



## **EDITORS' COMMENT ON RESEARCH PLATFORMS: POINT-COUNTERPOINT ON MULTINATIONALIZATION AND PERFORMANCE**

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### **INTRODUCTION**

With this issue, *Global Strategy Journal* introduces a new format for articles that will be offered across the Strategic Management Society family of journals. The society's publications committee has chosen to call these invited articles 'research platforms.' Research platform content in the SMS journals provides a base for identifying and opening up new areas of research that involve multiple potential research questions. The goal of research platform content is to help scholars identify opportunities to advance the discipline of scholarship in strategic management and in global strategic management in the specific case of GSJ. The research platform concept is explained in more detail in the next section, but as applied in this issue, it supports the Point-Counterpoint discussion between two outstanding scholars of global strategy and international business, Farok Contractor and Alain Verbeke, that follows this comment. In this case, the topic is multinationalization and performance (alternatively internationalization and performance—we use the terms interchangeably in this comment), one of the mainstays of studies of multinational enterprises and

their strategies. GSJ has previously published on the topic (Wiersema and Bowen, 2011; Hennart, 2011; Kirca *et al.*, 2012; Oh and Contractor, 2012) and includes an independently submitted and blind-reviewed article on the topic in this issue (Fisch, 2012). However, a complete list of articles on the topic across all strategy and international business journals would undoubtedly run into the hundreds—hence, this seems a good topic to discuss as a research platform. We offer our editorial thoughts on M-P research at the end of this comment.

### **Research platforms**

Research platform content consists of articles and other types of journal content that serve to advance the general research base of an area of scholarly study as it relates to conceptual, empirical, and methodological issues. Research platform content complements the traditional (double-blind, peer-reviewed) research articles that are the primary content of GSJ and the other SMS journals. Length limitations, editorial and review processes, and scholarly research traditions combine to focus these articles narrowly on specific questions. This traditional submission and review process advances the field in a largely continuous manner, one article and research question at a time, with an eye to 'first, do no harm.' That is, incrementalism and close connections to previous literatures protect a degree of rigor

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intended to prevent the publication of unsupported, unstudied, and potentially destructive ideas. From a scientific perspective, the careful accretion of evidence before proclaiming new concepts as true, or at least as providing accurate new insights, offers a promise of validity and reliability that is essential to the long-term credibility of our scholarship.

However, we believe that, at times, conservatism must be (carefully, intentionally, and explicitly) set aside to encourage the sort of intuitive leaps that can invigorate a stream of research. Our 'research platform content' is designed to offer support to or otherwise encourage such leaps in the hope that they will lead to further careful, conservative, incremental, and rigorous research studies that take place in a changed context. In their traditional roles, academic journals such as GSJ provide a record of carefully selected and analyzed examples of current research. This is an essential role for the survival and continuity of the research community. However, it is essentially passive, as journals await the submission of current research from the community and then judge these submissions on the basis of editorial review. We believe these journals can also offer leadership, or at least some encouragement, to the research community to consider new directions for their scholarship. Editorial staffs, with their relatively broad and contemporaneous views of the trends in their fields, seem uniquely qualified to offer such leadership. While we consider this to be an essential strategic role in the development and evolution of a field of study, we also believe that the community must be able to clearly distinguish such conjecture from the normal run of rigorous research. Therefore, we propose the concept of 'research platforms' to say explicitly that 'these are ideas that we think are important, but that are offered for your consideration separately from our usual carefully reviewed and highly competitive research presentations.'

Research platforms serve to take stock of an existing, sometimes lengthy, literature stream and/or identify new research trajectories. Journals, including the SMS family of journals, already publish some forms of such content at times. Special issues guide research into certain paths. While scholars are not forced to fit their ideas to a special issue, the concentrated focus on a particular topic offers emphatic support to an area of research that may have been underserved or simply diffused throughout a larger field with little separate identity. Editorial comments and other forms of invited

or separately edited articles are often featured in some journals, but have not been an emphasis in the SMS journal family. Our purpose with this comment (and similar statements in *Strategic Management Journal* and *Strategic Entrepreneurship Journal*) is to formally and explicitly explain why you will be seeing a bit more of such content in our journals in the future.

Broadly, research platform content includes the following types of contributions:

1. Perspectives articles: These articles combine an integrative review of extant literature on a defined theme with a broad perspective on the generation of new insights for future research. Such articles appear in other outlets, but have not been a feature of the management or strategy literatures.
2. Prospectives articles: These articles primarily identify new research questions and ideas. Much shorter in length and scope than 'telescope' articles, prospective articles are designed to identify critical new directions in strategy research. Such articles have appeared in SMJ, as exemplified by Helfat and Winter (2011) and Bettis (2012).
3. Methodology articles: These articles describe best practices in methodology, with a critical assessment of applicability to contexts and to applying and adapting the methods to address issues that are germane to strategy scholars. Such articles have been regular features in SMJ over the years, for example Zelner's (2009) note on using simulation in nonlinear modeling.
4. Point-Counterpoint or commentary articles: These articles provide a forum where debates, controversies, and/or opposing points of view may provide valuable thought leadership on issues that have two or more distinct or opposed positions in the scholarly community. Point-Counterpoint articles (as in the present case) offer side-by-side comparisons. Commentaries on previous articles and responses provide the opportunity for an extended debate among scholars (the commentators and the authors). Commentary articles have appeared in SMJ over the years (e.g., McNamara, Aime, and Vaaler, 2005, and Hawawini, Subramanian, and Verdin, 2003)
5. Special issues and/or topical themes within an issue: Unlike our previous examples, these typically involve multiple articles that are individually submitted to a normal review process, but which are submitted and selected, at least in part,

because they address a specific question and together address a related set of questions. For a smaller set of articles (two or more), a ‘special topic forum’ may be published as a part of an issue. All of the SMS journals have published special issues, as have many other journals.

### The purpose of offering research platforms

It is certainly the case that GSJ and the other members of the SMS family of journals could simply publish articles and special issues as described above as the editors see fit. However, with two relatively new journals and a highly influential outlet for strategy research in the family, the publications committee and the editors felt that a clear statement of purpose should be offered to explain the increased appearance of such works. Key benefits relate to the idea of taking strategic leadership in the field. We hope to create opportunities for substantial discrete advances in strategic management studies and the introduction of truly novel concepts, knowledge, or methods to the research base of individual literature streams within the overall study of strategic management. Invited topics can add to the collective coherence, consistency, and quality of strategy research by identifying themes that cut across individual literature streams. Finally, as the SMS begins to look at *Strategic Management Journal*, *Strategic Entrepreneurship Journal*, and *Global Strategy Journal* as a coherent set of related outlets, we hope to encourage synergies across the journals that advance the study of shared elements of our related fields.

We realize there are potential costs to pushing the research platform concept too far. Until electronic publication removes artificial page count limitations, there is the potential for crowding out traditional research articles. We commit to publishing all articles that meet the editorial review standards of the journals and not to drop any such articles due only to space limitations. Selection of individual authors for invited submissions risks charges of elitism. Research platform articles can be expected to be written by authoritative scholars, but these are not always the ‘usual suspects,’ and we will look for fresh points of view in all cases. We will also insist that even invited papers undergo a review process and meet relevant standards of professionalism. Of course, special issues and special forums will typically use normal blind review processes. Finally, we are aware that not everyone in the community will agree that strategic leadership is an appropriate role

for journals or editors. We do not intend to use this role to close off directions of research, but to point out, and perhaps to open, doorways to new research paths. We have no plan to march anyone down these paths, but only to suggest that they exist and that they seem to offer interesting possibilities. We will continue to offer a full range of independently generated research that is submitted by you, our colleagues, whether or not you choose to use one of our research platforms to launch your work.

### THE THEME OF THIS POINT-COUNTERPOINT

Over the past three decades, scholars in strategy and international business have sought to understand how international diversification (or multinationality) affects firm performance. Many theoretical arguments have been formulated for the benefits of international diversification, but arguments have also been put forward that international diversification entails costs. The coexistence of benefits and costs of international diversification has given rise to several different explanations for the nature of the relationship between international diversification and performance. At least five different models describing this relationship—positive and linear, positive with diminishing returns, U-shaped, inverted U-shaped, and S-shaped—have been presented by previous researchers (see, for example, Cardinal, Miller, and Palich, 2011). However, the empirical results have largely been disappointing, perplexing, and inconclusive. As a consequence, it has been suggested in recent contributions (for example, Hennart, 2011; Wiersema and Bowen, 2011) that a deeper consideration of the exact causal link between international diversification and performance may be needed before a better understanding of this relationship can be reached. The fact is that firms do not obtain better performance simply because of their levels of international diversification. International diversification might provide some benefits (and costs); however, firms will achieve better performance only if they are able to convert the positive aspects of their international diversification into something valuable. This raises the issue of what the specific mechanisms that allow firms to turn international diversification into better performance are. Or, put differently, what is the missing link between international diversification and firm performance?

In *Global Strategy Journal*, we have already featured a number of key articles scrutinizing the

relationship between multinationalization and performance and the intention behind this Point-Counterpoint is to get to the core of the debate. Therefore, we have invited two prolific scholars to debate their views on the relationship between international diversification and performance. Most scholars would agree that this strand of research is no longer being moved forward through more empirical studies that just test new variations of known variables or new shapes of the relationship. However, the big issue then is to understand just what is really the problem in this strand of research. Is it our theories that fall short of explaining the mechanism? Is it our operationalization of the key variables of international diversification and performance? Is it our data that are too aggregated or one-dimensional? Is it the link between the theories and our empirical observations that is the real problem? Or is the idea of formulating a universal 'catch all' effect of international diversification on performance simply too ambitious?

We first invited Professor Farok Contractor to provide his view as a Point in this debate, and then we asked Professor Alain Verbeke to provide his take on this debate and to counter the Point of Contractor. Contractor (2012, this issue) takes as his starting point the fact that firms *do* internationalize and that logically they would continue to do that only if there were some performance gains to be reaped through internationalization. Therefore, it must be a key issue for scholars in global strategy to establish this link between multinationality and performance theoretically as well as empirically. In an effort to encourage this, the essay presents eight alternate rationales for how firms can benefit from international diversification. The eight rationales serve to summarize all the known arguments from the literature, including economies of scale, exploitation of firm-specific advantages, sourcing of cheaper inputs, risk reduction, and cross-border arbitrage. The benefits are balanced out with a similar list of costs of multinationality that includes organizational cost of bureaucracy, complexity, and distance. Contractor proposes that, taken together, the individual elements of benefits and costs of multinationality form a framework for understanding the relationship between international diversification and performance.

While Contractor is confident about the theoretical underpinnings of the multinationality and performance relationship, he acknowledges that it 'appears to be in such empirical disarray with 40 years of

studies showing seemingly contradictory and confusing results because of heterogeneous samples and methodologies.' The problems are mainly of methodological and empirical nature and call for more adequate measures and additional contingent variables. Contractor makes a strong plea for the use of longitudinal data, as the multinationality and performance relationship is really a dynamic relationship that is only partly captured in cross-sectional data, and for the inclusion of other confounding factors (as controls) that can affect and alter the shape of the multinationality-performance relationship.

In contrast, Verbeke and Forootan (2012, this issue) propose that although the benefits and costs put forward by Contractor sound appealing, they do not constitute a parsimonious theory of MNE behavior and performance. They highlight that a general problem in this strand of research is that firm-level capabilities are viewed as independent or moderating variables rather than mediating variables. In fact, firm-specific capabilities might determine the scope of international expansion as well as performance, which creates a problem of endogeneity that needs to be addressed both theoretically and methodologically. Based on this insight, Verbeke and Forootan develop a framework for testing the soundness of studies of the multinationality-performance relationship. It consists of 12 subtests that touch on all the pitfalls in this strand of literature, including measurement, causality, and endogeneity issues as well as dynamic aspects.

As such, this Point-Counterpoint carries forward the *Global Strategy Journal* tradition of pushing the envelope of theory and empirical methods in the study of companies conducting activities internationally while also proving engaged reading. With this Point and Counterpoint and our previous articles on the multinationality-performance relationship in *Global Strategy Journal*, we have presented the state of art in this debate. A strong conclusion coming from these efforts is that we need to reconsider the way this topic is approached. The field does not need more of the same—that is, additional empirical studies with slightly different data or with added main effect terms—but we certainly need new conceptual ideas and/or truly innovative empirical approaches. *Global Strategy Journal* will be delighted to publish new theoretical and empirical thoughts on the multinationality-performance relationship, but we will be reluctant to publish yet more studies that can only reinforce the inconclusive nature of the already large body of findings in this field of study.

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