

The Eclectic Paradigm: A Framework for Synthesizing and Comparing Theories of International Business from Different Disciplines or Perspectives
Edited by John Cantwell (Basingstoke: Palgrave Macmillan, 2015), vii + 280 pages

This edited volume by John Cantwell, the outgoing editor-in-chief of *Journal of International Business Studies* (JIBS), presents a special compilation of articles on the eclectic paradigm. Cantwell has done an excellent job in selecting articles from *JIBS*, which is the leading journal in the field of international business (IB), and writing up the introductory piece. The book has nine chapters including the introduction by Cantwell, which provides a holistic account of the eclectic paradigm – how it emerged and developed over time. The introduction is split into five sections: a) the origins of the eclectic paradigm; b) the age of the powerful hierarchical large firm, and rising industrial concentration; c) the age of the knowledge-driven global economy; d) the “new age” of more open and informal business networks; and e) the eclectic paradigm in the new era.

Cantwell presents the eclectic paradigm as a meta-framework for the cross-disciplinary analysis of IB activities. He suggests that the major aim of the book is to enable conversation between scholars, interested in the theoretical explanation of IB activities, from cognate backgrounds. The “O”, “L” and “I” variables provide a bond and a common language through which fragmented explanations of multinational enterprise (MNE) activities can be brought and analysed together to enhance academic understanding.

The selection of articles in the edited volume adequately reflects on the development of eclectic paradigm from the viewpoint of allied disciplines, primarily institutional economics, strategic management and political science. As far as Cantwell introduces the eclectic paradigm as a framework for synthesizing and comparing theories of IB from different disciplines or perspectives, he succeeds in broadening the original perception about the eclectic paradigm as an envelope for economic theories of IB.

Interestingly, Cantwell stresses on the contribution *JIBS* has made in the development of eclectic paradigm. Indeed *JIBS* has played a significant role in the development of the eclectic paradigm but the contribution has been both ways. Moreover, there is a range of books and articles (for example, Dunning, 1977, 1979, 1981, 1991, 1993, 1997, 1998, 2000, 2001, 2002, 2006a, 2006b; Dunning and Lundan, 2008a, 2008b, 2010) in mainstream economics and other IB journals, where Dunning proposed, extended and defended the eclectic paradigm.

In the edited volume, Cantwell has carefully selected three exclusive pieces by John Dunning: “Towards an Eclectic Theory of International Production: Some Empirical Tests” (Dunning, 1980) – chapter 2; “The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions” (Dunning, 1988) – chapter 3; and “Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism”

(Dunning, 1995) – chapter 5. These articles largely focus on the original formulation and initial developments of the eclectic paradigm.

Chapter 2 puts forward the original formulation of the eclectic paradigm, which was initially proposed as an “eclectic theory” of international production. Cantwell (2015) gives a useful account of the classical perspectives of international business as a background of the origin of the eclectic paradigm. He emphasizes the fact that in the early 1970s, Dunning was “influenced” by the work of Hymer (1960), which led to a shift in Dunning’s focus on the firm level activities. By mid-1970s, this focus eventually culminated into the initial formulation of the eclectic paradigm, and Dunning (1980) set out ownership (O), location (L) and internalization (I) as the determinants of international production, and conceptualized an interrelation between these variables.

Chapter 3 presents the more mature version of the eclectic paradigm. In fact, it is the most significant article in the book. In this article, Dunning (1988) presented a restatement of and some possible extensions to the eclectic paradigm, while addressing various criticisms made of the eclectic paradigm. Cantwell argues that the restatements of the eclectic paradigm in 1988, and later, made the eclectic paradigm “a mean by which the various relevant theories of IB could be identified (according to which question was being asked), and then suitably combined or compared as appropriate” (p. 1).

Chapter 5 presents a reappraisal of the eclectic paradigm in the age of alliance capitalism. In this article, Dunning (1995) discussed the implications of the “advent” of alliance capitalism for the theorization of MNE activity. He emphasized that the eclectic paradigm needs to account for the competitive advantages arising from the interdependence and interconnectedness of the firm and the way it organizes transactions with related parties. Dunning suggested that the boundaries of the firms, countries and markets are increasingly becoming porous and therefore seeing them within their restricted boundaries gives an incomplete view of the MNE activity.

Emphasizing the importance of network for the IB field, Cantwell links the flagship firm’s ability to derive “O” advantages from increasingly organizationally and geographically dispersed networks with the notion of dynamic capabilities. He stressed that the “O advantages entail the capabilities to orchestrate IB networks so as to generate a more powerful and a more sustainable stream of innovation, and to cultivate new combinations of knowledge especially at those nodes in global value chains in which the greatest value creation can be achieved” (p. 14).

Cantwell addresses the debate regarding the relevance of “O” and “I” advantages. He emphasizes that the analysis of the transaction costs explain the boundaries of the firm (Buckley and Casson, 1976), while the generation of the firm’s capabilities explains its evolutionary path (Dunning and Lundan, 2008b). He thinks that “it is unfortunate that in the IB field a continuing undercurrent of scholarship has persisted

that has treated these two approaches as mutually exclusive alternatives” (p. 7). He views the eclectic paradigm as a holistic framework for analysing a wider system of IB relationships that reach beyond the firm and other actors.

He also briefly touches upon the debate regarding the relevance of the Linkage, Leverage and Learning (LLL), as proposed by Mathews (2006). He suggests that the LLL framework is not an alternative to the OLI framework, as also empirically tested in recent research (Buckley, Forsans and Munjal, 2012; Munjal, 2014). The evolving stream of research in this area suggests that the LLL mechanisms instead provide useful insight into the formation of sustainable “O” advantages that are particularly relevant in the age of alliance capitalism and knowledge-driven global economy (e.g. Buckley et al., 2016a, 2016b; Munjal et al., 2013).

Chapter 4 includes a seminal piece on the “Political Aspects of MNE Theory”, authored by Boddewyn (1988). This is an extremely useful inclusion because this chapter highlights the fact that non-market behaviour of MNE is not included in traditional MNE theory and extends the eclectic paradigm by weaving political dimensions within the “O”, “L” and “I” advantages. Empirical research in this area suggests that the inclusion of the non-market variables enhance the explanatory power of the eclectic paradigm (Buckley et al., 2013). Furthermore, the article criticized the eclectic paradigm for being limited to explaining the necessary conditions for the FDI by MNEs. Boddewyn (1985) suggested that for a complete explanation of MNE behaviour motivations and precipitating circumstances should be considered together.

Cantwell seems to have broadly packed political aspects within the “O” and “L” advantages. He stresses that the competence to coordinate own activities in the external social and political environment reflects the MNE’s capability to manage non-market relationships (Oi). He argues that this classification can help us understand how the eclectic paradigm has been applied in the IB scholarship and its approach to political scientists engaged in IB research.

Chapter 6, “Is Dunning’s Eclectic Framework Descriptive or Normative?”, by Brouthers, Brouthers and Werner (1999), examines the prognostic power of the eclectic paradigm. The authors conclude that the eclectic paradigm is descriptive but it has the characteristics of being a normative model. The empirical analysis show that the interaction between “O”, “L” and “I” variables, as proposed by Agarwal and Ramaswami (1992), makes it normative adding valuable implications for managers. Cantwell states that “the eclectic paradigm can equally well frame both the analysis of the objective reality of received patterns of IB activities, and the strategies and intentions of the firms and actors that are engaged in these activities” (p. 17).

Chapter 7 “Is Knowledge Power? Knowledge Flows, Subsidiary Power and Rent-Seeking Within MNCs”, by Mudambi and Navarra (2004), discusses the effect of knowledge creation and knowledge flows within dispersed MNE network. This

chapter also argues that the subsidiary's own objectives may diverge from the MNE's overall objective. In such case, a subsidiary can bargain power within the firm, given that the subsidiary is able to create and reverse transfer the knowledge back into the MNE's network. This important contribution sheds light on the process of how MNE's scope gradually enhance over time. Recent work by Pereira, Munjal, and Nandakumar (2016) weaves these aspects into a theoretical framework on headquarter-subsidiary relationships. They suggest that creation and reverse transfer of knowledge by subsidiary back into the MNE's network leads to interdependence between headquarter and subsidiary. A moderate degree of interdependence is "best for both" while higher degree of interdependence may lead to the MNE's "transformation".

Cantwell emphasizes in the present age of global interconnectedness and advances in information technologies, MNE structures are constantly transforming. Subsidiaries with a greater degree of autonomy, and embeddedness in host country networks generate "new domains of capabilities" for the MNE. In terms of the "O", "L", and "I" advantages, this reflects that intense interaction between "O" and "L" advantages and the power of the eclectic paradigm to analyse the headquarter-subsidiary relationship.

Chapter 8 presents "An Evolutionary Approach to Understanding International Business Activity: The Co-evolution of MNEs and the Institutional Environment", authored by Cantwell, Dunning and Lundan (2010). It is one of the last articles authored by John Dunning. The acknowledgement in the chapter states that Dunning died while this article was still in the second round of revise and resubmit. Although this article does not directly focus on the eclectic paradigm, it stresses that the eclectic paradigm includes "institutional ownership advantages (Oi) that incorporate the firm-specific norms and values guiding decision-making, as well as an imprint of the institutional environment (L attributes) of the home country", through a reference to Dunning and Lundan (2008a, 2008b). Cantwell says, "Dunning never lost sight of the wider agenda for IB studies beyond the more specific question of the role of the MNE and the determinants of the boundaries of the firm. Part of this agenda has been to examine the interaction (or co-evolution) of the MNE with other organizations and with their institutional environment" (p. 7).

The book also includes an article by Teece (2014), in chapter 9, who puts forward "A Dynamic Capabilities-Based Entrepreneurial Theory of the Multinational Enterprise". Teece's contribution is primarily based on the analysis of internalization theory. He highlights a few shortcomings of transaction-cost based theories and proposes a capability-based theory of MNE by integrating the international management outlook with the IB perspective. Teece argues that the capability-based theory juxtaposes with traditional MNE theory, as traditional MNE theory does not adequately cover

the role of entrepreneurs, managers and leaders in the growth of MNE. Cantwell seems to support Teece's argument as he quotes in Cantwell (2014) that "the conceptualization of O advantages is akin to the to the notion of dynamic capabilities when translated into the IB context, as opposed to the more widely prevalent ordinary capabilities" (p. 14). These nuanced theoretical foundations on the dynamic capability building and evolutionary aspects are paving the way for new empirical studies, which suggest that the MNE's experience and learning mitigate the risk associated with the institutional environment at host country (Munjal and Pereira, 2015).

Overall, the book presents a very useful collection of articles that provide a panoramic view of MNE activities through the eclectic lenses of the OLI framework. In the last four decades, there has been an extensive volume of research that significantly contributes towards the development of the eclectic paradigm, published both within *JIBS* and in other mainstream IB journals, such as the *Journal of World Business*, *Management International Review*, *International Business Review*, *Transnational Corporation*, *Journal of International Management and Global Strategy Journal*. IB scholars can argue that the current book is a rather short collection and many deserving articles have not been included. This leaves scope for other similar compilations in the future on this important subject.

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