The development of international business theory: implications for international business teaching and research in Colombia

El desarrollo de la teoría de los negocios internacionales: implicaciones para la docencia e investigación de los negocios internacionales en Colombia

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Abstract

The article provides an overview about the development of international business theory beginning with Hymer's seminal contribution in 1960 and ending with a contribution by Engwall from 2006 that links institutionalization theory to the multinational firm. Building on these theoretical developments, the article gives new directions for research regarding the internationalization phenomenon of Colombian firms. Furthermore, it is suggested that universities in Colombia that offer international business programs include international business theory in their curriculum to strengthen its epistemological basis and to provide motives for students, especially at the postgraduate level, to research the internationalization behavior of Colombian firms - a phenomenon clearly under-researched in the country and internationally in the context of Latin-America.

Keywords: international business, international business theory, teaching, curriculum, Colombia, Latin America.

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Resumen

El artículo resume los principales desarrollos teóricos de los negocios internacionales, inicia con la contribución de Hymer en 1960 y termina con la de Engwall de 2006, en la cual se relaciona la teoría institucional a la empresa multinacional. Al considerar estos desarrollos teóricos, el artículo muestra nuevas perspectivas para investigar el fenómeno de la internacionalización de la empresa colombiana. Además, se invita a las universidades colombianas que ofrecen programas en negocios internacionales a que incluyan las respectivas teorías en sus currículos para fortalecer su base epistemológica y motivar así a sus estudiantes, especialmente de posgrado, a investigar el comportamiento de internacionalización de la empresa colombiana, un fenómeno poco investigado en el país y a nivel internacional en el contexto Latinoamericano.

Palabras clave: negocios internacionales, teoría de los negocios internacionales, enseñanza, currículo, Colombia, Latinoamérica.

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1. Introduction

The development of international business theory can be traced back to the Canadian economist Stephen Hymer who, in 1960, submitted his Ph.D. thesis at the Michigan Institute of Technology under the supervision of Charles Kindleberger. Before that, international business activities were largely explained by (international) trade and capital flow theories. Hymer's seminal contribution was the first attempt to explain foreign direct investment on the firm level. Henceforth, international business theory put the firm at the centre of analysis and economic theory was the main basis used to explain foreign direct investment as expressed in the internalization theory and the OLI paradigm in the 1970s. Raymond Vernon's product cycle and international investment approach from 1966 can be viewed as an exception to international business thinking at that time focusing rather on the country and international trade theory than on the firm and economic theories. During the 1970s, a group of Scandinavian scholars put more emphasis on the internationalization process linking it to the behavioural theory of the firm. From then on, firm internationalization theories were not only put forward by economists but increasingly by business strategists, organizational theorists, economic geographers and political scientists.

This article reviews the development of international business theory beginning with Hymer's seminal contribution in 1960 and ending with a contribution by Engwall from 2006 that links institutionalization theory to the multinational firm. This, of course, cannot be a complete presentation of all the developments that happened since 1960. For instance, the article does not refer to the recent international entrepreneurship phenomenon that is the rapid internationalization of often small or micro enterprises. Nevertheless, many of those "newer" tendencies build on the general models, paradigms or theories that developed since the 1960s. The article therefore has three intentions: 1) To provide a general overview of the development of international business theory for the interested reader; 2) To critically question how international business is taught at universities in Colombia; 3) To provide new directions for research regarding the internationalization phenomenon of Colombian firms.

From a methodological perspective, the review of international business theory is mainly inspired by Forsgren (2008) and Rugman and Brewer (eds.) (2001). Those readings provide the fundamental framework for the article which the present author complemented with additional sources and contrasted with other review articles by Weisfelder (2001) and Björkman and Forsgren (2000).

2. The development of international business theory

The development of international business theory is presented according to its key concepts and main contributors. It follows a chronological order with the year of publication of the first contribution to the key concept of its main author(s) as principal criteria (please refer to the table in the appendix). However, and due to space limitations of the article, some key concepts and main contributions that appear within the table in the appendix are not further outlined.

2.1. First modern theory of the multinational enterprise

In 1960, the Canadian economist Stephen Hymer (as cited in Dunning, 2001, p. 37, Hymer 1960) submitted his doctoral thesis "The International Operations of National Firms: a study of Foreign Direct Investment", which most scholars consider the beginning of the development of a modern theory of the multinational enterprise (MNE). Using industrial organization theory as the fundamental construct for his analysis, Hymer shifted the discussion from foreign direct investment based on a neoclassical financial theory of portfolio flows to the firm (the MNE) per se. Thus, his thesis was a first attempt to create a theory of the firm putting the firm's strategic investments abroad at the centre of the analysis. Strongly influenced by the work of a leading industrial economist, Joe Bain (as cited in Dunning, 2001, pp. 37-38, Bain 1956), Hymer relates the asset specific power of the MNE to Bain-type advantages that result through structural market imperfections such as the ownership of proprietary rights, knowledge advantages and scale and cost economies. Those firm advantages or as Kindleberger (1969) calls them, monopolistic advantages, are created through market imperfections in the home market and exploited in the host country with the aim to appropriate a maximum economic rentability. After finishing his doctoral thesis, Hymer put the economic welfare implications of the MNE as the central theme of his research. Hymer (as cited in Ghauri & Buckley, 2008, pp. 8-9, Hymer 1970) argued that the MNE does not operate under the state but alongside it or above it, and that giant firms from both side of the ocean, namely the United States and Europe, will eventually achieve some kind of oligopolistic equilibrium within a new structure of international industrial organization, nevertheless causing tensions and conflicts in the world. This was expressed by Hymer (1970) through two basic laws of development: the law of uneven economic development and the law of increasing firm size. The power of the MNE was further expressed as, "In the giant corporation of today, managers rule from the tops of skyscrapers; on a clear day, they can almost see the world" (as cited in Forsgren, 2008, p. 25, Hymer 1970). Thus, the MNE represents a clear hierarchy where strategies are decided by the corporate headquarters and orders passed down to be executed by lower levels. Full control over corporate strategy by the headquarter is the overriding principle (Forsgren, 2008, p. 27).

2.2. Internalization theory

During the 1970s international business theory saw a new development. Increased attention was given to the MNE as an institution and the reasons behind the desire to extend its value added activities abroad. The central theme of inquiry came to explain the foreign production of firms as a market replacing activity: why do firms headquartered in one country prefer to own value-adding activities in another country, rather than engage in arm's length or contractual transactions with foreign firms? (Dunning, 2001, p. 40). Whereas in Hymer's view of the MNE, the internationalizing firm possesses unique advantages (monopolistic advantages) over the indigenous firm in the host country, the leading exponents of internalization theory argued that such advantages were not a necessary prerequisite for foreign direct investment and that the MNE should rather be seen as an institution that coordinates cross-border transactions of intermediate products more efficiently within MNE hierarchies than through external markets. The rationales behind these arguments are imperfections in the external markets (Dunning, 2001, pp. 41-42). The internalization of imperfect markets was initially proposed by Coase (1937) and later reinterpreted in a behavioral context resulting in Williamson's (1975) transaction cost approach. Hennart (2001, p. 132) though argues that the transaction (cost/internalization) theory did not originate with Williamson (1975), but was in fact independently developed by Buckley and Casson (1976) and Hennart (1977, 1982), himself inspired by McManus (1972). Nevertheless, it can be said that internalization theory is based upon the transaction cost approach. Williamson's transaction cost approach interprets the main reason for market failures (based on market imperfections) as the existence of uncertainty, small-numbers bargaining, limited rationality and opportunistic behavior. Uncertainty relates to the changes in the environment that the owner of a monopolistic advantage cannot anticipate or control. Small-numbers bargaining means that the counterparts in a business transaction are locked into their relationships because of a mutual adaptation of resources and operations through long-term contracts and asset specificity. Limited rationality represents cognitive limitations through imperfect information about suppliers and customers in the market that might motivate opportunistic behavior through cheating. Those four components incur positive information, enforcement, and bargaining costs, hence, transaction costs (Hennart, 2001, p. 133). If the coordination of business transactions is now carried out within one and the same firm, those transaction costs can be eliminated or substantially reduced. It is generally argued by the proponents of internalization theory that the MNE exists because the firm internalizes markets across borders. Therefore, a cost-minimizing behavior becomes the rationale behind the creation of the MNE (Forsgren, 2008, p. 49).

2.3. Oli paradigm

According to Forsgren (2008, p. 46), Hymer (1960) explained "why" foreign investment is possible — firms possess a specific advantage. Internalization theory stresses the "how" factor — in which situations do firms prefer to operate via the market and when does internalization of foreign operations become preferred. However, neither monopolistic advantages nor internalization theory are able to answer the question of "where" the firm should operate internationally. This issue was addressed by Dunning (1977), initially at a Nobel Symposium in 1976 in Stockholm, where he put forward the OLI paradigm. The OLI paradigm rests on the juxtaposition of three inter-related factors: the competitive ownership advantage of the MNE (O specific), the geographical advantage of particular countries in providing complementary assets (L specific), and the internalization advantage of the firms possessing the O specific advantages to combine these with those of foreign based assets by foreign direct investment rather than openly through the market (I Specific). The paradigm integrates different contextually related theories and can thus be called eclectic (Dunning, 2001, p. 43).

Rugman and Verbeke (2001, pp. 158-160) see an important contribution of Dunning's eclectic paradigm in its strengths to allow identification of key location advantages for four different types of international production:

- Natural resource seeking foreign direct investment: firms invest in host country locations if they are an attractive source of low cost natural resources, and export resource based or labor intensive products with a low technology content.
- Market seeking foreign direct investment: the location advantages are characterized by the host country's market profile (market size, number of competitors, etc.), trade barriers, and investment climate, among others. Most notably, location advantages are actually industry specific.
- Efficiency seeking foreign direct investment: the key location advantages are not related to low labor costs in this form of foreign direct investment but rather refer to large markets with the presence of local scale economies. Besides, location advantages are expressed in the form of an appropriate infrastructure, technology development and the presence of supporting institutions. All important factors for MNEs that want to complement their ownership advantages through location advantages.
- Strategic asset seeking foreign direct investment: the investing MNE tries to secure assets of foreign firms through acquisitions or joint ventures. The key location advantage rests for instance in the access to research and development capabilities, especially if linked to a localized innovation system.

The interplay between a company's specific advantage (FSA) and a host country (location) specific advantage (CSA) determine if foreign direct investment takes place. In this sense, it is important to consider how CSAs have changed over the past. According to Rugman and Verbeke (2001, pp. 160-162), Dunning emphasizes the emergence of knowledge as a key asset during the 1980s and 1990s. Hence, MNEs are now much more attracted by an excellent infrastructure and institutional facilities than low labor costs or cheap raw materials. Furthermore, he highlights the spatial proximity in the knowledge development process between the non-locations bound FSAs of MNEs and the immobile clusters of complementary assets in host countries. The interplay between FSAs and CSAs got a more dynamic interpretation with the start of the new millennium as MNEs now are rather seen as geographically dispersed networks in contrast to mainly FSA exploiting. Thus, the network itself is competence-creating, and the location advantage is not an exogenous but an endogenously created advantage (Forsgren, 2008, p. 48).

2.4. Internationalization process of the firm

During the same years between 1976-1977 that Buckley and Casson, Hennart, and Dunning put forward their internationalization theories/ paradigms based on economic theory, the Swedish scholars Johanson and Vahlne (1977) developed their process model of internationalization, based among others, on the behavioral theory of the firm as put forward by Cyert and March (1963). This model is also known as the Uppsala internationalization process model (U-model). The U-model describes sequential or incremental internationalization along two dimensions: the establishment chain and the psychic distance chain. Internationalization along the establishment chain is expressed by an increasing market commitment[1] as the firm gains a deepening insight over time through learning from its experience of current operations in foreign markets. Psychic distance is expressed as the liability of foreignness[2]. Thus, the larger the psychic distance larger the liability of foreignness. This explains why companies first enter nearby markets (countries) they are familiar with and then gradually move on to less familiar markets that are further away in psychic distance (Dunning 2001, p. 40; Vahlne & Johanson, 2002, p. 212). The U-model therefore suggests that lack of knowledge about the foreign market constitutes the main obstacle to an increased commitment towards internationalization and that such a barrier can only be overcome through learning by doing acquired through active presence in that foreign market. Experiential knowledge about a country's market and the resulting investments determine future investments in that market and increases market commitment over time (Forsgren, 2008, p. 105). Hence, the model is dynamic and involves path-dependence. The underlying critical assumptions of the model are characterized by uncertainty and risk management by the actors to secure long-term profitability achieved through continuous firm growth (Vahlne & Johanson, 2002, p. 212). According to Hadjikhani and Johanson (2002, pp. 285-286), over the years, the U-model became one of the predominant models for understanding firm internationalization and it has been reviewed and tested extensively in a large number of empirical studies. Nevertheless, it also received criticism. Some scholars described it as deterministic or stress the fact of its inability to define managerial behavior; others criticize that lack of knowledge cannot be considered anymore as a factor limiting increased market commitment or geographical extension, and others characterize the model as treating firms as passive or defensive – internationalization is rather understood as a defense to decrease uncertainty.

2.5. Network approach to internationalization

Business network theory as developed by Swedish researchers (e.g. Hagg & Johanson, 1982) in industrial marketing and international business is the underlying construct for the network model of internationalization. The business network represents the environment for the firm built on long-lasting relationships between suppliers and customers. According to Forsgren (2008, p. 103), empirical studies published by Hakansson (1982), and Turnbull and Valla (1986) confirmed the importance of such relationships. They found that most firms generate their profit from just a few customers, that is, 20 per cent of the customers account for 80 per cent of a firm's sales in most cases. Business relationships are not only vital for sourcing and marketing, but more importantly for a firm's competence development, and thus, constitute an intangible asset for the company. Knowledge plays a major role in business network theory. Internationalization is basically driven by knowledge acquisition about foreign business networks and can only be acquired through a first-hand experience in the foreign market. Thus, experiential learning becomes a vital component for firm internationalization. This is in sharp contrast to Hymer's MNE where the main driver for internationalization is the exploitation for a firm-specific advantage and lack of knowledge about foreign markets is therefore compensated by a firm-specific asset (Forsgren, 2008, p. 104). Experiential learning is also an important characteristic in the U-model of firm internationalization as described earlier. In business network theory, however, market commitment and market knowledge need a different interpretation: market commitment can be seen as the commitment to specific business relationships in the network and market knowledge as knowledge about business partners' capabilities developed through

1. An increasing market commitment is expressed through an internationalization process that starts with ad hoc exporting, then moves on to regular exports through agents in the foreign market, followed by the establishment of an own sales organization and might end up with foreign direct investment in form of an own manufacturing site. This process can be related to different stages of entry modes. Nevertheless, Vahlne and Johanson continuously resist that their model is being named a stages-model, based on the fact that the most important change aspect of the model is learning and the specific entry modes are of no importance (Vahlne & Johanson, 2002, p. 212).

2. The concept of liability of foreignness was originally expressed by Hymer (1960) to explain the necessity of a firm-specific advantage that is able to offset the liability to operate in a foreign market.

exchange with these partners (Forsgren, 2008, p. 106). Based on empirical studies, Johanson and Vahlne (1990) introduced the business network view in the 1990 U-model to consider the importance of exchange aspects of critical business activities between a company and its counterparts, and thus, incorporated the concept of business relationships (Vahlne & Johanson, 2002, p. 212). In their latest contribution, Johanson and Vahlne (2009)[3] revised the 1977 U-model even further the and present their business network model of the internationalization process considering the changes in business practices and theoretical advances, in mainly business network theory, that have been made since 1977 when the initial U-model was presented. From a business network theory point of view, the MNE is not just a single entity but consists of a more or less loosely coupled network of subsidiaries highly influenced by their respective business network context. Hence, all business actors within the network are mainly affected by their business rather than institutional environment. Relationships between the different actors are characterized as embedded relationships that are very close in terms of a mutual adaptation of resources, activities and knowledge exchange, or simply consist of arm's-length transactions (Forsgren, 2008, pp. 108-111).

2.6. Contingency theory of the multinational enterprise

Hymer's (1960) perspective of the MNE and internalization theory both represent views of a rather closed system where the MNE does not interact with the environment. Contingency theory therefore tries to open up the organization and formulate propositions about the impact of the environment on the strategic behavior of the firm. It expresses specifically that there is no one best way to organize a firm, that not all ways of organizing a company are equally effective, and that the best way to organize a firm depends on the nature of the environment to which the firm relates. The concept of strategic fit is introduced with contingency theory that claims the necessity of a continuous adaptation of the firm's strategy to changes in the environment, and not vice versa. The development of contingency theory can be traced back to Chandler's study from 1962 (see Chandler, 1962) of US corporations that showed that firms adapt their basic structure to new challenges in the environment (Forsgren, 2008, pp. 71-74). According to Forsgren (2008, p. 98) "the application of contingency theory to the multinational firm means that the firm is primarily a victim of the environment. The environment is the exogenous variable, while strategy and formal organization are endogenous ones." One of the first studies that applied contingency theory to the MNE was Stopford and Wells' seminal study from 1972 (see Stopford & Wells, 1972) of US firms that revealed that a development of a firm from a one-product, domestic firm to a multi-product or multi-market firm requires a gradual adaptation of its organizational structure. A subsequent study building on the findings of Stopford and Wells is Egelhoff's information-processing view of the MNE from 1988 (see Egelhoff 1988) (Forsgren, 2008, pp. 78-79). This view stresses the capacity of the firm to process information about products and markets for efficient decision-making. A fundamental assumption is the difference between the required information-processing that the firm faces and the respective information-processing capacity within the organization. Hence, a fit is required between the strategy and environment and the way in which the firm is managed. Besides, the information-processing view tries to offer solutions to reduce the tension between the need for coordination and information overload as a result of complex and dynamic environments. A high degree of complexity in the form of an extensive product portfolio within the MNE leads to a decentralization of decision-making to subsidiaries while changes in the environment rather lead to centralization of decision-making in the corporate headquarters (Forsgren, 2008, pp. 97-98). The application of contingency theory in a more profound way on the subsidiary level is emphasized by Ghoshal and Nohrias' (1997) approach to the MNE as a differentiated network. In such approach each subsidiary is treated uniquely and uniform organization-wide structures and

3. The article is part of the Journal of International Business Study 40 years and Academy of International Business 50 years anniversary issue that also includes interesting contributions from Peter Buckley and Mark Casson with a review of the progress of internalization theory over the last 30 years, and Jean-François Hennart regarding foreign market entry as a bundling of MNE and local assets from a transaction cost view.

centralized control systems cannot be replicated for every subsidiary. This requires unique linkages between corporate headquarters and each subsidiary. Besides, if a subsidiary's environment is more complex than that of other subsidiaries, decision-making is not centralized in corporate headquarters but in the respective subsidiary. This leaves room for autonomous decision-making in subsidiaries. However, shared values are introduced to define common goals and interests between headquarters and the subsidiary (Forsgren, 2008, pp. 86-98).

2.7. Evolutionary theory of the multinational enterprise

The evolutionary theory of the multinational enterprise is based on organizational capability theory (OCT) (Dunning, 2001, p. 43). OCT argues that firm specific advantages (i.e. capabilities and competences) are related to its managerial and organizational processes and mainly embedded in complex social interactions and team relationships within the company. A replication or transfer of those advantages to other country markets is often difficult without replicating the organizational context or transfer of key personnel. Thus, OCT offers another perspective of why foreign direct investment takes place, namely caused by the necessity to maintain an original organizational and human context in which the company's unique capabilities and competences are embedded in another country market. Nevertheless, OCT also recognizes other forms of cooperation between firms such as strategic alliances and joint ventures. This is based on the view of OCT that a firm must sustain and develop its core competence (Prahalad & Hamel, 1990). In that sense, the development of core competencies can be a joint effort between the firm and an external partner, especially when a high degree of tacit knowledge is involved. Foreign direct investment in OCT is interpreted on the one hand as an exploitation of a firm specific advantage (value exploitation) and on the other hand as a value creation activity with the intention to learn and develop new competencies by investing in a new context (Forsgren, 2008, pp. 56-60). The same way that internalization theory claims that firms are superior because of their distinct characteristic of creation of hierarchies, the evolutionary theory of the firm as put forward by Cantwell (1989), and Kogut and Zander (1992, 1993) characterizes a firm's superiority because of its geographically dispersed networks of production units, and its social community respectively. In the latter, knowledge is the primary competence of the firm. Such knowledge is embedded in the competence of individuals and in routines within the organization (social knowledge). Hence, the firm possesses a sociological advantage that the MNE can exploit further over time through the combination of knowledge from different countries by transfer. Such transfer, however, is more efficient within the same MNE (between sub-units of the same firm) than among the MNE and external partners due to the shared view on goals and strategies and common communication channels among individuals of the same firm. In this regard, Kogut and Zanders' view of the firm differs from the general OCT in that it does not consider the possibility of (outside) firm cooperation (e.g. strategic alliance and joint venture). Cantwell's evolutionary view of the MNE, however, stresses the importance of different forms of cooperation with "outsiders". In Cantwell's view, the MNE's dispersed network of production units allows the development of core competences over time through the interplay between location-specific advantages of the environment of its sub-units and the MNE's original core capabilities. Therefore, different forms of cooperation are a natural mechanism for accumulating technological competence and for extracting knowledge from different country environments (Forsgren, 2008, pp. 61-63). In summary, the evolutionary theory of the MNE depicts the firm as a repository of knowledge and a social community with its core competence lying in a mixture of its organizational processes and its employees, developed continuously over time.

2.8. Institutionalization theory and the multinational enterprise

Institutionalization theory assigns the firm the role of a political actor. Different countries constitute fragmented or pluralistic contexts with a variety of institutional agencies. Thus, the MNE is naturally exposed to different contexts. Institutionalization theory now tries to shed light, on the one hand, on the impact of the institutional environment on the behavior of the MNE, and on the other hand, on the way the MNE influences the institutional environment.

According to Forsgren (2008, pp. 131-137), institutionalization theory mainly has been applied in the context of the MNE to the following three themes of inquiry:

- Cross-national transfer of policy as proposed by Kostova and Zaheer (1999): institutional distance, that is, differences in the regulatory, normative and cognitive institutions between countries, hinders the transfer of practices and policies from headquarters to subsidiaries located in different countries. In some cases a hybridization of transferred practices occur and practices are reshaped and might lose the functionality they possessed in their original location. Institutional distance can also constitute a power base for the subsidiaries in their negotiations with headquarters about the terms of transfer.

- Conflicting pressures for isomorphism at the subsidiary level as proposed by Blumentritt and Nigh (2002): the subsidiary of an MNE is exposed to two different environments that can trigger isomorphic pull on it. On the one hand, it is the subsidiary's host country environment, and on the other hand, it is the environment comprised of the MNE per se including headquarter and other subsidiaries. The subsidiary can now adapt to the local institutional environment, with the risk of disintegration from the wider MNE network through over-adaptation, or if conformity to the corporate system is prioritized too strongly, the subsidiary might lose its legitimacy within the local institutional environment.

- The political role of the MNE as proposed by Engwall (2006): MNEs are considered active political players in the different institutional contexts of countries. In some cases, the institutional context impacts the behavior of the MNE, and in other cases, MNEs are rather proactive trying to influence and shape institutional environments[4]. Thus, the societal role of the MNE can be seen, on the one hand, in a positive light the MNE adapts to the values of society and, on the other hand, from a more negative stance, the MNE manipulates society in accordance with its own economic interests[5].

All in all, the MNE from an institutionalization theory perspective can be viewed as a loosely coupled sociological, organic entity that regards the entire environment and that makes use of its negotiational power with headquarters due to its first-hand knowledge and experience of the local institutional context.

3. Implications for international business teaching and research in Colombia

The Colombian higher education system is comprised of a large variety of undergraduate (*pregrados*) and graduate programs (*especializaciones* and *maestrías*) related to international business[6]: 161 undergraduate and 44 graduate programs approximately (*Ministerio de Educación Nacional*, 2010). It is notable that only two out of 44 graduate programs are on the master's level, both Master of Arts degrees, and Master of Science degrees in international business are non-existent. Besides, there are six research groups related to international business registered within the national science directory of research groups *GrupLAC* (*Colciencias*, 2010). This suggests an unbalanced relation between programs offered and academic research activities to support them. As in other Latin-American

4. Rugman and Brewer (eds.) (2001) contains a complete part related to the political role of the MNE. Kobrin (2001) for instance recognizes the increasing influence of the MNE on the international political system, much in line with Vernon's (1971) sovereignty at bay. Brewer and Young (2001), however, emphasize the impact of multilateral regimes of investments on MNE strategy, and Spar (2001) takes a stance in the middle, recognizing both the power of MNEs influencing politics but also the impact of nation-states shaping the MNE.

5. Havila et al. (eds.) (2002) features contributions by Ghauri and Buckley (2002) and Forsgren (2002) claiming that societal issues related to the MNE gain increased importance in the research agenda of international business, and favouring the network structure of the MNE because of its rather preferable structure from a socioeconomic point of view.

6. Programs related to international relations (*relaciones internacionales*) are not considered within that category. International business undergraduate and graduate programs have different denominations, such as *Negocios internacionales*, *Comercio internacional*, *Comercio exterior*, *Finanzas y negocios internacionales*, *Administracion de negocios internacionales, Economía y negocios internacionales, Finanzas y comercio internacional, Marketing y negocios internacionales y Comercio y negocios internacionales*.

countries, Colombia followed an import substitution policy of development and implemented an economic reform and liberalization in the early 1990s. Since then, academia in the country became more interested in the field of international business with the first undergraduate programs offered during the same time.

Reviewing the development of international business theory, two aspects of inquiry become evident in relation to international business teaching and research in Colombia: on the one hand, the content of what is taught within the international business curriculum, and on the other hand, the focus of international business research in the country. Internationalization of the Colombian firm is usually taught focusing on the firm as an exporter (Santamaria, 2007). This is quite obvious, as most Colombian firms, soon after the economic liberalization in the early 1990s, entered international markets first through exporting before committing themselves to other entry modes such as strategic alliances with foreign business partners, or even establishing physical presence in markets abroad in form of direct investment. Nevertheless, with the change to the new millennium companies did venture abroad and conquered new markets increasingly making use of distinct modes such as joint-ventures and strategic alliances, and in some cases, through foreign direct investment (e.g. Fuerst, Penagos Tascón, & Villa Ramírez, 2008; Fuerst & Franco Cordoba, 2010; Fuerst & Maya 2010). International business programs increasingly adapted to the new changes in the business environment and also covered the different entry mode strategies in their curriculum. However, and to the best knowledge of the author, international business theory is not taught in any undergraduate or graduate international business program[7]. This for instance is in contrast to international relations programs in Colombia that generally include an international relations theory course in their curriculum[8]. Teaching international business theory would certainly provide a more profound basis for the curriculum, especially for postgraduate programs. Besides, the study of international business theory might motivate students to research the actual internationalization behavior of Colombian firms as part of their course or graduation work and thus, provide new insights into a topic clearly under-researched in the country. From the review it also becomes evident that the development of international business theory became more multi-disciplinary over time[9] or as Dunning (2001, p. 62) put it: "IB (International Business), after all, comprises an eclectic set of related disciplines, and this is one of its main strengths. Perhaps, in the next half-century, its scholarly reach will embrace even more disciplines." In this regard, the multi-disciplinary character of the international business curriculum should be considered an important characteristic.

As previously mentioned, international business research is still in its infancy in Colombia. The lack of research groups, Master of Science degrees and faculty with doctoral studies in international business surely contributes to this phenomenon. The review of the development of international business theory provides several starting points from where the internationalization of Colombian firms can be studied:

- Do Colombian firms make use of monopolistic advantages in their internationalization process as described by Hymer and put forward by Dunning as an ownership advantage?

- Regarding foreign direct investment, what are the country's key location advantages related to Dunning's four different types of international production? Do foreign firms only follow a natural resource and market asset-seeking motive for their investments in Colombia or is the country also able to attract efficiency and strategic asset seeking enterprises?

7. These statements are based upon the international business curriculum review by Santamaria (2007) and the author's personal insights into international business education in Colombia during his position as department head international business at Universidad EAFIT (2004-2009) and founding member and active member of the *Red Colombiana de Profesiones Internacionales* (RCPI) (2006-2009).

8. International relations programs can be compared to international business programs in the sense that the latter often include topics related to international relations within their curriculum. So even an international business program might include an international relations theory course but no course related to international business theory.

9. Compare also with the underlying theoretical construct of each key concept within the table of the appendix.

- Does the U-model explain internationalization behavior of Colombian firms better? Does psychic distance seem to matter considering that most companies rather internationalize to culturally similar markets?

- Does knowledge acquisition through experiential learning in business networks determine the internationalization behavior of some firms?

- How do Colombian firms adapt their organizational structures to more effectively face their internationalization process?

- What specific capabilities and competences determine the internationalization of the Colombian firm?

- How does the institutional context in the home and host country impact internationalization of Colombian firms, and how does it influence business behavior and performance of foreign firms in the country?

Research in those areas would not only contribute to a better understanding of the internationalization phenomenon of Colombian firms for academics, politicians and practitioners in the country but also contribute to the emerging literature on firm internationalization from a developing country or emerging market perspective (e.g. Cuervo-Cazzura, 2008; Luo & Tung, 2007; Ramamurti, 2004; Yamakawa, Peng, & Deeds, 2008). Besides, Latin-America has received comparatively little attention in international business research as shown by the scarcity of articles published in international business and management journals that base their findings on empirical data from the region and papers presented at international conferences by authors living in Latin-America (Chan, Fung, & Leung, 2006; Donoso & Crittenden, 2008; Elahee & Vaidya, 2001; Xu, Yalcinkaya, & Seggie, 2008).

4. Conclusion

The development of international business theory as presented in this article mainly reflects a development of thinking about how to view and explain the global expansion of MNEs. Those different views all have their underlying theoretical construct that help to interpret the raison *d'être* and behavior of the MNE. Beginning with Hymer (1960), the MNE expands rather aggressively through a monopolistic advantage it holds over its rivals. Firm-specific advantages are also the centre of analysis for the subsequent theory of internalization, the OLI paradigm (partially at least) and the evolutionary theory of the firm. Those theories focus mainly on the firm as a closed-system. In contrast, the network model, contingency theory and the institutionalization theory of the MNE all "open up" the firm and confront it with the environment, are it purely the business environment as in business network theory and contingency theory, or the wider political environment as in institutionalization theory. This might reflect a new interest among international business scholars to not only consider the behavioral strategy of the individual firm but to increasingly research the interplay of the MNE with its wider (global) environment. It is suggested that universities in Colombia include international business theory in their curriculum to strengthen its epistemological basis and to provide motives for student research in those areas, especially at the postgraduate level. Furthermore, international business theory provides rich frameworks to investigate the internationalization behavior of Colombian firms, a phenomenon clearly under-researched in the country and internationally in the context of Latin-America.

5. References

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Appendix
Chronological order of key concepts and publications

The following table lists the key concepts that describe the development of international business theory in a chronological order. The year in the first column on the left side relates to the year of the first publication of the main contributing author(s). In some cases, the main inspiring author(s) and publication(s) are also listed. If the information could not be identified it is marked as "not available" N/A in the table.

Year	Key concept	Underlying theoretical construct	Main contributing author(s)	Main publication(s)	Main inspiring author(s) and publication(s)
1960	First modern theory of the multinational enterprise	Industrial organization theory	Stephen Hymer	* Hymer, Stephen (1960) *The international operations of national firms: A study of direct foreign investment*. Ph.D. dissertation, MIT, published by MIT Press under the same title in 1976. * Hymer, Stephen (1968) La grande firme multinationale. *Revue Economique*, 14 (b): 949-973.	* Bain, Joe (1956) *Barriers to New Competition: Their Character and Consequences in Manufacturing Industries*. Harvard University Press: Cambridge, MA.
1966	Product cycle and international investment	International trade theory	Raymond Vernon	Vernon, Raymond (1966) International investment and international trade in the product cycle. *Quarterly Journal of Economics*, 80: 190-207.	* Williams, John H. (1929) The theory of international trade reconsidered. *The Economic Journal*, 39 (154), 195-209. * Kindleberger, Charles P. (1950) *The dollar shortage*. Wiley: New York. * Burenstam Linder, Staffan (1961) *An essay on trade and transformation*. Almqvist & Wicksells: Uppsala.

Year	Key concept	Underlying theoretical construct	Main contributing author(s)	Main publication(s)	Main inspiring author(s) and publication(s)
1976	Internalization theory	Transaction cost theory	Peter Buckley & Mark Casson	* Buckley, Peter – Casson, Mark C. (1976) The *future of the multinational enterprise.* Macmillan: London.	* Coase, Ronald (1937) The nature of the firm. *Economica*, 4 (16), 386-405.
1977	OLI paradigm	Industrial organization theory, location theory, internalization theory	Jean-Francois Hennart	* Hennart, Jean-Francois (1977) *A theory of foreign direct investment*. Ph.D. dissertation, University of Maryland. * Hennart, Jean-Francois (1982) *A theory of multinational enterprise*. University of Michigan Press: Ann Arbor.	* McManus, John (1972) The theory of the multinational firm. In: T*he multinational firm and the nation state*, ed. by Paquet, Gilles, 66-93. Collier-MacMillan: Toronto. * Williamson, Oliver E. (1975) Markets and hierarchies: *Analysis and antitrust implications: A study in the economics of internal organizations*. Free Press, Macmillan: New York.
			John H. Dunning	* Dunning, John H. (1977) Trade, location of economic activity and the MNE: A search for an eclectic approach. In: *The international allocation of economic activity*, ed. by Ohlin, Bertil G. – Hesselborn, Per-Ove – Wijkman, Per M., 395-418. MacMillan: London.	* Dunning, John H. (1958) *American investment in British manufacturing industry*. Allen & Unwin: London. * McManus, John (1972) The theory of the multinational firm. In: *The multinational firm and the nation state,* ed. by Paquet, Gilles, 66-93. Collier-MacMillan: Toronto.

Year	Key concept	Underlying theoretical construct	Main contributing author(s)	Main publication(s)	Main inspiring author(s) and publication(s)
1977	Internationalization process of the firm	Behavioral theory	Jan Johanson & Jan-Erik Vahlne	* Johanson, Jan – Vahlne, Jan-Erik (1977) The internationalization process of the firm: *A model of knowledge development and increasing market commitments*. Journal of International Business Studies, 8 (1): 23-32.	* Cyert, R. D. – March, J. G. (1963) *A behavioral theory of the firm*. Prentice Hall: Englewood Cliffs, NJ. * Aharoni, Y. (1966) *The foreign investment decision process*. Harvard Business School Press: Boston, MA. * Penrose, E. T. (1966) *The theory of the growth of the firm*. Basil Blackwell: Oxford.
			Reijo K. Luostarinen	* Luostarinen, Reijo K. (1979) *Internationalization of the firm*. Academie Oeconomicae, Helsinki School of Economics: Helsinki.	N/A
1987	Network model of internationalization	Business network theory	Jan Johanson & Lars-Gunnar Mattsson	* Johanson, Jan – Mattsson, Lars-Gunnar (1987) Interorganizational relations in industrial systems: A network approach compared with the transaction cost approach. *International Studies of Management and Organization*, 17(1): 34–48.	* Hakansson, Hakan (ed.) (1982) I*nternational marketing and purchasing of industrial goods: An interaction approach*. John Wiley & Sons: Chichester. * Turnbull, Peter W. – Valla, Jean-Paul (eds) (1986) *Strategies for international, industrial marketing*. Croom Helm: Beckenham.

Year	Key concept	Underlying theoretical construct	Main contributing author(s)	Main publication(s)	Main inspiring author(s) and publication(s)
				* Johanson, Jan – Mattsson, Lars-Gunnar (1988) Internationalisation in industrial systems: A network approach. In: Strategies in global competition, ed. by Hood Neil – Vahlne, Jan-Erik, 468–486. Croom Helm: London.	
1988	Contingency theory of the multinational enterprise	Contingency theory	William G. Egelhoff	* Egelhoff, William G. (1988) *Organizing the multinational enterprise: An information processing view*. Ballinger Publishing Company: Cambridge, MA.	* Chandler, Alfred D. (1962) Strategy and structure: *Chapters in the history of industrial enterprise*. MIT Press: Cambridge, MA. * Stopford, John M. – Wells, Louis T. (1972) Managing the multinational enterprise: *Organization of the firm and ownership of subsidiaries*. Basic Books: New York.
			Nitin Nohria & Sumantra Ghoshal	* Nohria, Nitin – Ghoshal, Sumantra (1997) T*he differentiated network: Organizing multinational corporations for value creation*. Jossey-Bass Publishers: San Francisco, CA.	N/A
1989	Evolutionary theory of the multinational enterprise	Organizational capability theory	John Cantwell	* Cantwell, John (1989) *Technological innovation and multinational corporations*. Blackwell: Oxford.	N/A

Year	Key concept	Underlying theoretical construct	Main contributing author(s)	Main publication(s)	Main inspiring author(s) and publication(s)
				* Kogut Bruce – Zander, Udo (1992) *Knowledge of the firm, combinative capabilities, and the replication of technology.* Organization Science, 3: 383–397. * Kogut Bruce – Zander, Udo (1993) K*nowledge of the firm and the evolutionary theory of the multinational corporation.* Journal of International Business Studies, 24: 625-645.	* Teece, David J. (1977) Technology transfer by multinational firms: *the resource costs of transferring technological know-how.* Economic Journal , 87: 242–261. * Nelson, Richard R. – Winter, Sidney G. (1982) *An evolutionary theory of economic change.* Harvard University Press: Cambridge, MA.
1999	Institutionalization theory and the multinational enterprise	Institutionalization theory	Tatiana Kostova & Srilata Zaheer	* Kostova, Tatiana – Zaheer, Srilata (1999) Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review*, 24(1): 64-81.	N/A
			Timothy P. Blumentritt & Douglas Nigh	* Blumentritt, Timothy P. and Nigh, Douglas (2002) The integration of subsidiary political activities in multinational corporations. Journal of International Business Studies, 33(1): 57–78.	N/A
			Lars Engwall	* Engwall, Lars (2006) Global enterprise in the fields of governance. In: Transnational governance: Institutional dynamics of regulation, ed by Djelic, Marie-Laure – Sahlin-Andersson, Kerstin, 161- 179. Cambridge University Press: Cambridge, MA.	N/A