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DEVELOPING THEORETICALLY INFORMED TYPLOGIES IN INTERNATIONAL BUSINESS: WHY WE NEED THEM, AND HOW TO DO IT

Matthew M. C. Allen, Geoff Wood, Mehmet Demirbag (forthcoming), 'Developing Theoretically Informed Typologies in International Business: Why We Need Them, and How to Do It', *Journal of International Business Studies*.

ABSTRACT

In this article, we make the case for theoretically/logically derived explanatory typologies and their constituent ideal types, arguing that they can provide us with the basis to further understand dynamic and complex contemporary phenomena. We contrast this approach with dominant analytical strategies in international-business research. We show that the greater use of explanatory typologies and their associated ideal types in international-business research facilitates comparisons of similar cases; illuminates key, but relatively under-researched aspects of phenomenon; promotes theory building; and readily supports configurational analyses. By doing this, explanatory typologies can underpin rigorous analyses, and enhance the relevance of research findings on causally complex contemporary phenomena at different analytical levels.

Keywords: International Business Theory; Explanatory Typologies; Ideal Types; Configurational Analysis; Transaction Cost Theory, Transaction Cost Economics, or Transaction Cost Analysis; State Capitalism

DEVELOPING THEORETICALLY INFORMED TYPLOGIES IN INTERNATIONAL BUSINESS: WHY WE NEED THEM, AND HOW TO DO IT

INTRODUCTION

Long systemic processes and unexpected (or at least poorly prepared for) developments, such as some governments' renewed economic protectionism, the role of states in several firms' internationalization processes, and the protean effects of climate change (Buckley, 2020; Buckley, Doh, & Benischke, 2017; Petricevic & Teece, 2019), pose a challenge to theorizing and making sense of complex phenomena within management research, including studies of international business (Cornelissen, 2017a; Delbridge & Fiss, 2013; Jackson & Deeg, 2008). 'Net effects thinking' underpins many existing management and international-business theories (Furnari, Crilly, Misangyi, Greckhamer, Fiss, & Aguilera, n.d.; Jackson & Deeg, 2019; Ragin & Fiss, 2008), meaning that studies assume the relationships between variables are, typically, linear in nature, so that the more there is of any independent variable, the more (or less) there will be of the dependent variable (Delbridge & Fiss, 2013; Jackson & Deeg, 2008; Ragin & Fiss, 2008). Dominant modes of analysis, therefore, tend to focus on the specific impact of individual causal variables (Fainshmidt, Witt, Aguilera, & Verbeke, 2020; Fiss, Marx, & Cambre, 2013; Furnari et al., forthcoming; Jackson & Deeg, 2008).

Such approaches certainly have their merits (Furnari et al., forthcoming), enabling the specification and testing of clear and concise causal relationships between constructs (Cornelissen, Höllerer, & Seidl, 2021). However, it may encourage existing theories to be specified in ever greater detail or with more comprehensive boundary conditions at the expense of building novel theories to explain complex or emerging international-business phenomena that result from configurations of different causes rather than one or a few independent causes (Jackson & Deeg, 2019; Ragin, 1987).

Consequently, net-effects thinking tends to assume that individual causes are sufficient by themselves to explain the outcome, neglecting the possibility that individual causes, in isolation, may be neither necessary nor sufficient (Cornelissen, 2017b; Fiss et al., 2013; Ragin, 2000; Ragin & Fiss, 2008). Put differently, a net effects approach to research cannot readily address phenomenon marked by causal complexity (Furnari et al., forthcoming), in which 1) different combinations of causes combine in

varying ways and 2) the same outcome can be reached by a number of different routes (equifinality) (Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017; Ragin, 2008).

We seek to extend the range of theorizing and analytical options open to international-business researchers to examine causally complex phenomenon, arguing for the greater use of explanatory typologies and their constituent ideal types in the broad Weberian tradition. We note that, within international-business studies, many concepts that appear to be part of a typology are empirically derived, and, as a consequence, are quite narrowly based around a limited range of empirical examples or selected metrics. In turn, this may constrain both the scope of analysis, and our ability to explain complex events and changes. For example, whilst the term ‘state capitalism’ has become increasingly topical, it often defaults to analyses of state-owned enterprises and/or a particular emerging market, most commonly China. In doing so, this discounts the aims of different *types* of state capitalism, and how this variation impacts on the domain of international business (Dolfsma & Grosman, 2019). We demonstrate how a theoretically derived *typology* of state capitalism can complement existing analyses. At a more micro level, we draw on an existing ‘global leadership’ typology to demonstrate further the value of typological reasoning.

Such typologies facilitate the creation of analytical models based on complex causation that highlight how 1) combinations of causal conditions may be important, and 2) different combinations of causal conditions may be associated with contrasting, or, indeed, sometimes the same, outcomes (Cornelissen, 2017a; Delbridge & Fiss, 2013; Doty, Glick, & Huber, 1993; George & Bennett, 2005; Jackson & Deeg, 2019; Misangyi et al., 2017), enabling the analysis of necessary and sufficient conditions (Elman, 2009). This, in turn, can help to complement analyses based on the linear relationships between independent and dependent variables, enriching research and generating new insights into multifaceted, complex phenomenon that can encompass individuals, teams, organizations and national economies (Doty et al., 1993; Jackson & Deeg, 2019; Weber, 1949).

We focus here on explanatory rather than descriptive typologies and the ideal types that constitute those typologies; while explanatory typologies seek to make causal connections between their underlying dimensions and an outcome, the latter focus on identifying and describing particular phenomenon (Collier, LaPorte, & Seawright, 2008, 2012; Elman, 2005, 2009; George & Bennett, 2005). Explanatory typologies promote the inclusion of more configurations of causal variables – or dimensions, as an ideal-type approach would term them – into analyses than is often the case in existing IB theories and studies, making them particularly well-suited to analysing causally complex phenomenon (Furnari et al., forthcoming; Misangyi et al., 2017).

We build on salient components of Max Weber's work (Weber, 1949, 1978), which has been an important influence in related fields, but which international-business research often ignores (Shenkar, 2004; cf. Redding, 2005). Writing in the late nineteenth and early twentieth centuries, Weber admired the historians' grasp of detail as well as his contemporary economic theorists' use of clearly defined concepts and relationships between different phenomena (Warner, 1970). Indeed, an 'ideal type' was a means to combine these two strengths: Weber sought to enrich theories with greater detail, and to systematize historians' explanations of events by encouraging them to make explicit their criteria for selecting empirical material and the relationships within that material (Warner, 1970: 92–93). A typology has at its heart a set of dimensions that are common to all ideal types within it (Cornelissen, 2017a). Variation amongst the typology's constituent ideal types on those different dimensions enables researchers to differentiate theoretically/logically between instances of a complex phenomenon (Delbridge & Fiss, 2013).

To be sure, management and international-business research already draws on several well-known typologies and ideal types. For example, Miles and Snow's (1978) typology of organizations identified four possible ideal types (prospector, defender, analyser and reactor), but suggested that only the first three might represent genuinely effective forms of organization; through detailed descriptions of each one's component factors, they provided a theoretically rigorous argument as to why this might be the case (Doty et al., 1993; Miles & Snow, 1978). In turn, subsequent empirical

research confirmed the value of focusing on the first three when seeking to understand organizational effectiveness (Doty et al., 1993; Miles & Snow, 1978). This sequence is widely followed in research using typologies: detailed descriptions and definitions of their component dimensions, a review of the theory or logic that underpins the dimensional patterns and their links to the outcome of concern, probing through empirical analysis, and, finally, a re-assessment and adjustment, if appropriate, of the theory/logic that underpins the typology in light of the findings (Elman, 2005, 2009; Fainshmidt, Smith, & Aguilera, forthcoming).

At a macro-level, cross-cultural ideal-type approaches were particularly influential in international business in the 1980s and 1990s (Adler, 1983; Hofstede & Fink, 2007). More recently, socio-economic approaches, such as the ‘Varieties of Capitalism’ (VoC) typology that initially consisted of two main ideal types (‘liberal market economies’ and ‘co-ordinated market economies’) (Hall & Soskice, 2001; Judge, Fainshmidt, & Brown III, 2014; Mariotti & Marzano, 2019; Witt & Jackson, 2016), and the related ‘business systems’ approach (Fainshmidt, Judge, Aguilera, & Smith, 2018; Whitley, 1999), have made great headway. Indeed, Jackson and Deeg’s (2008) study in this tradition won a Journal of International Business Studies (JIBS) Decade Award. Moreover, ideal types are not just relevant for different macro- or national-level phenomenon, but are also pertinent at the meso and micro levels, such as companies and individuals (Bartlett & Ghoshal, 1989; Weber, 1949). However, alongside a general decline in typological theorizing in management studies (Delbridge & Fiss, 2013), our search of the titles and abstracts of articles published in JIBS from its inception revealed that the 1990s, with 11 such papers, had the highest number. This figure decreased to 9 in the 2000s and 7 in the 2010s. This suggests to us that interest in, and the use of, ideal-type theorizing in IB is modest and waning.

We seek to reverse that decline and establish greater prominence for theoretically informed typologies by highlighting the several advantages that they have over dominant modes of theorizing and analysis. Our paper, therefore, aims to demonstrate how the use of explanatory typologies and their constituent ideal types facilitate comparisons of similar cases, illuminating key aspects of phenomenon to make

theoretical contributions (Swedberg, 2018; Weber, 1949; Whetten, 1989). Moreover, explanatory typologies lend themselves more readily to analysing complex causalities in which different combinations of factors may be more important than any single factor (Fainshmidt et al., forthcoming., 2020; Furnari et al., forthcoming; Jackson & Deeg, 2008; Misangyi et al., 2017), strengthening the rigour and relevance of research. By doing so, explanatory typologies support the use of non-linear modes of assessing theories, such as configurational analyses (Elman, 2005, 2009; Fainshmidt et al., forthcoming; Gerring, 2012), potentially leading to novel theoretical and empirical insights.

The remainder of this article seeks to demonstrate these advantages, drawing on classic and current research to do so. The next section establishes the differences between classification systems and typologies. The section that then follows sets out the process of constructing, applying, and reflecting on, explanatory ideal types, going through five key steps in that process and drawing on examples to illustrate our arguments (cf. Gerhardt, 1994). The article's final section concludes our arguments.

CLASSIFICATION SYSTEMS AND TYPOLOGIES

Typologies differ from simple or generic classification systems in two ways. Simple classification systems are a means to order phenomena into mutually exclusive and exhaustive categories, often drawing on a series of discrete decision rules and empirical evidence to do so (Bailey, 1994; Doty & Glick, 1994). By contrast, a set of inter-related ideal types constitute explanatory typologies, with researchers relying heavily on concepts in the form of the dimensions that derive as well as the names that label particular ideal types and typologies (Bailey, 1994; Doty & Glick, 1994). This means that researchers draw on socially constructed concepts, rather than, say, naturally given attributes, to differentiate between ideal types. These socially constructed concepts inform, for example, the dimensions along which the ideal types vary, with each ideal type having its own unique configuration of dimensions. Hence, different ideal types may be the same or similar on at least some of their dimensions, but may also vary in respect to others. For instance, work within the 'business systems' framework differentiates between ideal types of 1) capitalism and 2) firm (Whitley, 2007,

2010). That framework highlights how, for example, some ideal types of firm may have relatively modest variation on the typology's dimensions, and other ideal types may differ more (cf. Bailey, 1994). Table 1 shows how the ideal types of 'isolated', 'centralized', and 'collaborative' hierarchies vary along the typology's dimensions as well as the organizational capabilities that they help to explain.

Table 1 about here

The second important difference between explanatory typologies and simple classification systems is that theory or logic underpins the types within the former, but not the categories or classes in the latter (Doty & Glick, 1994; Elman, 2005). Explanatory typologies should contain logical or theoretical statements to explain why particular dimensional patterns occur in specific ideal types and why those patterns lead to certain outcomes (Hagenaars & Halman, 1989; Hendricks & Peters, 1973; Luo, Shenkar, & Gurnani, 2008; Miller, 1996; Turner, 2020; Weber, 1949; cf. Roth & Schluchter, 1979). Although the ideal types themselves do not represent a hypothesis, they do provide the foundations for formulating hypotheses (Doty & Glick, 1994; Leong & Tan, 1993; Weber, 1949). For example, drawing on the ideal types within the Varieties of Capitalism framework (Hall & Soskice, 2001), Witt and Jackson (2016) develop a series of hypotheses on the export performance of economies in different sectors according to sectoral innovation characteristics and countries' institutional profiles. They do not empirically assess the ideal types of country.

Indeed, it is important to note that the purpose of Weberian ideal types is not to capture accurately empirical, real-world examples (Swedberg, 2018; Turner, 2020); instead, they help to support analysis, understanding and theorizing (Elman, 2009; Swedberg, 2018; Warner, 1970; Weber, 1949), and serve as a basis for comparing cases (McKinney, 1966; Weber, 1949: 89–90). As (Weber, 1978: 21) noted: 'the more sharply and precisely the ideal type has been constructed, [...] the more abstract and unrealistic in this sense it is, the better it is able to perform its functions in formulating terminology, classifications, and hypotheses'. To illustrate this point, while the business systems

typology sets out ideal types of capitalism, no country is likely to adhere completely to any particular ideal type (Whitley, 1999). By examining how actual countries differ to ‘pure’, logically consistent, ideas-based ideal types of capitalism, we are better able to explain key aspects of actual forms of capitalism and to re-think the theories/logic that underpin those ideal types (Blalock, 1969; Hsueh, 2016; Swedberg, 2018; Warner, 1970). Although this may suggest that ideal types can be little more than fantastical thought experiments, this is not the case. Ideal types should be theoretically consistent, probable/feasible in objective terms, and not contradicted by any existing knowledge (Bailey, 1994; Gerhardt, 1994; McKinney, 1966; Warner, 1970).

It is also important to note that other models of ideal types, such as, most notably, the ‘constructed ideal type’ (Bailey, 1994; Becker, 1940; Elman, 2005; McKinney, 1950), exist; the ‘constructed ideal type’ focuses more on the commonly found attributes of types, making it more empirically informed (i.e. evidence based) than Weber’s (theoretically derived) accentuated ideal type. This alternative ideal type form is beyond this paper’s scope; however, by highlighting how Weber’s ideal types can extend the theorizing options open to researchers, we hope to re-kindle interest in other modes of typological theorizing.

Finally, we note that typological theorizing is a form of configurational theorizing (Doty et al., 1993; Fiss, 2011; Fiss et al., 2013; Furnari et al., forthcoming), with both emphasizing how combinations of causal factors influence outcomes. By calling for the greater use of theoretically derived, conceptual explanatory typologies, our work overlaps with configurational analyses that are deductive. While also classifying phenomenon, other forms of configurational analysis are more inductive (Bromley, Hwang, & Powell, 2012; Furnari et al., forthcoming; Greckhamer, Furnari, Fiss, & Aguilera, 2018), resulting in the formation of taxonomies rather than typologies (Hotho, 2014; Witt, de Castro, Amaeshi, Mahroum, Bohle, & Saez, 2018).

The main difference between taxonomies and typologies is that taxonomies are derived from empirical evidence, and typologies are largely conceptual (Bailey, 1994; Pugh, Hickson, & Hinings,

1969). For example, in developing a typology of the institutional conditions that promote ‘born global’ firms within countries, Fainshmidt et al. (forthcoming) draw on theoretical work to create their conceptual types that they then examine empirically; they do not start with the empirical evidence to see what clusters of national conditions may emerge to explain the prevalence of born global firms in different countries. In this article, we focus on theoretically derived, conceptual typologies that equate to deductive configurational analyses, in which *sets*, such as the set of firms with centralized organizational structures, and the *attributes* that underpin those sets can be formed from the typology’s dimensions (Fainshmidt et al., forthcoming; Fiss, 2011).

THE PROCESS OF USING EXPLANATORY TYPOLOGIES

To make our case for using ideal types and ideal-type theorizing more extensively in international-business research to explain causally complex phenomenon, we set out five key steps in the process of establishing, applying and reflecting on an explanatory typology. We illustrate this process with relevant examples largely from the literature, but also developing our own illustrations. These examples span different levels of analyses, highlighting the versatility of typological theorizing.

Step One: Conceptual Clarity

Once the key concepts that underpin the typology have been identified, for which there is no specific method other than a mixture of prior knowledge and guidance from theory (Bailey, 1994), the first step in the process of establishing an explanatory typology is the clarity of those concepts (Gerhardt, 1994). Indeed, one reason Weber developed ideal types was to help researchers tackle the challenges that complex concepts and their application to a particular phenomenon pose (Lindbekk, 1992: 289; van Riel, forthcoming). Therefore, creating a typology requires a focus on the concepts that they draw on, particularly those concepts that label the ideal types and that form the dimensions within the typology (Collier & Gerring, 2009; Gerring, Pemstein, & Skaaning, 2021; van Riel, forthcoming). In a seminal political-economic text (Collier & Gerring, 2009; Collier et al., 2008), Sartori (1970) urged researchers to 1) define their concepts precisely, as these are the key elements within analyses; 2) understand how concepts and meanings shape researchers’ analyses and findings; and 3) see concepts

within an ordered structure, meaning that any particular concept is nested within more abstract concepts and can also be disaggregated further into more specific ones. The use of explanatory typologies, therefore, encourages researchers to consider the fundamental properties of the constituent ideal types and how they differ from one another on key dimensions.

A micro-level example: Global leaders. In examining the roles of global leaders, Reiche, Bird, Mendenhall, & Osland (2017) focus explicitly on two key dimensions: task complexity and relationship complexity. Hence, they disaggregate an important micro-level concept, ‘global leadership’, into even more specific ones (Reiche et al., 2017: 556). They clearly define task complexity as ‘the demands emanating from the environmental conditions and elements relevant for global leaders to conduct their specific responsibilities’, and relationship complexity as ‘the demands emanating from the characteristics of the exchanges that global leaders maintain with other constituents to fulfill their specific responsibilities’ (Reiche et al., 2017: 556). Furthermore, Reiche et al.’s (2017) study builds on earlier work that defines the ‘global’ construct within the global leadership phenomenon in terms of three dimensions; namely, ‘flow’, ‘presence’ and ‘complexity’ (Mendenhall, Reiche, Bird, & Osland, 2012). However, their study differs from accounts that focus on company-specific models of global leadership and work that emphasizes the effects of national cultural characteristics on leadership (Morrison, 2000). As such, Reiche et al.’s (2017) approach provides a more universalistic typology: global leadership is seen as broadly the same phenomena with ideal types in that typology varying by task and relationship complexity (Reiche et al., 2017).

Reiche and his colleagues draw on a large body of existing research to justify the selection of these two dimensions, task and relationship complexity, as the most important within their analytical model, highlighting their awareness of the origins of these concepts. They also demonstrate an understanding of how focusing their study around ‘global leadership’ shapes their analyses, informing whom they consider to be ‘global leaders’ within their research (Reiche et al., 2017: 556). In addition, they link their research to broader discussions of ‘leadership’, showing how their work on ‘global leadership’ is nested within other, more abstract concepts (Reiche et al., 2017: 556). Furthermore, they build on

earlier studies (e.g. Mendenhall et al., 2012), so that they can precisely 1) define what differentiates the concept of ‘global leadership’ from that of ‘leadership’, and 2) stipulate how the ‘global leadership’ construct has some similarities with ‘leadership’, especially the emphasis on the process of inspiring other employees to pursue a positive vision for the organization (Mendenhall et al., 2012). Such concept clarity not only benefits empirical research and understanding (Mendenhall et al., 2012; Reiche et al., 2017), but also facilitates, and connects to, research in related areas, such as ‘global leadership effectiveness’ (Caligiuri & Tarique, 2012; Rickley & Stackhouse, 2022).

A macro-level example: State capitalism. There is a long standing line of enquiry into state capitalism that recent international-business research has revived (Dolfsma & Grosman, 2019; Musacchio, Lazzarini, & Aguilera, 2015; Wright, Wood, Musacchio, Okhmatovskiy, Grosman, & Doh, 2021). The term, state capitalism, was initially a radical description and critique of both the Soviet Union and Nazi Germany, before finding its way into neo-liberal policy circles in the 1980s to describe ‘failed’ developmental states in the global south, and, more recently, to be a construct of much wider utility and deployment (Bukharin, 1925; Liebknecht, 1896; Spechler, Ahrens, & Hoen, 2017; Sperber, 2019).

Echoing the emphasis on ‘purpose’ within earlier discussions of ‘state capitalism’ (Liebknecht, 1896; Sperber, 2019), some recent work builds on the political-economic theory of realism that tends to view international interaction between states as a zero-sum activity (Witt, 2019). By doing so, it provides a broader view of state capitalism that differs from other perspectives that define it in relatively narrow terms as the state ownership of companies (Musacchio et al., 2015; Wright et al., 2021). The broader perspective conceptualizes the state in such systems as an active economic agent that pursues, as part of its purpose, the private interests of some regime officials and/or managers of state companies (Petricevic & Teece, 2019; Witt, 2019; Wright et al., 2021).

Incorporating the ‘purpose’ of state capitalism into typological theorizing may be relatively straightforward. However, because ‘purpose’ is a multi-dimensional concept (Tsai & Naughton,

2015), it challenges a ‘net effects’ approach that assumes linear relationships between discrete variables (Fiss, 2011). ‘Purpose’ can range from a focus primarily on promoting economic growth or technological prowess in specific firms or sectors to benefit key officials (Petricevic & Teece, 2019; Wood & Wright, 2015), to the pursuit of broad-based economic growth to support the legitimacy and/or interests of particular political leaders, parties and authorities, through to the aim of becoming economically independent (Bremmer, 2010; Matar, 2013; Tsai & Naughton, 2015), potentially to shed past colonial legacies (Arikan & Shenkar, 2021; Farsoun, 1975; Matar, 2013).

In turn, this may have consequences far beyond what the evaluation of the net effects of theoretically and analytically distinct variables may capture. Hence, if a state’s active economic role is sufficient to categorize it as a form of ‘state capitalism’ (Dolfsma & Grosman, 2019; Wood & Wright, 2015), it is important 1) to analyse the various and fundamentally different ‘types’ of state capitalism that exist, and 2) to assess what those contrasting types mean for non-state firms, both domestic and foreign. However, a net effects approach may not be able to capture fully the multiplicity of outcomes flowing from such different purposes (Buckley, Clegg, Voss, Cross, Liu, & Zheng, 2018; Petricevic & Teece, 2019), as each *variable* is expected to have the same effect across cases, even if another variable moderates that effect. A net effects approach does not view the presence of other variables as having a profound impact on the *nature* of the cases. It tends not to consider the *configuration* of independent variables, analysing only their *additive* or *substitutive* effects (Doty & Glick, 1994).

By contrast, typological theorizing can incorporate this multi-dimensionality more readily (Delbridge & Fiss, 2013; Fiss, 2011; Misangyi et al., 2017). The dimensions noted above may not, theoretically or logically, be mutually exclusive, meaning that state capitalist regimes may pursue one or more of these goals at the same time, leading to different ideal types of state capitalism that vary on these dimensions and that have, as a consequence, different *natures*. For instance, a regime that pursues economic independence alone will be a fundamentally different *type* of state capitalism to a regime that seeks economic independence *and* technological prowess in certain sectors. Logically and in line with realism (and Marxism), while the former type is likely to reduce domestic firms’ interactions

with foreign (capitalist) companies as well as inward foreign direct investment from them (Matar, 2013), the latter may encourage such interactions and investments to gain valuable knowledge from foreign firms (Buckley et al., 2018). Typological theorizing can incorporate these different dimensions within configurational analyses (Delbridge & Fiss, 2013; Fainshmidt et al., forthcoming, 2020; Fiss, 2011), recognizing both common and contrasting attributes, and how their configurations can profoundly influence the typology's ideal types and important outcomes (Fainshmidt et al., forthcoming; Fiss et al., 2013).

Step Two: Justifying the Dimensions, and the Role of Theory

Researchers should meet two further inter-related requirements when using explanatory typologies. First, they should justify the relative importance of the chosen dimensions (Bailey, 1994; Doty & Glick, 1994; Elman, 2005; Fainshmidt et al., forthcoming; Fiss, 2011; Shepherd & Suddaby, 2017; Snow & Ketchen, 2014). Second, researchers should provide a logical or theoretical explanation for the links between each ideal type's dimensional patterns and the outcome of interest (Bailey, 1973, 1994; Corley & Gioia, 2011; Doty & Glick, 1994; Luo, Chung, & Sobczak, 2009; Miller, 1996; Snow & Ketchen, 2014; Turner, 2020; Weber, 1949; cf. Roth & Schluchter, 1979). The chosen dimensions and the typology's underlying theory/logic will, therefore, be linked, as theories focus analyses on particular levels and aspects of a phenomenon, which, in turn, will inform the choice of dimensions to analyse.

Although empirical evidence, to varying degrees, plays a role in developing specific explanatory typologies (Swedberg, 2018; Warner, 1970; Weber, 1949), explanatory typologies and their associated ideal types also build on a theory or logic that enables us to explain and predict phenomena (Blalock, 1969; Doty & Glick, 1994; Elman, 2005, 2009; Emmet & Macintyre, 1970; Snow & Ketchen, 2014). Indeed, one of the benefits of explanatory ideal types is that various theoretical perspectives and logical frameworks can underpin them; ideal type theorizing is not associated with only one theoretical approach, enabling a plurality of perspectives to examine any particular socio-economic phenomenon (Doty & Glick, 1994; Elman, 2005; Fainshmidt et al., forthcoming). By

building on a logical or theoretical framework, as Weber (1949) intended, ideal types fundamentally ask, if this logic or theory is correct, what would we expect to see in this situation?

The role of theory in developing explanatory typologies comes out clearly in the literature. Reiche et al. (2017), for instance, draw on a combination of role and complexity leadership theories to develop a multi-dimensional and dynamic framework to analyse important organizational outcomes. They do this within an approach that is consistent with typological theorizing, eschewing relationships between different potential causal conditions as variables, and distinguishing between two fundamentally different dimensions of leadership behaviour (task- and person-focused) to develop four ideal types of global leadership. At a higher level of aggregation, Bartlett and Ghoshal (1989) developed a typology of multinational enterprises, drawing mainly on contingency theory (Doz & Prahalad, 1991). At a higher level of abstraction still, the Varieties of Capitalism framework builds extensively on transaction-cost economics and the principal-agent approach to differentiate between different ideal types of national economy and the dominant mode of co-ordination amongst economic actors in those countries (Hall & Soskice, 2001). Similarly, Fainshmidt et al. (forthcoming) draw on institutional and internationalization theories to derive a typology of national characteristics that promote ‘born global’ firms, providing a more comprehensive explanation of how these companies emerge.

A corollary of the Varieties of Capitalism framework’s use of transaction-costs economics and principal-agent theory is its emphasis on the various co-ordination challenges that firms face and how institutions shape their ability to 1) overcome those challenges and 2) become competitive in specific economic sectors (Hall & Soskice, 2001: 6). These co-ordination challenges (or transactions) encompass the firm’s relationship with its owners, suppliers, customers, trade unions, business associations, and governments. The typological framework focuses on these relationships (Hall & Soskice, 2001), examining how various national-level institutions influence them, especially the ability of different actors to behave opportunistically or to monitor the activities of others (Hall & Soskice, 2001). The influence of institutions on actor opportunism and actors’ abilities to monitor the behaviour of others are key concerns in transaction-cost economics (Williamson, 1985). This

variation in national institutional systems influences firms' relationships with other actors and, as a result, their ability to succeed in particular product markets that differ in their necessity for firms to overcome distinctive co-ordination challenges (Hall & Soskice, 2001). Therefore, the typology's underlying theoretical framework links to its dimensions and anticipated outcomes for the two ideal types.

Step Three: Modelling and Operationalization

The next stage in using typologies to examine real phenomenon is to determine the model that will underpin the analysis. There are two key aspects to this. The first concerns how researchers relate 'real world' cases to ideal types. The second raises issues around the assumptions underpinning the typology itself that researchers should be aware of and address, as far as possible, in their research (Doty et al., 1993).

Modelling

In terms of relating real cases to ideal types, researchers must be clear that they are examining 'pure', logically or theoretically derived ideal types rather than categories (Doty et al., 1993), meaning that researchers should not assign actual individuals, companies or countries to an ideal type as if it were a category. Treating real companies, for example, as members of a category rather than examining how closely they individually resemble an ideal type ignores the purpose of typologies and the role of theory in developing ideal types; dealing with companies as if they were members of a category would treat the differences between companies within any one 'type' as inconsequential rather than being of primary importance when examining how well the ideal type can explain complex phenomena. For instance, empirical analysis of Miles and Snow's (1984) typology of organizations often examines aggregate measures for organizations that fall within one 'type' of firm, implicitly treating the types as *categories*, against those for firms in another 'type' (Doty et al., 1993). Such an approach assumes that marginal members of a 'type' are as important as the core organizations; however, within typological theorizing, those organizations that most closely resemble a particular ideal type are more likely to exhibit the relevant outcome than are those organizations that less closely

adhere to it (Doty et al., 1993). Therefore, it is important to draw on data that captures how closely actual phenomenon adhere to the logical/theoretical ideal types in empirical analyses.

In terms of the assumptions that underpin typologies, researchers should seek to make them explicit, addressing them, as far as possible, in their research designs and discussion of their results. For instance, the Varieties of Capitalism typology tends to assume that nations and their institutions are ‘hermetically sealed’ (Crouch, 2005: 451), resulting in analyses that often model country-level institutions and, hence, national ideal types of economy as discrete, independent and relatively static systems. However, being aware of these assumptions can enable researchers to consider how, for instance, international financial crises, the actions of multi-national enterprises and global value chains influence their findings (Judge et al., 2014; Witt & Jackson, 2016), enhancing the cogency of their analyses and recommendations. Similarly, a typology of organizations, such as Miles and Snow’s (1984), can assume a ‘fit’ between organizations and their environment that can be modelled in different ways (Doty et al., 1993), requiring researchers to discuss and justify their chosen approach.

Operationalization

When operationalizing any typology and its constituent ideal types, researchers should be able to use reliable and valid measures of the concepts that underpin them (Fainshmidt et al., forthcoming; Snow & Ketchen, 2014). However, researchers will not be able to observe directly some or all of the dimensions that underpin the typology, as dimensions are typically conceptually derived abstractions of a particular phenomenon (Bailey, 1994). They are constructs that both represent particular aspects of an issue and enable research (Suddaby, 2010). As noted above, each dimension captures one ‘plane’ or aspect of a phenomenon, meaning that it only varies from ‘high’ to ‘low’ (Bailey, 1994). The typology’s ideal types are then multi-dimensional, drawing on theory/logic to set out the rationale for various configurations involving all of the dimensions as well as their expected links to an outcome (Cornelissen, 2017a; Fainshmidt et al., forthcoming).

To illustrate this argument, we draw on Judge et al.'s comprehensive (2014) analysis of the links between institutions and economic equality. Although their analytical framework is not a typology, it does include dimensions that help us to discuss some key points when operationalizing dimensions, and Whitley's (1999) typology-based business systems logic underpins their analysis. One of the dimensions they focus on to explain variation in wealth inequalities across countries is 'societal trust relations'. This dimension does not exist as a physical entity in its own right; it is something researchers have constructed to capture an important aspect of countries; it enables research and may help to explain equitable wealth creation across nations.

The requirement for dimensions to capture one aspect of a phenomenon does not mean that they have to be at the lowest level of aggregation (Corley & Gioia, 2011), but that any lower-level constructs that fit within the dimension all 'move in the same direction'. This is akin to all the items within one measure or construct having a good Cronbach internal reliability score in net effects theorizing. For instance, Judge et al.'s (2014) dimension of 'trust relations within society' stems from the 'trust and authority relations' construct within Whitley's (1999) framework. While Judge et al. (2014) disaggregate Whitley's (1999) construct, bringing it to a lower level of abstraction, it still operates at a relatively high level of abstraction, capturing 'societal members' confidence in national institutions' (Judge et al., 2014). They could have disaggregated the 'trust relations within society' further into, say, 'trust in the national political system' or 'trust in the national judicial system', if there were theoretical reasons to do so and/or if evidence suggests that disaggregated concepts are not related. Hence, the level of abstraction of any dimension in a typology should be consistent with the typology's underlying theory/logic as well as any empirical evidence that may be available.

Step Four: 'Confronting' the Typology with Evidence

The rationale for using explanatory typologies is to provide a clear basis on which to compare a complex phenomenon of interest to the theoretical models represented by the ideal types to achieve a better understanding and explanation of that phenomenon (Doty & Glick, 1994; Gerhardt, 1994; Swedberg, 2018). Weber referred to the process of comparing the empirical evidence to the ideal type

as ‘confrontation’ (Weber, 1949: 110), by which he meant a detailed comparison of an empirical phenomenon (or some aspect of it) with an ideal type to arrive at 1) a more precise definition and understanding of that individual phenomenon and 2) an explanation of it based on causal relationships (Weber, 1949). The aim of ‘confronting’ one or more logically consistent ideal types with empirical reality was not, for Weber, to arrive at a general law or understanding of what typically happened, but to reveal and explain the specificities of particular phenomena (Gerhardt, 1994; Weber, 1949).

Various methodological options are open to researchers to carry out this ‘confrontation’ between one or more ideal types and the empirical evidence, including comparative case studies, crisp- or fuzzy-set qualitative comparative analysis, and longitudinal studies (Fainshmidt et al., forthcoming; Fortwengel & Jackson, 2016; Redding, 2005; Schneider, Schulze-Bentrop, & Paunescu, 2010; Witt & Jackson, 2016).

Step Five: Post-Empirics Theory Re-Assessment

Whilst Weber’s work made clear that explanatory typologies were a heuristic device to aid understanding and explanation (Weber, 1949, 1978), enabling 1) ‘theoretically/logically pure’ models to be compared against empirical reality and 2) a re-assessment of the typology’s underlying theory/logic, he did not offer detailed guidance on how the ideal types and typology may need to change as a result of that comparison (Swedberg, 2018). However, it is clear that analyses based on explanatory typologies should not stop once the empirical evidence has been evaluated and interpreted using the ideal types; the analysis should go further, building on those research findings to re-assess the typology and its ideal types.

The focus of that re-assessment is likely to depend on the different analytical techniques that research can use to examine the utility of typologies in explaining complex phenomena (Cornelissen, 2017b): while some studies may use configuration techniques, such as fuzzy-set qualitative analyses, others may use case studies (Fainshmidt et al., 2020; Fortwengel & Jackson, 2016; George & Bennett, 2005; Judge et al., 2014).

Fuzzy-set qualitative comparative analyses may highlight how theoretically neglected configurations of causal conditions may lead to the outcome in question, as Witt & Jackson (2016) found. Their analysis of the Varieties of Capitalism theoretical model revealed evidence on the prevalence of radical innovation that is inconsistent with Hall and Soskice's original (2001) work. Re-assessing that framework's theoretical associations between different institutions, they coherently demonstrate how contradictory institutional logics within countries – and not the initially anticipated logic of institutional complementarity – can help to explain those results (Witt & Jackson, 2016). They, therefore, use their results to re-think the theoretical explanation for why radical innovation is more likely to occur in some countries rather than others. By doing so, they highlight how theoretically neglected configurations of causal conditions can lead to important outcomes. Similarly, Fainshmidt et al. (forthcoming) undertake a post-analysis re-assessment of their theoretical framework to identify neglected causal conditions.

Case studies, by contrast, lend themselves more readily to detailed assessments of the causal mechanisms that the typology identifies (George & Bennett, 2005). For instance, case-study research that builds on Hall and Soskice's (2001) ideal types has revealed the mechanisms (trust and reciprocity within networks) that can help firms from 'co-ordinated market economies' establish, in the United States, an apprenticeship training system that resembles that of their home countries (Fortwengel & Jackson, 2016). By conducting a case study, the research was also able to identify and compare other mechanisms that firms use (to attempt) to achieve their objectives (Fortwengel & Jackson, 2016).

CONCLUSION

International-business research has often drawn on explanatory typologies to explain complex phenomenon; however, their use has never been the mainstream approach and appears to be waning. We have sought to arrest that decline by setting out how they can complement other, net effects-based approaches to explaining complex phenomena. We contend that the increased use of typologies and ideal types would extend both the theory-building and theory-testing instruments available to

researchers, which is especially important given the emergence of various complex challenges (Buckley & Lessard, 2005; Doh, Budhwar, & Wood, forthcoming; Teece, 2020). Explanatory typologies provide a means to better understand and explain those phenomena, as they encourage the use of clearly defined, theory-driven concepts to examine similarities and differences across cases (Cornelissen, 2017a).

Explanatory typologies can achieve this because of the four ways that they can complement other theorizing and analytical methods. First, explanatory typologies are well suited to examine configurations of causal conditions. In dominant research strategies, each independent variable is, in general, assumed to have its own separate effect on an outcome that is consistent across all of the cases in the study (Doty & Glick, 1994). Explanatory typologies, by contrast, set out how different configurations or patterns of causes influence the outcome (Cornelissen, 2017a). By doing so, it enables a cause to combine in different ways, potentially, across the various ideal types. As our example of state capitalism showed, a regime's desire for economic independence can play out in various ways, depending on the other aims that regime leaders have. State-capitalist regimes that seek to achieve this outcome only are likely to reduce their economic ties to other countries. By contrast, leaders in a different type of state capitalism who wish to achieve economic independence and technological prowess in certain sectors are likely to embrace, and exploit, commercial ties to other countries. Hence, the pursuit of economic independence does not have the same effect across all cases or *types* of state capitalism; its influence depends on the configuration of other causal conditions.

Second, explanatory typologies are not tied to any theoretical perspective or any level of analysis. They can be based on any theory and apply at different levels of analysis, making them versatile and complementary to existing studies. Third, the very fact that explanatory typologies build on theory encourages a scrutiny of, and dialogue with, theory. As the example of the 'global leadership' typology discussed above demonstrates, a cogent set of ideal types requires an engagement with theory to explain and justify 1) the patterns amongst the dimensions within each ideal type and 2) the links between those patterns and an outcome (Reiche et al., 2017). Hence, the requirements of explanatory typologies should

dispel any lingering doubts that they are mere classification systems devoid of any theory (Doty & Glick, 1994).

Finally, the multi-dimensional and configurational nature of ideal types offers a complementary lens through which to view and model complex reality. As noted above, the international-business environment and phenomenon associated with it are becoming increasingly complex, requiring analytical models that can capture and explain that reality. By enabling researchers to bring additional constructs, dimensions, and configurations to bear in their analyses, explanatory typologies can help researchers to hypothesize and assess different potential causal relationships, providing further insights into important and complex phenomena (Fainshmidt et al., 2020; Makadok, Burton, & Barney, 2018). In addition, by starting from theory, rather than the sum of applied evidence, it is possible to derive a typology that is of value in understanding not only current, but also novel manifestations of the same broad phenomenon. In turn, this may represent a building block for more extensive theoretical contributions that seek to explain how the configurations of key dimensions influence important outcomes (Makadok et al., 2018; Teece, 2020).

We have focused on the benefits of explanatory typologies. We have also highlighted the requirements of conducting research based on explanatory typologies well, such as the need to make and address the explicit assumptions that underpin the typology. In addition, we need to raise two potential drawbacks of using explanatory typologies as well as ways to overcome these pitfalls. Such typologies can fall into the trap of representing static, discrete ideal types. In part, this stems from a frequent use of ideal types to explain current phenomena rather than the development of those phenomena. For instance, criticisms of some prominent ideal types of capitalism, such as the Varieties of Capitalism approach, highlighted, amongst other things, the typology's lack of dynamism (Jackson & Deeg, 2008; Wood & Allen, 2020). However, as Weber's ([1904-5] 2001) explanation of the rise of capitalism demonstrates, ideal types can incorporate dimensions that account for change, and, indeed, the most recent comparative capitalisms literature does just that (Lee and Shin, 2021; Mackenzie et

al., 2021). Therefore, a careful consideration of the theory/logic and dimensions that form typologies can enable them to incorporate dynamic elements.

A further caveat is that researchers should be wary of treating ideal types as ‘things’ (Bailey, 1994; Swedberg, 2018; Turner, 2020), of reifying theoretically derived abstract constructs so that they become the real phenomena that they capture – China *is* state capitalism rather than China being a case that closely matches (on some dimensions, but not necessarily all) a particular ideal type of state capitalism. Hypostasizing ideal types vitiates one of their uses: to compare logically/theoretically ‘pure’ models with many different real-world examples to highlight key differences to support our understanding and explanation of phenomena. Researchers should, therefore, avoid reification, as it fundamentally misconstrues explanatory typologies as heuristic devices (Swedberg, 2018).

If research avoids these pitfalls, explanatory typologies can aid our understanding of complex and developing phenomena, which often cut across disciplinary boundaries (Buckley et al., 2017; Doh et al., forthcoming). Although disciplines related to international business often draw on Weber’s work, international-business research has tended to neglect it (Shenkar, 2004). By making greater use of explanatory typologies in international-business research, scholars will not only have additional ways to enhance the intellectual rigour and explanatory power of their work, but will also be able to advance the relevance of their findings to many important and complex debates. Indeed, by being better equipped to analyse complex phenomena, theoretically derived explanatory typologies offer a potential means for international-business research to achieve even greater policy relevance, and, thereby, help to achieve a key goal for the discipline as a whole (Buckley, 2020; Westney, 2020).

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Table 1 Three Ideal Types of Firm and Their Capabilities within a Typology of Companies

Dimensions	Isolated Hierarchy	Centralized Hierarchy	Collaborative Hierarchy
Owner control type	Market	Direct	Committed
Employee constraint	Limited to managers	Limited to top managers	Considerable
Business partner constraint	Limited	Limited	Considerable
Degree of authority sharing	Some	Limited	Considerable
Scope of authority sharing	Limited to managers	Limited	Considerable
Longevity and scope of organisational careers	Some for managers	Limited	Considerable
Outcomes			
Strength of co-ordinating capabilities	Considerable	Considerable	High
Strength of organisational learning capabilities	Limited to managers	Limited to top managers	Considerable
Strength of re- configurational capabilities	Considerable	Considerable	Limited

Source: Selected ideal types from Whitley's (2008) typology.

Note: The authors have substituted the word 'characteristics' in the original table for 'dimensions' and have inserted the word 'outcomes' to aid clarity.

