

## A REVIEW OF THEORIES OF MULTINATIONAL ENTERPRISES\*

Salih KUŞLUVAN\*\*

### ABSTRACT

*This article critically reviews the theories which try to explain international operations of multinational enterprises. It discusses the strengths and weaknesses of each theory and points out a general, all encompassing single theory of multinational enterprises in the literature.*

### I. Introduction

Many theories have been developed to explain international investments of multinational enterprises. Yet very little effort has been made to discuss the strength and/or weaknesses of each theory in explaining the form, extent and pattern of international investments by multinational enterprises (MNEs). The aim of this article is (a) to review theories that try to explain the existence of MNEs in the world economy, (b) to pinpoint the deficiencies of each theory and (c) to single out an all encompassing general theory of MNEs in the literature. In other words, the paper critically assesses theories put forward to explain international investments and operations of firms other than international trade. As the title of the paper suggests this is a comprehensive English literature review of theories of MNEs based on desk research. The study starts with a definition of MNEs. After that various theories of MNEs are explored. The paper ends with a general theory of MNEs and conclusion.

### II. Definition of Multinational Enterprises

There have been different definitions of multinational enterprise that is variously termed as "transnational enterprise" (corporation), "international corporations" (firms), "global corporation", "denationalized corporation", "supranational" or "cosmocoparation". It was long described as an "enterprise which owns and controls income generating assets in more than one country" (Dunning, 1973:13; see also Buckley and Casson, 1976:1; Hood and Young, 1979:1). The ownership usually meant majority ownership (more than 50%), hence the control, of enterprises in more than one country. In this sense it is equated with foreign direct investment (FDI). United Nations' (U.N) definition placed less emphasis on ownership. It said "all enterprises which control assets - factories, mines, sales offices and the like - in two or more countries" are multinational

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\*\* Yrd.Doç.Dr., Lecturer at Nevşehir Tourism and Hotel Management School, University of Erciyes.

enterprises (United Nations, 1973:5). In an attempt to quantify control, U.N (1973) argued that firms which either have 10 per cent control of voting stock or 25 per cent of sales or assets in a foreign subsidiary or associate could be regarded as MNEs. Nevertheless, it did not obviate the problem as to the quantity of ownership needed to exert control over subsidiaries and to be qualified as MNEs. The United States, Germany and Sweden required 10% of foreign ownership to be classified as MNEs; France, 20%; Australia, 25%; (Frank, 1980). Another scholar (Vernon, 1971) emphasized the "size" of MNEs and required at least six countries of operation and US\$100 million sales revenues.

Another problem in the definition of MNEs emerged with the rise in the non-equity involvement or so called "new forms of international investment" (Oman, 1984) or "unbundled FDI" (Hennart, 1989) of firms across national boundaries like franchising, management contracts, and leasing. As a result, the definition of multinational enterprise had to be broadened. In line with the new developments, multinational enterprise is defined as "an enterprise which owns or controls value-adding activities in two or more countries. These activities might lead to the production of tangible goods or intangible services or some combination of the two" (Dunning, 1989:5). The addition of value may involve "increasing the quantity of goods, enhancing their quality or improving their distribution, both spatial and temporal" (Littlejohn, 1985:157).

Clearly, this definition includes firms with both equity or contractual involvement in more than one country to be qualified as a MNE. The reason is that the only criterion is the *value addition to the production, quality and distribution* of the goods and services, for which multinational enterprises receive income, in more than one country. In the light of what has been said, we define multinational enterprise as a *firm which has more than 10% of equity or contractual involvement like management contracts, franchising, and leasing agreements in more than one country.*

### **III. Theories of Multinational Enterprises**

There is a host of theories which attempt to explain the *raison d'être* of MNEs. These theories try to answer three fundamental questions: (a) what motivates national firms to go and produce abroad? (b) what enables them to do so? (c) why do MNEs undertake different forms of investments (e.i. equity and contractual) abroad. Some of the theories are overlapping whereas some emphasize particular characteristics of MNEs. In this article, it is intended to step back from detailed discussion of each theory, but to survey them briefly and point to the shortcomings of different theories. It is important to note that in retrospect, non-equity forms were perceived to stem from government restrictions or their inferiority to equity involvement. Given this fact, the theories of MNEs center

around equity involvement (foreign direct investment) by MNEs.

Broadly, the theories will be grouped into two; "macro economic approaches" which try to explain MNEs from international economics and trade point of view and "micro economic approaches" which are based on the theories of firm and industrial organization (Kojima, 1984).

### **1. Macro Economic Approaches**

#### **a. Foreign Direct Investment by MNEs as International Capital Flows**

Until 1960, FDI by multinational enterprises was regarded as a form of international capital flows. Capital flow theory suggests that capital (financial) moves between countries in relation to differing interest rates in different countries (Hymer, 1979). It is also pointed out that interest rates would vary depending on the "factor endowment ratios of labor and capital and risk premium" (Hymer, 1979:2). By the same logic, it is believed that MNEs occur in countries where the return on investment is higher (Parry, 1980). Apparently, no distinction was made between portfolio investment and equity involvement by MNEs. This explanation failed on the following grounds: (a) MNEs were not only the transfer of capital but also, technology, management and organizational skills and these were transferred within the firm retaining control over their use (Dunning, 1979), (b) majority of MNEs were not going to the countries poorly endowed with capital (Hennart, 1982) and financial institutions were not prevailing among MNEs, (c) the US was attracting portfolio investment but exporting FDI (Caves, 1982), (d) some countries were both home and host for MNEs. Owing to the fact that the above contradictions could not be explained, this hypothesis was abandoned.

#### **b. Location Theory of International Investment**

Some authors argued that location theory, if extended across national boundaries, could explain why MNEs emerge (Parry, 1980). Location theory is of two kind; "supply oriented location theory" explains that production takes place where the factor costs for production (including distribution) are the lowest (Dunning, 1973). Conversely, "demand oriented location theory" asserts that the location of a firm is governed by the location of its market and competitors (Dunning, 1973). Bringing the two theory together four main locational factors; raw materials, cheap labor, protected and untapped markets, and transportation costs are believed to give rise to the emergence of MNEs (Buckley, 1985). Although this approach provided valuable insights as to geographical distributions of MNEs, it fell short to explain "how it was that foreign owned firms could outcompete domestic firms in supplying their own market" (Dunning, 1979:273), neither did it give any hint about the origin countries of MNEs.

#### **c. Government Imposed Distortions**

It is often articulated that tariffs, trade barriers (i.e., quotas) and non-tariff barriers (i.e., regulations for imported goods) are a major cause for the presence of MNEs (Calvet, 1981; Ragazzi, 1973). Most of the time, MNEs are thought to be a reaction to protected markets. Empirical studies found a correlation between high tariffs protecting an industry and the share of MNEs sales in that industry (Caves, 1982). "Levy of taxes" and "price and profit regulations" are also considered as government disruption affecting the decision of firms to operate abroad (Calvet, 1981). This assumption is clearly far from explaining the existence of MNEs. Because, it only sheds light on how firms overcome trade barriers and rationalize their operations in other countries, it says nothing as to the origin of their desire and ability to do so. Moreover, it is not clear why these trade barriers are not overcome by other means (i.e., licensing) (Calvet, 1981).

#### **d. The Aliber Theory**

Aliber (1970) sought to explain MNEs through financial market relations, namely "exchange risk" and "the market's preferences for holding assets denominated in selected currencies". More specifically he hypothesized that it is the financial market which enables firms to have advantages over host country firms and applicable to all firms whose assets and borrowing are based in selected currencies. In one of his later writings, he summarized his rather complex argument as follows:

"this advantage derived from the preference that investors in the US and abroad had for dollar-denominated debt. The evidence was that interest rates on dollar denominated debt were lower relative to interest rates on debt denominated in various foreign currencies after adjustment for any anticipated changes in exchange rates. The derived argument was that investors would pay a higher price for a \$1 of equity income of US headquartered firms than for the equivalent equity income of the prevailing exchange rates of firms headquartered in most of the countries. In effect US firms bid away foreign income stream from foreign firms" (Aliber, 1983:155-56).

In simplified language Aliber reasoned that MNEs tend to flow from strong currency areas to weak currency areas. Critics of Aliber argued that while the view is compatible with the early post-war American domination, it gave no account of the rise of European and Japanese MNEs (Buckley and Casson, 1976; Ragazzi, 1973). Specifically, Ragazzi drew the attention that "net FDI of the UK increased rapidly at a time when sterling was weak". In defense, Aliber (1983) attributed the upsurge of FDI from Japan and Europe to the decline of "market values" of US firms relative to the market value of firms headquartered abroad.

Another criticism pin-pointed an important issue that many MNEs raise much of their funds for investment in host countries and currencies where the

investments take place and financial capital is not the most important component of MNEs (Hennart, 1982).

On the other hand, Cantwell (1991) sees the theory as giving useful insights about the "timing" of FDI and "take-overs" of MNEs which move into an unrelated business sector.

**e. MNEs as Supplement to International Trade**

Apart from mercantilistic and absolute trade theories, all trade theories (comparative advantage, neo-classical and neo-factor trade theories) suggest that

"each country will specialise in the production and export of those goods that it can produce at relatively lower cost (in which it is relatively more efficient than other countries), conversely, each country will import goods which it produces at relatively high cost (in which it is relatively less efficient than other countries)" (Samuelson and Nordhaus, 1989:901).

This is so owing to the fact that each country has certain endowments of factors of production and that demand differs internationally. Nevertheless, although some countries are well endowed with natural resources or labor, they are not able to produce efficiently because of lack of intermediate products, namely capital, technological knowledge and managerial capacity.

Considering this fact, Kojima (1978) tried to integrate trade theory with MNEs. He suggested that "FDI is required in order to make factor markets more competitive and efficient internationally and to improve production processes in the country which is well endowed with the given resource" (1978:22). He believed that MNEs would lead to the improvement of production and exports if it is transferred a package of capital, managerial skills and technology from an industry which has a comparative disadvantage in the investing country compared to the recipient country, thus contributing to the productivity and comparative advantage of host country. This he called "trade oriented" MNEs which he associated with Japanese type of MNEs. On the other hand, if MNEs move out from an industry which has comparative advantage in the investing country to another which is in a disadvantageous position that would result in a "loss of efficiency by blocking the reorganization of international trade" (1978:22). This he called "anti-trade oriented" MNEs which he associated with the US MNEs.

More specifically, Kojima distinguished three different motives for MNEs: (a) "resource oriented" (b) "labor oriented" (c) "market oriented". According to him, first, resource oriented MNEs take place because the investing firm wants to increase and secure the imports of commodities which home country lacks or produces at a higher cost. This was labeled as trade oriented. Second, labor oriented

MNEs occur in locations where the cheaper labor prevail. This is also labor oriented for it employs idle or inefficient factor of production. Finally, market oriented MNEs are of two kind. The one which is induced by trade barriers is trade oriented providing that it serves the import substitution policy of recipient country while providing more efficient use of resources. If the import substitution industry grows towards export orientation, this kind of FDI turns out to be labor oriented. The other type of market oriented FDI is 'market-seeking oligopolistic' MNEs. In Kojima's view, this type of MNEs substitute for international trade and not beneficial for the host country.

Of course, Kojima's approach was not an exception to scholars' dialectics. Either (1986) criticized the theory by stating that the larger part of actual MNEs are between the countries with relatively similar factor endowments. Dunning (1988:10) argued that Kojima theory falls short in two areas:

"First, it can neither explain nor evaluate the welfare implications of those types of FDI prompted by the desire to rationalise international production and to benefit from the common governance of cross-border activities. Second, it ignores the internalisation of intermediate product markets and market failures(transactional or structural).

Dunning also found the dichotomy between Japanese and American MNEs artificial and reasoned that "the initial act of FDI would take place in sectors where investing country has a comparative advantage in intermediate products over recipient country"(1988:9). And this would change from "country specific advantages" to "the transaction cost-minimizing advantages" which are rather firm specific.

## **2. Micro Economic Approaches**

### **a. Business Administration Approach**

There are two versions of the business administration approach; first one regards MNEs as a result of the growth of the firm (Kindleberger, 1969), and the second sees MNEs as a process of internalization in the decision making "as a result of reduction of psychic distance through manager's gradual accumulation of experiential knowledge for foreign markets" (Sullivan and Bauerschmidt, 1990:19). According to the first assumption firms grow in two ways: (1) by reinvesting the internally generated finance which is a cheaper source, (2) firms grow as their markets grow (Kindleberger, 1969). The former is not a plausible argument for it takes no account of MNEs which are financed in the host country. Concerning the latter if markets grow it does not follow that MNEs should take place in that foreign market, it could be served by exports or licensing. There is no answer why local firms are inferior to home country firms in growing by reinvesting internally

generated funds and in serving the local market. The second version, internationalization in the decision making, fails to explain the factors leading to that decision.

#### **b. Hymer-Kindleberger Theory**

This theory is also known as "monopolistic or oligopolistic power", "structural market imperfection", "market power" and "industrial organization" theory. In order to explain the wide spread of the US multinationals Hymer (1960) took a distinguished avenue which many scholars confirm that it formed the present theory of MNEs (Horaguchi and Toyne, 1990; Kindleberger, 1984, 1989; McClain, 1983). He tried to answer three fundamental questions: (a) why do firms go abroad? (b) how are they able to survive in foreign markets in which they bear initial costs (i.e. communication, misunderstanding) *vis-à-vis* native firms? (c) why do they want to retain control and ownership? (the case of FDI) (Hymer, 1979). Basically, he found two kind of incentives; "monopolistic or oligopolistic advantages" the home country firms enjoyed over host country firms and "removal of competition" between the firms in different countries. He noted that "international firms do not operate under conditions of perfect competition" (1979:3).

With respect to the first motive he did not put any particular emphasis on a single advantage, but he stressed that "there are as many kinds of advantages as there are functions in making and selling a product" (Yamin, 1991:41). According to Hymer, the second motive could be achieved by way of "collusive agreements". In Hymer's view, the tendency toward the choice between licensing or contractual agreements and FDI would depend on "the degree of imperfection, danger of losing advantage and comparative rate of return" (Yamin, 1991:75)

In one of his later writings, Hymer introduced another major incentive for firms to go abroad, namely the economies of scale and efficient functioning of firms' organization in coordinating activities at the firm level compared to the industry level (Horaguchi and Toyne 1990). In the light of his thesis, especially relating to the first motivation (market imperfection based on monopolistic or oligopolistic advantages), a number of studies seem to have tried to pin-point advantages and single out the most important one. First, Kindleberger, the supervisor for Hymer's (1969:14) theses, argued that "in a world of perfect competition in goods and markets, FDI can not exist". He categorized market imperfections as follows:

- "(a) imperfections in goods market: ownership of a brand name, product differentiation, marketing skills and administered pricing
- (b) imperfections in factor markets: unavailability of technology, discrimination in access to capital market, and differences in skills of managers,
- (c) economies of scale both external and internal to

market, (d) government limitations on output or entry" (1969:14-16).

Second, Johnson (1970) considered the special knowledge and skills as the most important "public good" to the firm and pointed out that it can be exploited at little cost or no extra cost which may well be a prime motive for MNEs. Third, Hirsh (1977) drew attention to the knowledge gained from innovations through research and development. Finally, another refinement of market imperfections and monopolistic or oligopolistic advantages was carried out by Magee (1977). He stated that MNEs are a device to appropriate rents, which are unobtainable through the market, by specializing in "the production of information", "sophistication of technology" and "transmitting them intra-firm" across national boundaries (McClain, 1983:294).

The second motive proposed by Hymer, removal of competition through collusive agreements, did not seem to receive as much attention as the first one. Informal or formal collusive agreements are recently beginning to appear as a factor inducing firms to go abroad and appropriate rents (Casson, 1987; Cowling and Roger, 1987).

Due to the fact that the latest approach of Hymer has not drawn attention until recently, the theory of MNEs was redeveloped under different names and Hymer's contribution remained somewhat controversial and incomplete.

### **c. Product Cycle Theory**

In line with Hymer's market imperfections and monopolistic advantages theory, Vernon (1966,1979) argued that technological innovations (development and production of new products) in consumer and industrial goods could explain international investments of firms. Assuming that

"(a) products undergo predictable changes in production and marketing, (b) restricted information is available on technology, (c) production process changes overtime and economies of scale prevalent, (d) tastes differ according to income and products can be standardised at various income level" (Buckley, 1985:7).

Vernon distinguished three different stages in the life of a product; "the new product", "the maturing product" and "the standardized product". The argument goes as follows.

The first stage takes place in large markets (because of demand and effective communication with the market) with high income per capita and in industries with high labor cost (USA). After the feedback is received from the market and product is modified accordingly, the new product emerges. Even if the new product is outside the US, the producer is induced to the US owing to the convenient market



conditions. At the second stage "a certain degree of standardization" comes into existence because of the increase in demand and "the commitment to achieve economies of scale" (1966:196).

Product differentiation does not come to an end, specialization in product for different market segments prevail and the cost of production gains more attention and importance. Competition begins to appear at this stage. The location of production is unlikely to move somewhere out of the country. Vernon notes that this stage is crucial for the firms whether to invest in other advanced countries or to continue to export. He mentions a host of considerations for this decision (cost of production, protected patent position, threats of new competition in the country of import, the level of tariff protection and the political situation). After careful evaluation, he believes that more advanced countries would be the first to receive FDI because of threat either from home country or host country competitors. At the last stage of product cycle (the standardized product), the less developed countries are considered to provide competitive advantages especially in terms of labor cost.

In subsequent versions of product cycle theory, Vernon (1971, 1979) attributed MNEs to the oligopolistic behavior of firms. The cycles have been changed into "innovation based oligopoly" "mature oligopoly" and "senescent oligopoly". As regards the first stage innovation could be in labor saving as well as land saving (European MNEs) and material saving (Japanese MNEs). The mature oligopoly stage holds that there are few firms dominant in the market in which they are on alert to each others' locational and product differentiation strategies and entry is very difficult. It is at this stage that FDI occurs to capture new markets and locational advantages. As for the last stage advantages held by few firms come to an end. The firms may "slough off" the product or create new oligopolistic advantages. They may also look for cheap production location in less developed countries.

A few shortcomings of product cycle theory are expressed. Rugman et al argued (1985) that it did not take into account various comparative advantages of different countries at the initial stage of production. As a point in case, it is shown that resource oriented MNEs do not fit in this theory (Hood and Young, 1979). It is added that products are developed not only for a particular market but also for different markets continuously (Buckley and Casson, 1976). Recently, Vernon (1985) acknowledged that although the theory had some explanatory power of the US MNEs, it had declined.

#### **d. MNEs as Oligopolistic Reactions of Firms**

This view suggests that oligopolistic firms will respond to initial FDI of rival firms in order to seize a market share (Knickerbocker, 1973). In the test of the hypotheses on 187 American MNEs. Knickerbocker discovered that foreign subsidiaries are bunched together within very close time periods. Clearly, this does

not form a separate theory of MNEs. What is needed to be explained is the initial act of MNEs.

**e. Internalization (Transaction Cost) Theory of MNEs**

Based on the profit maximization and growth principles of firms, Buckley and Casson (1976) argued that because of market imperfections in intermediate products, notable knowledge, firms will create an internal market (internalize external market) in order to increase profits and avoid certain costs. This theory differed from that of Hymer in that firms do not need monopolistic or oligopolistic power at the beginning, though it is acknowledged later that monopolistic or oligopolistic advantages could also be internalized (Casson, 1986) (Teece, 1981) or internalization of intermediate products could lead to monopolistic or oligopolistic advantages (Casson, 1987). An internal market could be created in two ways:

"First, internalisation of a market refers to the replacement of an arm's length contractual relationship (i.e. external market), second, internalisation of an externality refers to the creation of a market of any kind where non-existent before" (Casson, 1986:46).

In this context, internalizing markets across national boundaries leads to MNEs. In the original version of the theory, (Buckley and Casson, 1976:74) found four group of factors critical to the internalization decision:

"(1) industry specific factors relating to the nature of the product and the structure of the external market, (2) region specific factors relating to the geographical and social characteristics of the region linked by the market, (3) nation specific factors relating to the political and fiscal relations between the nations concerned, (d) firm specific factors which reflect the ability of the management to organise an internal market".

Later on those writers who took this avenue brought the so called "transaction costs" or "natural market imperfections" to prominence for the decision to internalize markets (Teece, 1981, 1985; Rugman, 1982; 1986; Hennart, 1982, 1991; Casson, 1982). Transaction costs cover all the cost in organizing an economic activity. The logic of transaction cost is that if firms incur lower costs or higher revenues, then they will internalize markets across national boundaries. Transaction cost approach seem to have diverted attentions from market power to the efficient functioning of the internal markets of the firms. For instance, Dunning and Rugman (1985:229) argue that

"if an exogenous market imperfection leads MNEs to organise an internal market or to replace more expensive modes of transactions, then the process of internalisation improves efficiency. No rents would be expected for the MNEs".

Teece also acknowledged the superior working of internal markets especially in the case of vertical integration. But he added that "circumventing or minimizing taxes and controls" and monopoly power could well be incentives to internalize markets (1981:4). Many years ago, Hymer (1960) had already spelled out these motives adding collusive agreements. It is interesting to note here that in both cases (i.e., structural and transactional market imperfections), it is the market being accused. One feels to mention Galbraith's (1987) brilliant insights into this. He notes that this kind of reasoning and intellectual word game subordinates the economic and political power of enterprise to the market.

To sum up, internalization (transaction) theory holds that

"(1) firms choose the least cost location for each activity they perform, and (2) firms grow by internalising markets up to the point where the benefits of further internalisation are outweighed by the costs" (Buckley, 1988:182-82).

Whether be it monopolistic or oligopolistic advantages, transaction cost advantages or collusive agreements to internalize markets, internalization theory based on the growth and profit maximization of firms accommodates all. In all the above cases, knowledge is seen as the single most important intermediate product to internalize external markets.

#### **f. Eclectic Paradigm as a General Theory of Multinational Enterprises**

Because of the implicit of internalization theory in emphasizing locational and firm specific factors as incentives to internalize markets, Dunning (1979, 1980, 1988) brought the strands of different theories and developed an eclectic paradigm or so called "OLI (Ownership, Location, Internalisation) paradigm. He put forward three sets of advantages to determine the "extent", "form" and "pattern" of international value-adding operations of firms. These advantages are ownership (firm specific), internalization and location advantages.

Dunning reasoned that in order for multinational firms to compete with domestic firms in the host country, they must possess certain advantages specific to the nature and/or nationality of their ownership. Otherwise they would not be able to compete with domestic firms for they have to bear extra costs of setting up and operating foreign value-adding activities in addition to those faced by the domestic firms. Dunning defined ownership advantages as "any kind of income generating assets which make it possible for firms to engage in foreign production" (1991:123). He distinguished between the "asset power" and "transactional advantages". According to Dunning, the former stems from the proprietary ownership of specific assets *vis-à-vis* other enterprises, whereas the latter is the result of the capturing the transactional benefits or reducing transactional costs compared to external market. He also noted that the ownership advantages of firms

would be different depending on the "characteristics of the firms, the products they produce and the markets in which they operate" (1988:2). The advantages of MNEs may be exclusive and privileged access to specific technological, managerial, financial or marketing assets or MNEs possess better organisational capabilities to successfully integrate separate value-adding activities which draw on such assets.

Regarding the locational advantages, Dunning pointed out that firms will be

"involved in foreign production whenever they perceive it is in their best interests to combine spatially transferable intermediate products produced in the home country, with at least some immobile factor endowments or other intermediate products in another country" (1988:4).

Once again, Dunning made a distinction between structural market imperfections (i.e. government distortions) and transactional imperfections resulting in transaction gains such as transfer price manipulation, reduction in costs, gains from leads and lags in payments in different locations.

The third advantage, internalization, refers to the advantages of controlling, coordinating ownership and location specific advantages within the MNEs rather than selling the right to use those advantages to domestic firms in the host country. The utilisation of these advantages depends primarily on the relative cost of equity and non-equity forms of managing interrelated economic activities. The benefits to the firm of better planning, coordination, and opportunities to increase profits must be weighed against communication and control difficulties (Buckley, 1987). That means that internalisation depends on whether or not transferring ownership specific advantages is in the best interests of enterprises within the firm. If internal market is perceived to provide more gains *vis-à-vis* external market, then internalization will take place. Although it is acknowledged that eclectic paradigm has wide applications to explain FDI and new forms of international investment (Eicher, 1986), Casson (1986) argued that internalization theory encompass ownership and locational advantages.

#### **IV. Conclusion**

This paper has reviewed theories that attempt to explain various forms of international investment of firms across national boundaries. Theories of MNEs give a hint or clue either about motives for firms to go abroad or advantages that enable national firms to go abroad or timing of going abroad. In this sense it can be said that every theory has some explanatory power as to the international investments of firms. However it seems that OLI paradigm provides a better framework for a single general theory of MNEs. Not only does OLI have the feature of encompassing all other theories of MNEs, but it also has analytical

power in examining (1) what motivates national firms to go abroad, (2) what the reasons for different forms of investment of national firms abroad are and (3) what enables national firms to go abroad and be successful. Future research may be directed to pinpointing ownership, internalization and location advantages of different forms of international investments of firms in different industry branches.

### ÖZET

Çokuluslu işletmelerin neden başka ülkelerde yatırım ve üretim yaptığını, bu işletmelerin başarılı bir şekilde yabancı bir ülkede rekabet edebilmesinin nedenlerini ve bu işletmeler tarafından yapılan farklı yatırım türlerini (Örneğin yatırımın sahipliği, imtiyaz -franchising- anlaşması, yönetim sözleşmesi) açıklamak amacıyla birçok teori ileri sürülmüştür. Bu makale, çokuluslu işletmelerin uluslararası yatırım ve üretim faaliyetlerini, başka bir deyişle çokuluslu işletmelerin Dünya ekonomisindeki varlığını açıklamaya çalışan bu teorilerle ilgili bir yazın taramasıdır. Özellikle sözkonusu teorilerin çokuluslu işletmelerin uluslararası yatırım ve üretim faaliyetlerini açıklamada kuvvetli ve zayıf yönlerine dikkat çekilerek, diğer teorileri kapsar nitelikte olan genel bir çokuluslu işletme teorisine işaret edilmektedir.

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