

NO. 53

**Paradigms in International Business  
Research -  
Classifications and Applications**

by

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# **WORKING PAPER SERIES**

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# **Paradigms in International Business Research - Classifications and Applications**

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## **Introduction**

Business management scholars have frequently lamented over the gap between dominant management theories on the one hand and business practices on the other. Some scholars argue that the observed gap is partly due to the varied and divergent meta-theoretical (paradigmatic) foundations on which published studies have been based (Aram and Salipante, 2003). Furthermore, since many scholars are unconscious of the ontological and epistemological assumptions underlying their studies they are unable to express them explicitly in their writings (Grant and Perren, 2002). Others attribute the gap to the inherent incommensurability of the paradigms themselves (Parket and McHugh, 1991) or to the paradigmatic parochialism that some scholars practise – i.e. the unwillingness of scholars to approach their studies with a degree of pragmatism that permits bridges between apparently contrasting paradigms (Grant and Perren, 2002). To address this difficulty, Tranfield and Starkey (1998) advocate for a problem-focused, trans-disciplinary approach to management research, while Rask *et al* (2008) argue in favour of a coherent framework for international business (through a combination of various perspectives) to guide teaching and research in the field. In a similar vein, Grant and Perren (2002:202) challenge small business and entrepreneurial researchers to “step outside the hegemony of their ‘normal’ paradigm and to consider alternative paradigmatic positions” and thereby bring their studies closer to the social realities that practitioners perceive.

The present paper builds on the above observations and seeks to introduce students of international business to some of the dominant paradigms in social science and how they impact international business research. The discussions aim to encourage students to be conscious of their own ontological and epistemological orientations as business scholars and to interrogate the paradigmatic dispositions of other scholars that provide theoretical anchors for their own research. In this way students are equipped to examine the consistencies or otherwise between their research questions, their own paradigmatic dispositions and those of theorists that guide their work.

The paper is structured as follows: It continues after this brief introduction with the presentation of the concept of paradigm and its definitional characteristics. This is followed by a short discussion of the highlights of the objective – subjective debate in the social sciences. Two typologies of paradigm commonly used in the extant literature in philosophy of science are then presented and their relevance to studies in international business discussed. I argue that functionalist/positivist paradigm is dominant in international business research and ask the question why non-functionalist paradigms have been sidelined in nearly all strands of international business research. I then discuss the methodological challenges of adopting interpretive phenomenological approach to international business research. The final section

of the paper explores the possibilities in adopting multiple paradigm approach to international business research and the implications of adopting such an approach.

## **Definitional Characteristics of Paradigms**

In its modern usage, the term ‘paradigm’ is attributed to Thomas Kuhn who presented a theory of the structure of scientific revolutions to describe waves of research in a given scientific field (Kuhn, 1970). Kuhn argues that every field of research is characterized by a set of common understanding of what phenomenon is being studied, the kinds of questions that are useful to ask about the phenomenon, how researchers should structure their approach to answering their research questions, and how the results should be interpreted. These common characteristics constitute a paradigm. He argues further that science does not progress only from a gradual accumulation of facts, but also by successive and overlapping waves which fundamentally re-frame ideas. These ideas may alter the nature of what researchers take to be facts. Building on this understanding, most scholars of philosophy of science define paradigms in terms of four sets of assumptions – i.e. ontological, epistemological, methodological assumptions and assumptions about human nature.

*Ontology* is a term used to describe the nature of what the researcher seeks to know something about – i.e. the “knowable” or “reality”. It raises the question as to whether the social world is real and external to an individual human being and therefore imposes itself on his consciousness or whether the individual creates his own social world and (the social world) therefore becomes a product of his cognition. This describes the objective-subjective divide in philosophy of science. Thus, ontology has to do with what a researcher considers to be a “reality”.

*Epistemology* is a term that describes the nature of knowledge and the means of knowing – i.e. “*how we know what we know*” or what may be conceived by the researcher as a “truth”. This concept also raises the question as to whether it is possible for an external observer to “know” the truth about a specific social world to which he is a stranger, or whether the social world can only be understood by occupying the frame of reference of the individual actor whom the researcher seeks to study.

The term *human nature* describes how the researcher sees the relationship between human beings and their environment. Again, it seeks to establish whether the researcher sees the social environment as outside the individual or whether people and the environment co-determine each other. This perception is also important to how knowledge is acquired and what is considered by the researcher as being a “truth”.

*Methodology* is the strategy or plan of action guiding the entire research. It describes the reasons underlying the choice and use of specific methods in the research process. Others refer to it as the research design or how the researcher goes about finding out the knowledge he desires. If a researcher assumes that the social world can be objectively observed from outside, he is likely to adopt a methodology that focuses on an examination of relationships to universal laws and regularities in relationships and he adopts objective approaches to uncover these relationships. But if the researcher assumes that the social world can only be understood by obtaining first hand knowledge of the subject under investigation, he is likely to opt for a methodology that focuses on individuals’ interpretations of the world as they experience it.

## Objective-Subjective Perspectives in Social Science

As hinted above, all research endeavours have to do with how researchers “make sense” of the phenomenon under investigation. But the sense-making process differs substantially among researchers and depends on their paradigmatic orientations. Distinction is generally drawn between *objective* and *subjective* approaches to research. The distinction has also been captured in such contrasts as *interior* and *exterior* worlds or *inside* and *outside* perspectives. The *emic* and *etic* distinctions also convey similar meanings. Andersen (1990) refers to the two polar perspectives as *positivistic paradigm* and *interpretive scientific paradigm*. Burrell and Morgan (1979) compare the two divergent perspectives in terms of their ontology, epistemology, human nature and methodology. The differences are captured in Figure 1.

**Figure 1:** The Objectivist-Subjectivist Dispositions in Social Science

<b>Dimensions</b>	<b>The Objectivist Approach</b>	<b>The Subjectivist Approach</b>
Ontology	Realism	Nominalism
Epistemology	Positivism	Anti-positivism
Human Nature	Determinism	Voluntarism
Methodology	Nomothetic	Idiographic

Source: Burrell and Morgan 1979 p. 3

Following Fast and Clark (1998), *realism* postulates that the social world is real and external to the individual cognition. That is, the “real” world is made up of hard, tangible and relatively immutable structures. *Nominalism*, on the other hand, assumes that reality is constructed by individuals in interaction with each other and is presented in the form of names, labels and concepts. One can therefore speak of multiple realities in social science.

*Positivism* reflects an epistemology which seeks to explain and predict what happens in the social world with an emphasis on regularities and causal relationships between its constituent elements. The positivist researcher believes that any social science researcher can be objective and conduct his investigations as an external observer. He can therefore study the constituent

parts of a social phenomenon in order to understand the whole. That is, he looks for regularities and causal relationships to understand and predict the social world.

*Anti-positivism*, on the other hand, takes various forms but assumes mostly that the social world is essentially relativistic (e.g. socially constructed) and can only be understood from the standpoint of individuals directly involved in the social activities under investigation. Scholars adopting this viewpoint are uncomfortable with the notion that social science research can generate objective knowledge of any kind.

While the *nomothetic* approach encourages studies that are based on systematic protocol and techniques such as survey methods, the *ideographic* approach sees reality in terms of symbols and ideas. Scholars adopting the latter approach therefore emphasise analyses of the everyday flow of life of those investigated – a kind of anthropological approach or an action research through which the researcher “gets inside” the situation. That is, a researcher adopting an ideographic approach will necessarily adopt an emic approach to his studies. This approach endorses the use of such techniques as diaries, biographies and participant-observations.

Many methodology textbooks describe the objectivist types of research with the label *positivism* and the subjectivist research is labelled *interpretivism*. As indicated above, the positivist paradigm assumes that all social phenomena can be explained by observing their causes and effects. This implies that existing theories can form the bases for hypotheses that provide *a priori* explanations for a given social phenomenon. These hypotheses can then be tested to verify or falsify the theories. This approach is generally referred to in the literature as *hypothetico-deductive* method. Interpretivism takes an opposite viewpoint. It subscribes to *understanding* a given social world from the points of view of people being studied and the intentions underlying their behaviour. It therefore uses the inductive method.

But not all researchers consider this classification to be very useful. For example, Deetz (1996) argues that the meaning of the objective-subjective labels is socially contrived and the “objective” practices are, in a sense, the most “subjective” forms of research. His reasoning is that in the “objective” research, concepts and methods are held *a priori* and constitute projections of researchers’ own ways of encountering the world. That is, the researcher does not engage in any critical reflection over his work process and does not contemplate on possible alternative perspectives on the social world that he seeks to understand.

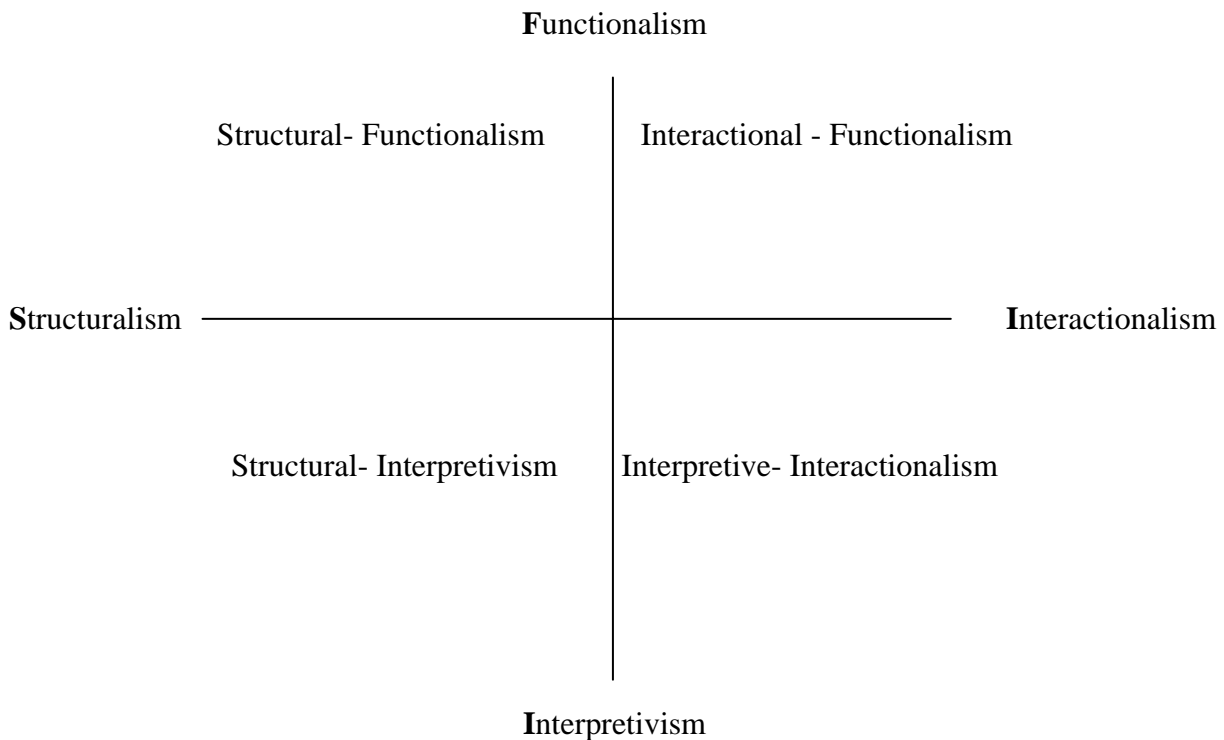
## **Two Classifications of Paradigms in Business Research**

The objective-subjective debate has produced a number of typologies of paradigms. Two of these typologies have become popular with business economics researchers and have influenced organizational and management studies in general. They have also influenced studies in specialized functional areas of business such as marketing, accounting, and finance. These are (1) the FISI classification (covering **F**unctionalism, **I**nterpretivism, **S**tructuralism, and **I**nteractionism); and (2) the RRIF classification (covering **R**adical humanism, **R**adical structuralism, **I**nterpretivism and **F**unctionalism). They are presented here for a quick overview.

### The FISI Classification

The 19 and 20<sup>th</sup> century scholars of sociology including Durkheim, Herbert Spencer, Talcott Parsons and Robert Merton have emphasized the importance of studying social phenomena in terms of structures, functions, and interactions. In general, these scholars argue that social facts have existences outside individual actions. As such, they can be studied with positivist epistemology and its associated methodological arrangements. Their thoughts have influenced discourses in both neoclassical economics in the beginning of the 20<sup>th</sup> century and institutional economics during the past four decades in the works of such scholars as Granovetter (1985) and Whitley (1992). A simple classification of the root assumptions of their work is presented in Figure 2 as the **FISI** classification of paradigms.

**Figure 2:** FISI Classification of Paradigms



**Functionalism** subscribes to a positivist epistemology. It therefore falls under the objectivist or positivist types of research. It is popular in studies in Economics and its derived disciplines, including business economics. Business economists adopting the functionalist paradigm hold the view that organizations make adaptive structural changes to their environment that render them more in fit with their situations and thereby maintain effectiveness. A classical example of this viewpoint is found in the stimulus – organism – response (S-O-R) model in business economics. This model argues that environmental factors stimulate organizations which in turn respond to the environmental stimulus with specific behaviours (including strategies). That is, organizations are likened to simple biological organisms whose response behaviours are determined by factors within the environments in which they live.

Recent organizational studies have, however, acknowledged limitations to ultra functionalist views of business. An increasing number of scholars now agree that changes in strategy and structure occur because of decisions by managers whose decision processes may involve many subjective elements, including perceptions and beliefs (Donaldson, 1997). Grant and Perren (2002) therefore suggest that advances in business research require a broadening of perspectives, new understandings, and theories.

**Interpretivism** (as already mentioned) emphasises the need to understand peoples' definition of situations in which they are involved and the meaning from their experiences. That is, while functionalists are preoccupied with explaining events or experiences as objective evidence separate from those experiencing them and often without direct reference to the contextual setting, interpretive paradigm requires investigators to perceive their actors as engaged in continuous interpretation, meaning creation and sense-making of events and their contexts. Investigators therefore focus their work on understanding rather than explaining. These investigators subscribe to the view that human beings do not passively respond to what is going on around them.

**Structuralism** (as an approach to social science) sees human societies as composed of complex systems of interrelated parts. A notable characteristic of the structuralist perspective is an emphasis on the collective rather than the individual. The individual's position within a social system is defined by the structure of the system. There is therefore some element of determinism in this perspective. We see the manifestations of the structuralist approach in business studies in the analysis of organizational structures and behaviours. Variables such as size, type of industry, number of competitors, number of buyers and seller etc. occupy central positions in such analyses. A close relationship is seen between structures and sizes of organizations (Chandler, 1962). The structure – conduct – performance (S – C – P) model is one of the well known models in business studies that exemplify this approach.

How do individuals with different experiences and interpretations of the world understand each other? This is the focus of the **interactionist** approach to social knowledge. Scholars adopting this approach emphasize the role of human interactions in the functioning of social life. The understanding among these scholars is that individuals do not simply respond to stimuli in the environment in pre-established ways, but instead construct their acts through "minded behaviour." This "minded behaviour" involves the presentation of oneself with anticipated and alternative possibilities of future action (Meltzer, 2003). Social interactions allow individuals to share meanings and expectations, reflect over events via cognitive

interactions with themselves and act with one another on the basis of shared meanings and understandings. Thus interactions are at the centre of all social acts and facts. Its best known proponents are scholars who subscribe to symbolic interactionism (Blumer, 1969), and social constructivist approaches to understanding social worlds.

There are various combinations of the four paradigms presented above. The best known among them are structural functionalism, structural interpretivism, interactional functionalism, and interpretive interactionism. They are described briefly below.

**Structural functionalism** is a spin-off from both structuralism and functionalism and aims at transcending the dichotomies of both epistemological perspectives. The general understanding among the proponents of this paradigm is that society has an existence over and above individuals. In Parson's (1951) formulation structural-functionalism describes four characteristics of social systems:

1. *Adaptation*: capacity to interact with and adjust to external contexts. This is evident from economic subsystems and technological adaptation in modern societies.
2. *Goal-attainment*: capability of social systems to set goals and implement appropriate decisions. This found in modern organizational forms and political systems.
3. *Integration*: capability to create harmony and convergence through shared values and norms. This is found in social networks and civil societal structures.
4. *Latency*: capability to establish stable pattern over time through socialisation of new members into existing norms and values. This is found in well functioning schools and family systems in modern societies.

**Structural interpretivists** endorse the view that the social world is organized in terms of some basic structures that define relationships. But they emphasise the interpretations that individuals accord events and experiences within the structures rather than the structures themselves. That is, scholars adopting the interpretivist perspective view reality as providing shifting frames of reference for individual actions and therefore seek to understand the social world through the eyes of individuals. Because they believe that reality can only be revealed by those engaged in the experience, they use methods that can capture subjective experiences of the individual participants.

**Interactional – Functionalism** combines functionalism and interactionism. As noted earlier, scholars adopting the functionalist perspective also believe that social institutions are made up of interconnected roles or inter-related norms. Thus interactions are essential for the effective functioning of social systems. Interactions produce social norms and the predictability of behaviours that allow expectations to be built and roles to be defined. Thus sociologists such as Parsons see roles as normatively regulated behaviours that emerge through social interactions. Interactions create history and norms that influence current and future behaviours. Thus, individuals and organizations are believed to be partly captives of their histories. This understanding is reflected in *path-dependence theories* in business research. Path dependence explains how the set of decisions one faces for any given circumstance is limited by the decisions one has made in the past, even though past circumstances may no longer be relevant, a phenomenon described by Cyert and March (1963) as “competence trap”.

**Interpretive- Interactionalists** hold that organizations and their employees interact within and outside their organizational boundaries. As they do so they use their cognitive faculties and memories to interpret events. It is the process of interactions and interpretations that define their behaviours. As such, management decisions are not totally deterministic or responses to an “objective” environment. The interpretivists therefore adopt the concept of “enacted” environment in explaining management decisions and strategies, drawing on the studies in sociology (Schutz, 1967; Weber, 1968), symbolic interactionism (Blumer, 1969) the sociology of knowledge (Berger and Luckmann, 1967), as well as cognitive social psychology. The argument here is that environments are enacted through interactions with other actors within the environment and a sense-making process through which managers assign and read meanings into the environment that they “co-create” with other business participants.

The various combinations of paradigms presented within the FISIT typology hints at the willingness of social scientists to allow for multiple paradigmatic perspectives in social science research. I re-visit the issue of multiple paradigms in the last section of the paper.

### **The RRIF Classification of Burrell and Morgan**

The second typology of paradigms has been offered by Burrell and Morgan (1979) who draw a distinction between what they call “the sociology of regulation” – i.e. those approaches to sociology which concentrate on explaining the nature of social order and equilibrium on the one hand, and the “sociology of radical change” – i.e. those approaches concerned with the problems of change, conflict and coercion on the other. In doing so, they elevated thoughts found in critical social research to the centre stage of organizational research. Critical theories draw attention to inequalities, malpractices, injustices and exploitations in social worlds, seeking to give voice to marginalized groups. The inclusion of critical perspectives allows Burrell and Morgan to contrast functionalist and interpretive paradigms with the 'radical' humanist and structuralist paradigms to produce four paradigms for organizational analysis, thereby extending traditional classifications of paradigms in social science. The four paradigms produced are the functionalist, the interpretive, the radical humanist, and the radical structuralist (see Figure 3).

In presenting the typology the authors argue that these paradigms should be considered “contiguous but separate — contiguous because of the shared characteristics, but separate because the differentiation is . . . of sufficient importance to warrant treatment of the paradigms as four distinct entities” (1979: 23). As such, the four paradigms provide fundamentally different perspectives for the analysis of social phenomena, including organizations.

**Figure 3:**  
**Burrell and Morgan's Four Paradigm Model of Social Theory**

The Sociology of Radical Change

Subjective	Radical humanist	Radical Structuralist	Objective
	Interpretive	Functionalist	

The Sociology of Regulation

Source: Burrell and Morgan (1979)

Again, the **functionalist paradigm** (*objective regulation*) in Burrell and Morgan's typology is the combination of objectivity and order. It rests upon the premises that society has a real, concrete existence and a systematic character and is directed toward the production of order and regulation. From this perspective, issues in business economics (and international business, for that matter) would be assumed to be objective and value free. The researcher can therefore distance himself from the subject matter by the rigour of the scientific method that he adopts.

Burrell and Morgan also present the *interpretive paradigm* as rejecting the analysis of structures "independent of the minds of men" (p. 260). Thus if students view business events as occurring in complex, ambiguous, and ill defined contexts, they are likely to favour a subjective approach to their investigations.

It is important to note the distinction Burrell and Morgan make with regard to the interpretive paradigm, namely that it is by nature highly subjective and qualitative. Therefore, a purely interpretive view of business will be concerned primarily with the experiences of the individual, or the process by which employees make decisions, rather than the outcomes of these decisions. In the Burrell and Morgan model, the interpretive paradigm is also closer to the sociology of regulation end of the continuum than to the sociology of radical change end of the continuum, which makes this paradigm one of examining subjective experiences within the world as it currently exists. In fact, Burrell and Morgan argue that the interpretive paradigm in its purest sense does not allow for the existence of organizations in any hard and concrete sense – i.e. organizations do not exist in any real form.

The **radical humanist paradigm** (*subjective-radical change*) shares with the interpretive paradigm the assumption that everyday reality is socially constructed. Scholars adopting this

approach see the dynamics of social change process in terms of interactions between individuals' world views and the external institutionalized world in which they live. The external world is often so powerful that social change requires the emancipation of the consciousness of individual participants within the society. This understanding is at the root of missionary endeavours. The activities of high profiled not-for profit organizations such as *Green Peace* and *Amnesty International* are examples of institutions with radical humanist orientations.

Scholars subscribing to **Radical Structuralist Paradigm** (*objective-radical change*) see inherent structural conflicts within society. These conflicts generate constant change through political and economic crises. This has been the fundamental paradigm of scholars such as Marx and Engels, and of politicians such as Lenin of Russia and Mao of China.

Burrell and Morgan's introduction of the sociology of radical change in their classification of paradigms provides a novel perspective and differentiates their classification from the **FISI** classification presented above. Radical changes have been presented and advocated for in political sociology but have gained little acknowledgement in disciplines that have developed in the market-driven societies.

Burrell and Morgan's classification has also been criticised by several authors. Some argue that the four-paradigm classification has often led to quick categorizations and to debates about the appropriateness of different paradigms for different types of studies. Adherents of each of the four paradigms tend to consider particular research problems to be more important than others. Deetz (1996), however, aptly argues that one should not use the four categories as sheer means of positioning ones work or the work of other. That is, the focus of the research – i.e. the problem formulation – should determine which of the four paradigms the researcher may consider to be appropriate for the investigation.

Others point out that the model is based on dualisms. As such it fails to recognise both the existence of continua and the dialectical nature of these characteristics. As Deetz (1996) argues, it is intellectually appropriate to see subjectivity and objectivity as mutually constitutive, each implying the other. In that sense subjectivism and objectivism complement each other.

## **Internationalization in Burrell and Morgan's Paradigmatic Perspectives**

As argued previously, most of the strategic management literature accepts the view that "organizations" and "environment" are real, material and separate from each other just as in biology. That is, business organizations are seen as biological organisms, which adapt to their ambient environments. Because the business environment is real, external, given, tangible and concrete to an organization, firms are encouraged to discover "real" opportunities and threats within the environment and to respond to them using their resource-based strengths. In general, international business theories have been built and tested on the basis of these understandings.

A recent meta-theoretical analysis of international business literature by Rask et al (2008) classifies the theoretical perspectives in the field into four:

1. The institutional-economic perspective
2. The learning perspective
3. The strategic competition perspective
4. The inter-organizational perspective

Scholars writing under the institutional-economic perspective focus on internal drivers as key determinants of the internationalization process of firms. They see internationalization as the result of rational plans formulated by top management and implemented by other managers based on rigorous analysis of transaction costs of alternative business decisions. The theoretical anchors of their analyses include firm growth theories that have their roots in Penrose's (1959) work and transaction costs economics popularized in the works of Williamson (1975). This suggests that the paradigmatic roots of these studies lie in positivism.

The learning perspective sees internationalization as emerging out of top management's retrospective evaluation of the outcomes of business decisions made earlier. Learning is therefore experiential and feeds into subsequent internationalization decisions which are found to occur gradually and incrementally. The best known example of this perspective is the Uppsala school's *stages theory of internationalization*. The theory presents internationalization as a path-dependent process of step-by-step actions in foreign markets and with cumulative learning as one of the main outcomes. Earlier scholars adopting this perspective have focused attention on the impact of business distance (geographical, cultural and economic differences) on managers' foreign market choice decisions (Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Cavusgil and Nevin, 1981; Leonidou and Katsikeas, 1996). It has been argued that the shorter the business distance between the home and the target country, the more knowledge the firm has about the target country. The longer the business distance, the greater the liability of foreignness (or unfamiliarity) in the foreign markets and the more risky it is to enter and operate in the markets. This implies that the more knowledge the decision maker has about the target market, the more realistically their assessment of the liabilities of foreignness in that market would be and the more likely it would be to prepare themselves for these challenges.

This perspective has been subjected to serious criticisms in the literature. Empirical evidence has shown that increasing number of firms today 'leap' straight into other forms of upstream and downstream international activities or 'linkages' without passing through the export phase (Fletcher, 2001). Some of these firms (e.g. the so called born globals)<sup>1</sup> run through the stages of internationalisation rapidly becoming fully international within a shorter time frame than what was considered possible twenty to thirty years ago (Oviatt and McDougall, 1994). There is also evidence of firms using reverse internationalisation or 'de-internationalisation' (Barrett and Wilkinson, 1996) as deliberate strategies.

The strategic competition perspective with its background in industrial economics and business policy emphasize the influence of competitor analysis in the internationalization process of firms. Porter's (1985) work on competitor and value chain analyses have served as

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<sup>1</sup> born globals more like expressions describing technology -based small firms which are planning to grow fast. 'International New Ventures' (INV) and 'global start-ups'(Oviatt and McDougall 1994).

the main theoretical platform for most of these studies. Recent developments in this work have discussed the increasing fragmentation of value adding activities and the internationalization of parts of the value chain through offshore and onshore outsourcing arrangements.

The interorganizational perspective shares with transaction costs economics the awareness that firms are resource dependent in the fulfilment of their underlying objectives. But while transaction costs economics doubts the ability of firms to secure the needed resources in a cost-efficient way through collaboration, this assumption lies at the core of the interorganizational perspective. Borg (1991) argues that unlike transactional costs theory, an interactional approach places less emphasis on the cost of different forms of business relationships and more on the substance of the relationship.

Thus, to interorganizational scholars business exchanges are not characterised by actions of sellers and reactions of buyers. Transactions are rather defined by interactions of active participants in the exchange relationship (Ford *et al.*, 1998). Through *networking* firms obtain access to important complementary assets, markets and technologies without incurring organisational or locational costs (which are typical of internal growth strategies), and free themselves from the limits of local (and internal) competence (See Turnbull and Cunningham, 1981; Ford, 1990; Axelsson and Easton, 1992).

It is important to note, however, that the unit of focus and analysis in the network theory is the firm. Firms select counterparts with which they sell products and exchange resources. They coordinate their relationships through interactions. Relational bonds are identified to have technical, planning, knowledge, socioeconomic and legal components. These bonds are manifested in practice through product and process adjustments, logistical coordination, and knowledge about counterparts. In other words, interorganizational perspectives emphasize structures and relationships and have been guided by a combination of structural and interactive paradigms.

Rask *et al* (2008) argue that the four perspectives also focus on different analytical levels and units. The institutional-economic perspective has its analytical focus on individual microeconomic transactions. The learning perspective analyzes the company as a whole with regards to its objective knowledge, experience, competences, resources, perceived psychic distances, commitment, and risk-taking. The strategic-competition perspective has the industry as its primary unit of analysis. Finally, the inter-organizational perspective has relations (networks) among companies as its analytical focus.

Notwithstanding differences in the levels of analysis, it is important to note that the four perspectives have all shown remarkable loyalty to neoclassical economic thinking and therefore functionalist/positivist paradigm. Figure 4 provides an overview of their theoretical and paradigmatic foundations. This is reflected in the observation that a dominant characteristic of most international business studies during the past half a century is that firms choose their geographical locations and markets on the basis of a thorough analysis of all relevant decision alternatives and choices. Plans are then drawn and deliberately implemented to achieve the desired goals of the firms. These plans may be either implemented gradually (as in the case of the learning perspective), or to ensure sustainability of competitive advantages in foreign markets (as in strategic- competition perspectives) or to position the

firm advantageously with a local or an international business network. Notwithstanding the differences in emphasis, the consciousness of the decisions and the actions taken by management is never called into question. This loyalty provides a partial explanation for the difficulties in bridging the gaps between the types of knowledge business researchers provide and what practitioners know or seek knowledge about. Thus, Gelbuda *et al* (2003) criticise the mainstream internationalization theories for being very deterministic, subscribing to dominant views in economics and management that emphasise systematic control, goal-oriented directives, efficient organizing, and long-term planning as main drivers of firm growth. This deterministic and plan-driven growth perspective runs counter to the turbulent environment in which most international firms operate. Mintzberg (1994) argues that environmental turbulence is best managed with emergent and flexible strategies. Furthermore, it is important to note that issues of radical changes that are described in Burrell and Morgan's work have been conspicuously absent in these studies.

**Figure 4:** Overview of the Paradigmatic Anchors of Dominant Internationalization Theories

<b>Dimensions</b>	<b>The institutional-economic perspective</b>	<b>The learning perspective</b>	<b>The strategic competition perspective</b>	<b>The inter-organizational perspective</b>
Theoretical base	Firm growth theory from Penrose; transaction costs economics from Williamson	Learning behaviour theory from Cyert & March	Theories of industrial economics and business policy	Theories of organizational sociology and political science
Main Arguments	FDI decisions result from rational cost analyses and plans	Downstream internationalization via gradual, sequential, incremental and path-dependent process through learning.	Internationalization driven by above-average financial goals and competitiveness in industries with high entry barriers	internationalization process results from networks of relationships and continuous investments in market assets and contacts
Major contributors	Hymer; Dunning; Rugman;	Johanson , Vahlne & Wiedersheim-Paul; Aharoni	Porter; Bartlett, Ghoshal, Buckley	Johanson, Mattsson, Vahlne
Ontology	Realism	Realism	Realism	Realism
Epistemology	Positivism	Positivism	Positivism	Positivism
Human nature	Determinism	Determinism	Determinism	Determinism
Methodology	Nomothetic	Nomothetic	Nomothetic	Nomothetic

## **Non-Functionalistic Approach to International Business Research**

The discussions above indicate the preponderance of realist ontology and positivist epistemologies in the formulation of international business theories as well as the empirical studies underlying these theories. This leads to the following questions:

1. Why have non-functionalist paradigms (such as interpretive phenomenology) been sidelined by international business scholars?
2. What contributions can these paradigms and perspectives make to bridge the gap between academic work and practitioner expectations – i.e. can such studies provide normative prescriptions to international business managers?
3. What challenges must student-researchers be mindful about if they choose to adopt such approaches to their studies?

Arguably, the reluctance of international business scholars to adopt non-functionalist paradigms in their studies is due partly to the research traditions within which business economics (and later, international business) has been born as an academic discipline. Economists have always been proud of the “scientific” accolade of their discipline. For leading economists, science connotes functionalistic approaches to investigations.

In more recent years, however, economic sociologists such as Granovetter, (1985) have vehemently criticised the “under-socialization” of economics. They argue that it is more accurate to view economic activities as "embedded" within social relationships. This perception has opened up opportunities to explore the contributions that interpretive paradigms can make to business economics research in general and international business in particular due to the contextuality of economic decisions and actions of managers in an international context. Some scholars have even suggested that interpretive paradigms in general, and interpretive phenomenology in particular, may be helpful in bridging the gap between academic research and practitioner expectations regarding prescriptive guidelines from the academic community (Aram and Salipante, 2003; Cope, 2005). The next section of the paper explores this contention and discusses the challenges related to the adoption of interpretive approaches to international business research.

### **Potential Contribution of Interpretive Phenomenology**

Phenomenology as a philosophical tradition was first developed by Edmund Husserl who argued that in order to study things the way individuals experience them and the meanings that they attach to these things the investigator must study them from the subjective (i.e. first person) point of view. That is, investigators must not impose any interpretations and explanations on the phenomenon since that would preclude them from understanding the phenomenon from within. As Cope (2005) explains it, the aim of phenomenological inquiry is to understand the subjective nature of ‘lived experience’ from the perspective of those who experience it, by exploring the

meanings and explanations that individuals attribute to their experiences. This requires multiple interactions and interpretations (i.e. interactions producing the lived experience, self-interpretations of the lived experience, socially shared interpretations within the social context and shared interpretations with the investigator).

I have argued earlier that managerial experiences have been the focus of several internationalization theories (including the Uppsala theory). Interpretivists would argue that in order to gain insight into how managers make sense of their business contexts, researchers need to understand how these managers create meanings from their business experiences. Such studies will necessarily be “bottom-up” and non-theory driven, implying that the investigations must be concerned with revealing what managers perceive to be meaningful rather than focusing on “objective facts”.

Furthermore, interpretivist scholars would argue that international business managers enact or “co-create” their operational environments through their interactions with other business participants. The management decisions they take would be seen to be based on this unceasing processes of interactions and interpretations. These actions would be assumed to be self-reinforcing; meaning that making a choice or taking an action puts in place a set of other activities that reinforce or sustain the first action. In other words, managers learn from their actions through feedback mechanisms that further strengthen their belief in the validity of their action. Actions and consequences are however not path-dependent since employees are never blank sheets of paper on which history writes its scripts.

The interorganizational perspective in international business studies presumably subscribe to this interpretation of networks and business relationships. Yet again, previous research has not studied interfirm relations from a phenomenological standpoint. As noted above the focus of network researchers has been on organizations as units of analysis rather than the relationships and processes of interactions between decision makers. Their emphasis has been on the transformational and transactional activities of organization, resulting in what is termed as interactive effects of participants in the networks.

As Kuada (2009) argues organizations collaborate through people. People make decisions and carry them through. This is particularly true for international business relations where uncertainties emanating from geographical divide and risk of opportunism may render decision makers hesitant to make commitments that are vital for success. This is why firms send their managers to other countries to negotiate deals and to supervise specific aspects of contracted collaborations. People “on the spot” are able to register errors of interpretation of ideas and thoughts conveyed by their negotiation partners and rectify them quickly enough to avoid misunderstandings that may sow the seed of mistrust between firms. Relationships between people also produce co-constructed knowledge. Over time, the knowledge is shared with other organizations and result in what Gelbuda *et al* (2003) refer to as organizational interpretive and action capacity. Thus it makes sense to base international business studies on an interpretive paradigm.

The organisational science literature provides some support for this approach. Some organizational science scholars inform us that organisational decisions are not always rational and are not necessarily made from unified decision centres. Over the years concepts such as bounded rationality, garbage can model, agency, and culture have entered the literature to explain the irrational dimensions of organisational decision processes. The arguments underscoring irrational decision making processes are varied. They include Cyert and March's (1963) argument that decisions are made by loose and shifting "coalition" of units and subunits within organisations and Weick's (1969) discussion of general and decision makers' sense making of their operational environments. Since management decisions are based partly on irrational considerations they defy predictability. This means that international business scholars must understand the intentions and emotions of managers in order to gain insights into the actions that they take. This means that an anti-positivist analysis of firms, their partners and competitors is required to provide a valid base for management decision making.

### **Some Methodological Challenges**

But despite the potential contributions of interpretive paradigm to business economic research, it is important to bear in mind that conducting such types of research is fraught with numerous challenges. One challenge emanates from the complexity of the processes of data collection and analysis. Cope (2005) argues that the complexity surrounding the phenomenological description of phenomena questions the ability of the investigator to be a neutral, impartial and detached observer. Following Hurssel a researcher is inextricably linked to the lived-world in which phenomena occur. In methodological terms, this means that what is known (predominantly by the researcher) is created through a personal and interactive relationship between the researcher and the subject/object of investigation. This raises the question of validity. How can one be sure that the researcher has not misunderstood what he has observed or has provided a misinterpretation of what the participant has narrated? Or can one be absolutely sure that the participant is honest in his narrations?

The validity challenge is partly addressed by the methodological requirement that the phenomenologist must adopt a data collection method that is participant-led. That is, the researcher must not impose any rigid or pre-existing framework on the data collection process. But deliberately relinquishing control over the data collection process to the participant in the research process creates other risks. For example, the participant tends to dictate the process and progress of the data collection (e.g. interviewing process). Although this allows the participant to narrate his experiences more fully, providing rich information about the phenomenon in question, he may ignore the research questions in the process.

Cope (2005:181) explains the dilemma as follows:

“...in practice, it can be very difficult for the researcher to maintain such a passive role, as the research questions driving the inquiry need some kind of answers in order to produce work that can make a genuine contribution to knowledge about the phenomenon in question. One's perceptions of the phenomenon in question are influenced, both explicitly and implicitly, by exposure to extant

theory prior to engagement with the participants. Methodological decisions naturally involve assumptions about the nature of the phenomenon in question and this is an inescapable aspect of conducting research. Primarily, this is because research questions are formulated, in part, through literature reviews that serve to identify the limits of current knowledge. Consequently, an important methodological reflection from the research is that maintaining a 'pure' phenomenological approach often proves difficult."

## **Towards Paradigmatic Pragmatism**

Can international business scholars combine functionalistic and interpretive paradigms (or other paradigms) in any given research? I have hinted at these possibilities earlier in the paper. Examples of paradigmatic combinations include structural-functionalism, interactional functionalism, interpretive interactionism and structural interpretation. Following Rossman and Wilson (1985) we can group researchers into three categories in terms of their disposition towards paradigm usage: (1) the *purists*, (2) the *situationalists* and (3) the *pragmatists*.

*Purists* hold the view that the root assumptions on which each paradigm is grounded are sacrosanct and must be preserved without any effort of blending. Said differently, paradigms are inconsistent with each other because of their divergent assumptions and methods. They must, therefore, be developed and applied separately. To Parket and McHugh (1991: 455) declaring faith in a paradigm accords the researcher the right and legitimacy "to ground [his] statements in some final way". This perspective is labelled in the literature as the *incommensurability of paradigms*. It implies that researchers can only position their works within a given paradigm at a time. Thus, from this perspective, the use of multiple paradigms in one research is impossible. If it happens it would amount to paradigmatic prostitution and must be condemned on scientific and ethical grounds.

The *situationalists* argue that different paradigms make complementary contributions to an understanding of any given social phenomenon under investigation. That is, it is possible to synthesise and integrate the various paradigms. The premise of this view is that social phenomenon has many sides and interpretations. Each researcher adopts a particular angle to his investigation to arrive at the type of knowledge that the methodology can live up to. Thus, paradigmatic crossing is permissible once researchers are aware of the root assumptions of the paradigms when they apply them. The situationalist will therefore apply different paradigms at different stages of a given research based on the demands of the research issues. In other word, he may address different aspects of the broad research question from different paradigmatic positions. He may therefore operate with shifting research designs.

*Pragmatists* aim at creating useful knowledge by addressing pressing, contemporary problems and translating acquired knowledge into action. Thus, for the pragmatist, the focus of a research project must be the issues under investigation. The choice of single or multiple paradigms should, therefore, depend on their contribution to the research issues and the context of the research rather than any idiosyncratic methodological preferences that the researcher may have.

Thus, pragmatists will endorse the use of multiple paradigms as long as they help provide practical and normative oriented outcomes.

Recent years have witnessed an increased academic acceptance of multiple paradigms. For example, Gioia and Pitre's (1990) argue that social science scholars are best served by multi-paradigmatic approaches that will help them capture the dynamic complexity of social phenomena. In the same vein Deetz (1996) suggests that communication across paradigms is both possible and necessary in social science research since societies are complex and people with different worldviews help build the world together. Schultz and Hatch (1996) also suggest that specific paradigms are mutually complementary rather than exclusive. In their view paradigms operate as complements by revealing sequential levels of understanding within an integrated research project.

The above arguments provide academic support for the adoption of multiple paradigm approach to international business research. This approach is particularly useful for projects in which many experienced researchers are involved and several of them have competencies in applying different paradigms. But one must be cautious in recommending multiple paradigm approach to student researchers with limited experience, time and resources.

## **Conclusions**

Most international business students have been trained in testing the appropriateness of existing theories which seek to explain the behaviour of international business managers and/or actions that they take on behalf of their firms. They are hardly encouraged to reflect on the paradigmatic foundations of these theories and to build their own theories based on observed practices. Thus there is an implicit preference for hypothetico-deductive forms of research which are positivist inspired. The training is consistent with research traditions in business economics. But recent arguments in support of the adoption of multiple paradigm approaches to research opens up new opportunities for students to explore alternative perspectives and methodologies in combination with the positivist approaches and produce novel perspectives in international business research.

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## Appendix 1

### Subjectivist Root Assumptions

1. Individuals experience both conscious and unconscious states of mind.
2. Individuals have an inner world of subjective experience distinct from an external world of action. This inner world is affected by, and is the product of, conscious and unconscious states of mind.
3. Individuals in a group both generate and are affected by conscious and unconscious processes of relating amongst members of the group.
4. The psychic reality of a group is discernible in the interactions between members and individuals' felt experiences.
5. Humans are social animals. Individuals derive a sense of self and their own 'being-in-the-world' from relationships with others.
6. Unconscious processes of relating (between self and others, or amongst group members) are not discernible as objective facts. The sources of data for discerning unconscious processes are feelings and emotions, i.e. *subjective* facts.
7. Unconscious processes of relating can be hypothesised and tested in the social reality of individuals concerned. Hypotheses cannot be viewed as absolute statements of this reality since human interaction is a dynamic process.
8. Reality can be distinguished from fantasy. Reality may be concrete, as in physical experiences of the world or social, derived from agreement about human actions, or symbolic, as in the representations of reality through images, language, symbols and artefacts.
9. Unconscious processes of relating amongst members of a group, or between groups and within an enterprise, strongly influence organisational actions. Yet, it is difficult to link such processes and actions in simple cause-effect relationships.  
When the possible *meaning* of action/s is reflected upon, links may be discerned between unconscious processes and human action.
10. Environmental context is a key influence upon the psychodynamic processes experienced by organisational members. Context includes primary task of the enterprise, the external environment in which it operates (e.g. social, political, geographic, industry, economic), and internal operating structure.

Source: Watkins-Mathys, Lorraine and Lowe, Sid (2005) "Small Business and Entrepreneurship Research: The Way Through Paradigm Incommensurability" *International Small Business Journal*  
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## **Other Classificatory Frameworks**

Another popular classificatory framework of paradigms has been offered by Morgan and Smircich (1980). Like their contemporaries, they also outlined a range of possible assumptions along the subjectivist–objectivist axis of Burrell and Morgan (1979). (See figure 4). Their network of core ontological assumptions, assumptions about human nature, basic epistemological stances, favoured metaphors, and research methods, was divided into six groups along a continuum between “extreme objectivism” on the one hand and “extreme subjectivism” on the other. At the extreme objectivist end, the core ontological assumption is of reality as a ‘hard, concrete, real thing’ external to the individual; human nature is perceived as being constituted by (concrete) responses to external stimuli. The epistemological stance here is seen as being positivist suggesting that knowledge should be sought about structure and relationships in concrete reality. Researchers therefore show high preference for empirical analysis and ‘objective’ forms of knowledge. In terms of methods, a researcher adopting an objectivist approach would be likely to use large data sets to focus on facts, look for causality and fundamental laws.

Again, for the subjectivist, reality is regarded as a projection of individual consciousness and human beings are shapers of the world within the realm of their own experiences. The epistemological consideration here is that knowledge is a process of understanding how human beings “concretize their relationship to their world” (Morgan and Smircich 1980: 493). Objective knowledge is, therefore, a sheer illusion. In terms of methods, a researcher adopting a subjectivist approach would focus on meaning and understanding, emphasising the totality of each situation.

### **Objectivist Realities**

1. Reality as a concrete structure
2. Reality as a concrete process
3. Reality as a contextual field of information

### **Subjectivist Realities**

1. Reality as a projection of human imagination
2. Reality as a social construction
3. Reality as a realm of symbolic discourse

### **Arbnor and Bjerke's Three Overlapping Paradigmatic Domains**

Arbnor and Bjerke's paradigmatic classifications are similar to what Morgan and Smircich (1980) have proposed. (See figure 6). They also suggest the following six overlapping paradigms

1. Reality as concrete and conformable to law from structure independent of the observer
2. Reality as a concrete determining process
3. Reality as mutually dependent fields of information
4. Reality as a world of symbolic discourse
5. Reality as a social construction
6. Reality as a manifestation of human intentionality

Based on these six paradigms they identified three methodological approaches that researchers use for creating knowledge in business studies: the *Analytical*, *Systems* and *Actors* Approach.