual bilateral and multilateral agreements, are redefining the political landscape and aid the development of paradigms in IB.

The Contribution of Root Discipline from Economics

Economics. Economics helps economic growth and others. Economic growth in any country depends upon the sustained growth of productive capacity, supported by savings and investment. Low levels of savings and investment, particularly in developing countries and least developed countries, results in a low level of capital stock and economic growth. In the relatively short lifespan of humankind, business/trade has been a primary driving force of history. In the book of Goff (2006), Shister stated that we are currently in a phase of dramatic, unparalleled economic transformation. The world has changed in the mere several years since formation of the WTO. Phenomena that barely registered on the screen a decade ago--globalization, international business supply chains running at just-in-time speed, high value-added off-shore production--now constitute business practice.

Economic impacts. Economic impacts of FDI such as promotion of trade, employment generation and technology spillover. FDI has increasingly become an integral part of the national economy and by means of Economics it might contribute positively to economic growth

by encouraging domestic investment, creating employment opportunities, transferring technology, and boosting export. And which will surge of FDI to ensure high economic growth or sustain the development of the country in return. Regional economic integration is also positively relative to international business. Economic development and delivery of a higher standard of living to society are the fundamental objectives of most countries and therefore both social and economic goals are aspired to attain it, and it depends upon many elements including productive facilities, skilled labor, availability of capital and others especially the creation and diffusion of advanced technology (as a prerequisite to Third World development). According to Yavas and Cavusgil (1989), increasing prosperity and even existing in international business is by the management know-how, a set of traditional management, effective and efficient management of available resources, and quantitative and functional area skills/techniques (essential to achieve the goals of an organization in an effective and efficient way). That means, the development of a qualified managers armed with contemporary managerial know-how dealing with international business is crucial and imperative.

Transaction cost economics (TCE)

TCE is most associated with the work of Oliver Williamson (2009), though he was building on earlier work, particularly by the Nobel Prize winner Coase. One reason why the theory is so important is that it represents one of the first and most influential attempts to develop an economic theory that takes seriously the structure of firms. Previously, economic theories tended to treat the firm as a sort of 'black box,' the internal workings of which were not considered to be important.

Evaluation tool. A market requires full information to be available to all parties and perfect competition, among other factors. Departures from this perfection (sometimes called "market failures") can result in firms incurring costs when they attempt to buy or sell goods or services. For example, lack of information about alternative suppliers might lead to paying too high a price for a products. Lack of information about a customer's creditworthiness might result in a bad debt. These are transaction costs. These costs usually are used as the evaluation tool when the companies decide to take FDI.

Assumptions that Williamson make. Williamson's contribution rests in specifying the variables that determine whether "market or hierarchy" will have the lower transaction costs in various circumstances. Therefore, 'before discussing these, we have to mention the assumptions that Williamson makes that underpin the theory as the assumptions are bounded rationality and opportunism, important not to confuse these assumptions with the variables. Bounded rationality

refers to the fact that people have limited memories and limited cognitive processing power. We can't assimilate all the information at our disposal, or we can't exactly work out the results of the information we do have.' Managers face the same problems. No matter how knowledgeable they might be, they cannot consider all the possible alternative courses of action. Williamson doesn't assume that all people will act opportunistically all of the time. He merely assumes that some people will act opportunistically some of the time, and that you can't tell in advance who is an opportunist and who is not.

Three Variables. The variables about transaction costs are frequency, uncertainty and asset specificity (Ronald, 2001). The real explanatory power of the theory comes from the three dimensions or variables that are used to characterize any transaction. Transactions can be frequent or rare; have high or low uncertainty; or involve specific or non-specific assets. According to the literature, these three variables will determine whether transaction costs will be lowest in a market or in a hierarchy. It is easiest to consider these variables with respect to decisions about whether to integrate vertically.

TCE is very useful; it has the weaknesses in the theory needed to be recognized:

1. It is often very difficult to measure transaction costs even if they can be defined. However, the theory assumes that it is possible to neatly separate production and transaction costs, but in practice this is often not possible.
2. TCE assumes that there are limits on the extent to which decision-makers can be rational (that means, it assumes bounded rationality), but it still makes little opportunity for the other factors that we know affect decision-making, e.g., the profit maximizing, cost minimizing object is not considered to be problematic. In reality, we know that this is not the case. There are often conflicts of interest among managers, the interests of managers and shareholders may not be perfectly aligned, & etc. Consequently, power plays an important role in decision-making.

The Price in International Business Development

Lancioni (1989) suggested in order to be favor in the international business, price is important and the price setting should be done on two levels in international marketing—the external market level includes factors, such as customer price sensitivity, competitive price levels, and government regulation; and the internal level considers cost reduction goals, ROI objectives, sales volume requirements, and production volume quotas, from which the both environments would have to be taken into account when (the time) prices are being set in international marketing.

Others new factors affecting IB Development

In Mayfield et. al. (1998), location- the role of place as a key factor, has a significant impact on the effectiveness of international business negotiations. Moreover, the Internet offers a powerful and a variety of practical methods in the global marketing and also has a direct impact on international business (Natesan & Smith, 1998).

The emerging process of managing internationally calls for different perspectives, different information, different skills, and a much greater tolerance for ambiguity and uncertainty. We need to be aware of the competitive imperatives that underlie international business development in order to make strategic change happen (Schaeffer, 1989). The above can be of great assistance for business organizations seeking success or root in international business in long-term.

METHODOLOGY

Methodology: The study builds on existing literature and theories on FDI, IB, Organizations and environment, political science and economics, as well as explores on enterprises' perceptions of FDI & related issues.

This method of the study comprises two parts; the first explorative stage based on qualitative method, including through important IB-based attributes of FDI is identified. The second quantitative part is based on the survey that explores the IB performances along these attributes of FDI from Taiwanese MNEs.

Validity of the survey instrument was assured through the literature review for questionnaire needed to better understand by Taiwan participants who also provided greater reliability of results.

ANALYSIS

Qualitative Part

It is based on the survey by telephone interviews: 10 telephone interviewers randomly chosen from the list of Taiwanese industry and trade companies (Directory.com.tw, 2014), 4 are non-FDI enterprises, 2 refuses to response, and there are only 4 (40%) do FDI. Table 1 summarizes data regarding FDI performances.

Table 1 Telephonic Interviews for FDI Survey

#1	#2	#3	#4	RQ1-4
Yes Positive	Yes Positive	Yes Positive	Yes Positive	Has your Company known FDI and executed IB ? Positive or negative?
O&E	Economics	Economics	Economics	How has FDI been impacted by Organizational Theory (O&E), Political Science, Economics, and Others?
40%	45%	40%	40%	Foreign Assets as % of Total Assets?
1. Market size 2. Labor Force 3. Natural Resources 4. O&E	1. Tariff rate 2. Trade openness 3. Productive Facilities 4. O&E 5. Labor- intensive 6. Savings and investment	1. Labor-intensive 2. Infra-Structure 3. O&E 4. Natural Resource	1. Tariff rate 2. Trade openness 3. Productive facilities 4. Labor-intensive 5. Savings and investment	What are the corporate metrics for the IB effectiveness to FDI?

Quantitative Part

Integrate the literatures from ADB Institute (2006) and others and FDI values in four “pillars”, Overall/Others, Organizational Theory, Political Science, Economics four variables were used and developed into a questionnaire. The variables in this study with measure items are as following Table 2:

Table 2 FDI Variables and Measure Item

Variables	Measure Item (Question)	Reference
1. Overall and Others Attracting FDI	Q1. FDI has a significantly positive impact on growth and more beneficial for the export-led growth economies of some countries.	1. ADB Institute, (2006)
	Q2. FDI offers Natural resources, location, etc.	2. Lancioni, (1989)
	Q3. Market size, labor force growth, infrastructure index, and price- attracting FDI .	
2. Organizational Theory: (1) Organizations and environment (O&E) (2) Organizational Theory in Education	Q4. O&E provides improving the environment performance of enterprise and makes FDI.	Bansal & Gao, (2006)
	Q5. If government emphasize on development of skill-intensive labor- intensive industries, they improve in quality of the whole educational and training system, also help on the development of IB.	
	Q6. Pollution problem would be supported to solution.	

3. Political Science	Q7. Host country does not treat domestic investment and foreign investment unequally – which makes FDI.	Buthe & Milner, (2008).
	Q8. Regulation should be more transparent and more investor-friendly about the investment environment; and the foreign investors enjoy same treatment on areas.	
	Q9. Trade openness is a significant positive determinant of FDI; the tariff rate for foreign invested firm's imports should gradually reduce.	
4. Economics	Q10. Productive capacity is supported by savings and investment by host country.	1. Goff, (2006) 2. Williamson, (2009)
	Q11. FDI encourages domestic investment, creates employment opportunities, skilled labor, productive facilities, transferring technology, availability of capital, boosting export, and development and delivery of a higher standard of living.	
	Q12. Lack of information such as a customer's creditworthiness might result in a bad debt. It is one of transaction costs (TCE) which usually are used as the evaluation tool when the companies decide to take FDI.	

FINDING

The Questionnaires (Responses are on a five-point Likert-type scale ranging from (1) = strongly disagree to (5) = strongly agree.) were collected from randomly chosen and valid seventeen enterprises and analyzed by SPSS. Reliability analysis using Cronbach's alpha (Scale-Reliability Analysis) was completed on four dimensions. The alphas ranged from .686 to .749 In addition, through descriptive statistics-frequencies, mean and standard deviation were obtained as well for reference.

Table 3 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Q1	17	3.00	5.00	4.2353	.56230
Q2	17	3.00	5.00	4.4706	.71743
Q3	17	3.00	5.00	4.0000	.70711
Q4	17	4.00	5.00	4.9412	.24254
Q5	17	3.00	5.00	4.0000	.86603
Q6	17	3.00	5.00	4.3529	.60634
Q7	17	2.00	5.00	3.5882	.93934
Q8	17	3.00	5.00	3.7647	.56230
Q9	17	3.00	5.00	4.0000	.79057
Q10	17	2.00	5.00	3.3529	.78591
Q11	17	1.00	5.00	3.0000	1.06066
Q12	17	2.00	5.00	3.7059	.77174

Q4 has the highest mean, Q2 is the next; while Q11 has the least mean, Q10 is second to the last.

Summary of the Findings

1. Of the measure items, Q4 (O&E provides improving the environment performance of enterprise and makes FDI.) was reported by respondents as their most popularly perceived CSR behavior, Q2 (FDI offers Natural resources, location, etc.) is the next, shown as of Fig 1.
2. While Q11(FDI encourages domestic investment, creates employment opportunities, skilled labor, productive facilities, transferring technology, availability of capital, boosting export, and development and delivery of a higher standard of living.) was considered by respondents as their least popularly perceived item. Q10 (Productive capacity is supported by savings and investment by host country.) is second to the last.
3. The result through Qualitative and Quantitative method is almost the same on Q4. That means the enterprises in Taiwan play importance on Organizational Environment and which made them IB through FDI.

CONCLUSION

Comment on the stage of development of the IB paradigm

Again we take the well-known example of product life cycle theory created by Vernon (1966) for commenting on the stage of development of the IB paradigm. In his view, the products in the market will experience innovative, matured, and standardized three stages. Later he amended by adding the 'stagnation' stage. Products, in different stages of the life cycle, need to be met with the production of different origins. During products innovation stage, enterprises should take domestic production choice and then export the products. When products entering the mature stage, enterprises should transfer production overseas to reduce costs, maintain the market share of the products. When entering the standardization phase, enterprises have a monopoly advantages vanish and the production needs to be shifted to developing countries with low labor costs; the invention country begins importing the products. The Vernon product lifecycle model is an older model since World War II, the model has been criticized for being at the ethnocentric because it was a model that applied to American companies to expand to developing countries, and we now live in a world that we have exported products to the developing countries and invested in the developed countries, i.e., we could see the situation where Chinese firms are investing in the US. However, the Vernon lifecycle model is useful and did contribute to the development of IB.

Implications

Foreign direct investment (FDI) is one of the key issues in International Business (IB) research. Scholars/researchers presented a lot of theories on FDI. This study based on the literatures looks for integrating those articles and schools of thought relevant in a comprehensive manner to describe the selected disciplines, i.e., organizational theory, economics, political science, on the development of a paradigm in IB; comment on the stage of development of the IB paradigm is also presented. Especially this study relates these theories to the research needs and practical applications certified by methods of both Qualitative and Quantitative approaches. That means, this study adds empirical data to support the theory. The method of survey and Questionnaire of this study can be as reference to the countries who need to execute IB and FDI and earn the development of a higher standard of living or fortune.

Further Research

Further researches are suggested to develop some practical applications using of the foundation theories of IB, i.e., Kuhn, Reynolds, or others, to encourage global governments or enterprises to play a vital role involving in implementing Strategic behavior or Vernon's life cycle model, essential to success in IB, for maximizing the markets in global business competition, and achieving the follows: (1) Expand scope of theoretical knowledge. (2) Add empirical data to support the theory. (3) Provide more effective tools to apply the results, dimension, in the competitive markets.

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