

5. Critical realism and case studies in international business research

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INTRODUCTION

What is the appropriate role for qualitative research and case studies? In the field of international business (IB), qualitative studies are thought to be especially appropriate 'to discover new relationships or situations not previously conceived' (Daniels and Cannice 2004, p. 186). Such an emphasis on uncovering new relationships may, however, reflect the underlying philosophical paradigm which the researcher has adopted – consciously or unconsciously. A positivist paradigm, for instance, assumes reality as objective and knowledge as independent of our values; science is accordingly the collection of facts. From such a perspective, the aim of research is to discover natural laws which determine human behaviour. This paradigm, which permeates the IB field, implies that qualitative studies should be restricted to exploratory research, because small samples are not suited to uncovering general laws. In Zalan and Lewis's (2004, p. 522) words, 'there has been a tendency within the positivist paradigm to confine idiographic research to the initial stages of scientific inquiry, stemming from a lack of familiarity with the ontological, epistemological and methodological principles of qualitative methods'. The dominance of positivism in IB research therefore restricts case studies to a subordinate role, and questions their ability to contribute to scientific explanation.

In contrast, other paradigms such as constructivism and critical theory (for example, Lincoln and Guba 2000) assume that reality is subjective and knowledge is value dependent. The aim of such paradigms, therefore, is to research values rather than facts. In addition, alternative paradigms to positivism may legitimize qualitative studies with explanatory aims, whose purpose is the exploration of facts. Conventional realism, for instance, is a paradigm which focuses on facts instead of values, as it shares positivist assumptions that reality is objective and knowledge independent of our values. Yet conventional realists consider case studies appropriate for both exploratory and explanatory research. Thus, they seek qualitative

generation and development of theory, whereas positivism seeks quantitative testing of theory. Ontological, epistemological and methodological assumptions are thus crucial to assessing the appropriateness of qualitative research in general and case studies in particular.

Central to such a debate about the role of the case study is the claim that realism has a greater focus on context, given that positivism relies on fewer analytical variables (Ragin 1987), and in its pursuit of generalizable laws seeks to abstract away from context. A hypothesis, for instance, includes two analytical variables only. Therefore, it can be regarded as an undercontextualized simplification of reality. Conventional realist models, by contrast, tend to include more analytical variables in order to prevent undercontextualization. Such a dilemma between greater or fewer variables (see McGrath 1982) was present in my own doctoral research (Madureira 2004). In my thesis, I investigated foreign subsidiary managers (FSMs) of Finnish Multinational Corporations (MNCs). Although the research strategy I used was a multiple case study, adding variables to the analysis turned out to be insufficient in explaining the context and process of personal contacts. In other words, a variable-centred approach did not appear to capture the systemic and dynamic features of personal contacts in MNCs. My subsequent research has thus focused on scientific method in general (for example, Morais 2010), and critical realism in particular, in a quest for what I shall term in this chapter 'mechanism-centred' instead of 'variable-centred' theorizing.

As I shall discuss below, mechanism-centred theorizing reflects a critical realist approach to case study research whereas variable-centred theorizing is typical of conventional realist and positivist research. My initial interest in these topics was influenced by Andrew Sayer (for example, Sayer 2000) and Geoff Easton (for example, Easton 2010), two authors with whom I discussed critical realism during my PhD studies and whose influence carries over into this chapter. The application of critical realism to IB research was further encouraged by Mats Forsgren (for example, Forsgren 2008) who acted as an examiner of my doctoral research.

Over the last 30 years, critical realism has gained prominence as a philosophical stance (Blundel 2007). Harré (1972) and Bhaskar (1975) established the basis of 'transcendental realism' as an ontological and epistemological stance in the natural sciences which challenges conventional realist ontology by proposing that reality is stratified into three domains (Bhaskar 1975, p. 56), not all of which are observable. Such a stance was then extended into the social sciences as 'critical naturalism' (Bhaskar 1979), but with the acknowledgement of differences between natural and social phenomena. Specifically, 'critical naturalism' proposed a unity of method between the natural and social sciences while acknowledging that

social phenomena are characterized by non-natural features such as the intentionality of human action, the emergence of autonomous and inherently meaningful social structures, and the interplay between social structure and human agency (Blundel 2007, p. 54). The term 'critical realism' is thus a synthesis of 'transcendental realism' and 'critical naturalism'. In Elger's words (2010, p. 256), critical realism 'opposes the traditional dichotomies of positivist and constructionist epistemologies and the associated polarization of quantitative and qualitative methods'. In that sense, it can be said to focus on facts (objectivist ontology) as well as values (subjectivist epistemology). It should not, however, be confused with critical theory (for example, Poutanen and Kovalainen 2010), which focuses exclusively on values (Morais 2010).

Critical realism has received increasing, albeit still modest, attention in business and management studies (for example, Ackroyd and Fleetwood 2000; Fleetwood and Ackroyd 2004; Blundel 2007). Easton (2010, p. 119) reports that in a search of the ISI Web of Science database, he found that critical realism was included in the title or abstract of as many as 334 papers, of which only 42 were in the field of management or organization studies. Critical realism has been applied, adapted and refined in various business-related fields, including economic geography, economics and organization studies, resulting in many different perspectives and emphases (Blundel 2007). Despite this diversity, these perspectives share a common concern with the interplay between social structure and human agency. In IB research, however, critical realism has largely been overlooked, with the notable exception of Sharpe (2005) and, more generally, Romani's (2008) attempt to conduct a 'multi-paradigmatic' study.

The present chapter thus focuses on the possibility of generating critical realist explanations through case studies. In pursuit of this purpose, the chapter reviews key assumptions of critical realism and their implications for case studies in IB, namely in terms of causation, explanation and generalization. In particular, I shall argue that critical realism provides a different view on case studies, according to which they can be explanatory and not just exploratory; that is, suited to seeking causal mechanisms. Critical realism represents, therefore, a fundamental challenge to the positivist assumption that case studies are an inferior research strategy for developing scientific explanations. Above all, my goal in this chapter is for readers to think differently about the possibilities for and applications of case studies. This means reconsidering the versatility of case study research, since case studies are compatible with alternative ontological and epistemological assumptions (Morais 2010). The re-evaluation of case study research I am advocating requires a fundamental questioning of taken-for-granted assumptions in the IB field.

I proceed by discussing the critical realist view of explanation in the next (and second) section. Such a stance goes beyond the positivist assumption that knowledge is only gained from sensory observation by distinguishing three domains of reality. Given this ontological claim, critical realism has a very different view to positivism on causation, inference and generalization. In the third section, I show how this mechanism-centred model of explanation escapes the dilemmas associated with traditional research based on analytical variables. The fourth section examines the implications of critical realism for case studies in general, and IB research in particular. The fifth section provides an example of how an IB case study can be reinterpreted in the light of critical realist assumptions. The sixth section concludes the chapter by summarizing its key arguments, and emphasizing how critical realism provides a coherent argument for the explanatory power of case studies.

CRITICAL REALIST EXPLANATION

Views on Causation

In order to discuss causation, philosophers of science (Humphreys 1981; Salmon 1989) have provided the example cited in George and Bennett (2005, pp. 145–6):

a car went off a road at a curve because of excessive speed and the presence of sand on the road despite clear visibility and an alert driver. He [Salmon 1989] notes that the addition of another mechanism or contextual factor can change a contributing cause to a counteracting one, or vice versa: sand decreases traction on a dry road, but increases traction when there is ice on a road.

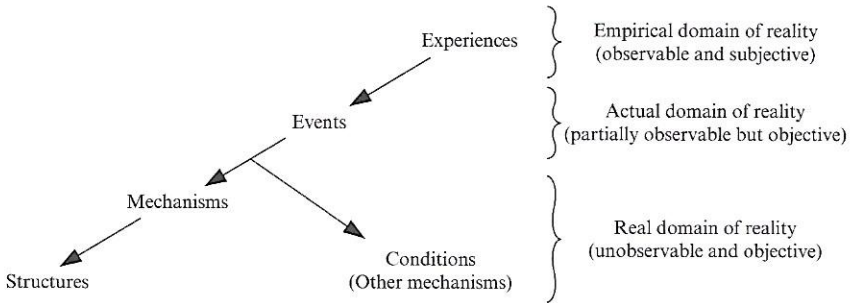
In the example above, ‘sand’ and ‘traction’ illustrate a cause–effect relationship which considers only two analytical variables (‘sand’ as independent variable and ‘traction’ as dependent variable). This variable-centred approach to research regards analytical variables as causes *per se* (for example, ‘sand’ as independent variable). Yet in this example, the same independent variable can lead to a very different, even contradictory, outcome (that is, increased versus decreased traction), depending on how it is combined with other factors in a particular situation.

In recognition of this, mechanism-centred approaches to research – found in critical realism – focus on causes as combinations of entities (for example, ‘sand’ and ‘ice’) rather than analytical variables *per se*. A mechanism-centred approach to research is thus focused on the ways in which structures of necessarily related objects or entities cause events

to occur. When two objects or entities are necessarily related and thus have their identity mutually constituted (for example, a manager and a subordinate who can only be defined in relation to the other), they form a structure (Sayer 1992). Conversely, objects are externally or contingently related if either object can exist without the other (Sayer 1992). In the example above, 'sand' and 'traction' are two objects or entities which are contingently rather than necessarily related. Ultimately, what is necessary or contingent can come down to one's viewpoint, since 'the theoretical framework chosen governs the difference between necessary and contingent' (Easton 2010, p. 121).

A causal mechanism is, therefore, the process by which a structure is activated. A structure of objects or entities has causal powers to generate events – as Sayer puts it, 'capacities to behave in particular ways' – or causal liabilities, 'that is, specific susceptibilities to certain kinds of change' (Sayer 2000, p. 11). These causal powers and liabilities, however, may or may not be activated, and their precise effect may vary, depending on the external context (for example, Ackroyd 2009). This is highlighted by George and Bennett (2005, p. 137), who define causal mechanisms 'as ultimately unobservable physical, social, or psychological *processes* through which agents with causal capacities operate, *but only in specific contexts or conditions*, to transfer energy, information, or matter to other entities' (my italics). In the above example, 'sand' and 'ice' are objects or entities which together may generate 'traction'. The mere presence of 'sand', however, is insufficient to explain 'traction' since the effect of 'sand' is altered by other objects such as 'ice'. As Easton (2010, p. 120) points out, the concept of 'entities' with causal powers whose effects depend on contingent relationships is fundamentally opposed to variables, and offers a more powerful explanation since 'variables can only register (quantifiable) change, not its cause' (Sayer 1992, p. 180).

Although positivist and critical realist ontologies (for example, Morgan and Smircich 1980) share the assumption that 'the world exists independently of our knowledge of it' (Sayer 1992, p. 5), they differ in that critical realists believe, as do constructivists, that knowledge can only be produced in terms of available descriptions or discourses (Sayer 2000). In other words, scientific theories and discourse are transitive, but the world they address is intransitive. A critical realist perspective thus views social phenomena as dependent on the social meaning ascribed to them and the production of knowledge as a social practice, which influences its content (Sayer 1992). This is not to say that social phenomena exist exclusively as interpretations of researchers or that knowledge is exclusively linguistic, but rather that such influences must be accounted for in the evaluation of scientific knowledge. In particular, social scientists need to engage in



Source: Adapted from Sayer (2000, p. 15, Figure 1.2).

Figure 5.1 Three domains of reality and retrodution logic

a so-called ‘double hermeneutic’; that is, interpret the theories of their own scientific community, as well as that of ‘knowing’ social phenomena (Blundel 2007, p. 54). In Blundel’s (2007, p. 54) words, ‘realists have been unwilling to stop their search at the level of meaning, but prefer to see its interpretation as merely the *starting point* for the pursuit of deeper causal explanations’ (original italics).

These assumptions are derived from the critical realist conception of the world as consisting of more than events and our experience of them. In particular, critical realists posit a stratified world that comprises a real, an actual and an empirical domain (Harré and Secord 1972; Harré and Madden 1975; Bhaskar 1979; Outhwaite 1987). As depicted in Figure 5.1, the ‘real’ domain consists of causal mechanisms; that is, processes by which structured objects or entities with causal powers and liabilities act and generate events in the actual domain. Thus, the real is ‘the realm of objects, their structures and powers’ (Sayer 2000, p. 11). The real domain is unobservable but objective since critical realist ontology assumes reality to be independent of our knowledge of it. The actual domain, on the other hand, consists of equally objective but partially observable events, since scientific means such as the microscope and statistical treatment of data may allow events that are unobservable to human senses to become observable. The empirical domain, by contrast, consists of subjective but observable experiences. Events are, therefore, only observable by human senses as experiences in the empirical domain, and may be out of synch with the causal mechanisms that create them.

Whether a causal power is activated or not depends on intrinsic conditions, which preserve the nature of the object, and on extrinsic conditions, which are external to the object (Sayer 1992). A regular generation of

events is achieved when both intrinsic and extrinsic conditions are met, but such control of all interfering variables is only possible in closed systems (Harré and Madden 1975; Bhaskar 1979), such as laboratory-style experiments. In the social sciences (and indeed, much of the natural sciences) such conditions of closure are virtually unattainable due to: (a) individual capacity for learning and self-change, which violates intrinsic conditions, and (b) modification of social systems by human action, which violates extrinsic conditions (Sayer 1992).

It follows that 'neither objects nor their relations are given to us transparently' (Sayer 1992, p. 209). Indeed, 'it is almost impossible to attain complete knowledge of all these relations, and in addition many of them change rapidly' (Danermark et al. 2002, p. 187). In Easton's words (2010, p. 123) 'we see the tip of an iceberg but that doesn't mean that the invisible three-quarters is not there or is unconnected to what we see'. A key feature of a critical realist approach is, therefore, that 'we can use causal language to describe the world' (Easton 2010, p. 199) and ultimately choose the explanation which is more convincing in the light of existing theory and data. In particular, postulated mechanisms may be linguistic and metaphorical, rather than 'linear additive as required by statistical models or logico-rational as in box and arrow diagrams' (Easton 2010, p. 122). The critical realist stance clearly contrasts with positivist ontology, which assumes reality to consist of determinate relationships between constituent parts whose behaviour is an objective and observable phenomenon (Morgan and Smircich 1980). Positivism thus makes no distinction between the actual and the real domains of reality, assuming that objects of knowledge are atomistic events, whose regular co-occurrence may be equated with the causal laws underlying them.

Critical realism assumes instead that 'a cause is whatever is responsible for producing change' (Sayer 2000, p. 94), which can also include unique and irregular events. Critical realists are thus primarily descriptive and explanatory in their goals; they argue that 'explanation and prediction are only symmetrical under conditions of closure' (Tsoukas 1989, p. 552) – and therefore not feasible in the social world. While this may seem as though critical realists are rejecting the notion that scientific explanation is at all possible, in fact a considerable body of literature, to which I now turn, has amassed on how an understanding of open social systems is possible.

Retroduction and Transfactual Generalization

Given the impossibility of constructing closed systems in the social sciences, the positivist concern with deterministic or stochastic associations

of patterns of events can, at best, support the identification of events in the empirical domain. For that reason, Figure 5.1 depicts 'events' in the actual domain of reality as partially observable. A constant conjunction of events is, however, neither a necessary nor a sufficient condition for a causal law. Causal explanation requires, instead, 'finding or imagining plausible generative mechanisms for the patterns amongst events' (Harré 1972, p. 125), leading to 'the postulation of a possible mechanism, the attempt to collect evidence for or against its existence, and the elimination of possible alternatives' (Outhwaite 1987, p. 58). According to Elger (2010, p. 254), a critical realist explanation requires a theoretically guided analysis of relationships among mechanisms (processes by which entities with particular causal powers cause events), contexts (other entities which may trigger, mediate, or contradict those powers), and outcomes (caused effects or events). Explanation does not proceed through either induction or deduction, since both remain at the level of partially observable events (that is, the actual domain). Rather, in order to understand how mechanisms and structures impact on observable phenomena, critical realist scholars have suggested a mode of inference they have termed 'retroduction'. Retroduction refers to the move from the observable experience in the empirical domain of an event in the actual domain to its causal mechanisms in the real domain (Blundel 2007).¹ In Figure 5.1, such a theorizing effort can be visualized as a movement downwards, crossing the three domains of reality.

Retroduction addresses an important question regarding the feasibility of critical realist explanation: if causal mechanisms are unobservable, how can they be accessible to social scientists? According to critical realists, an explanatory effort starts with actors' own accounts of what has caused the phenomenon (Danermark et al. 2002). Retroduction thus implies a retrospective inference of unobservable causal mechanisms in the real domain of reality from actors' accounts (that is, stated reasons) of observable experiences in the empirical domain of reality. Researchers take the descriptive accounts of actors and 'redescribe' them using available theoretical perspectives and the causal language to which Easton (2010, p. 119) refers. In order to achieve retroduction to the real domain, the researcher then has to ask: what entities and structures are necessary for this event or phenomenon to come about? In order to answer this question, the researcher applies, compares and moves beyond existing theory (Danermark et al. 2002). Accordingly, Sayer (1992, p. 107) has defined retroduction as a 'mode of inference in which events are explained by postulating (and identifying) mechanisms that are capable of producing them'.

Critical realists regard retroduction logic (see Sayer 1992, pp. 169–74) as being fundamentally different from deductive sampling logic and

inductive/abductive replication logic. It is not the case that 'mechanisms are postulated then data collected', or that mechanisms are 'induced' from data (Easton 2010, p. 124). While induction and deduction are variable-centred approaches which circumscribe explanation to the actual domain of reality, critical realism focuses on mechanism-centred theorizing which extends explanation to the real domain of reality. In Lawson's (1997, p. 236) words, critical realism entails:

a different form of inference to the more common induction and deduction. Whereas the latter are concerned with movements at the level of events from the particular to the general and vice versa, retrodution involves moving from a conception of some phenomenon of interest to a conception of a different kind of thing (power, mechanism) that could have generated the given phenomenon.

Lawson's phrase – 'that could have generated the given phenomenon' – alerts us to the provisional and contested nature of any postulated mechanism (see also Easton 2010). In particular, it is assumed that there should and will always be competing explanations, thanks to different interpretations of data, competing theoretical lenses and normal processes of academic peer review.

In line with its alternative view of causation and explanation, critical realism offers a fresh conceptualization of generalization: transfactual generalization. The term 'transfactual' implies that only transcendental, that is to say unobservable, causal mechanisms in the real domain of reality can be generalized (Tsoukas 1989, p. 552), given the near impossibility of closure in the social sciences (Sayer 1992). More specifically, Easton (2010, p. 121) relates the issue of critical realist generalization to that of necessary and contingent relations between objects or entities since 'if all relations were contingent then each explanation would be unique and incapable of contributing towards anything by way of generalization'. As a result, 'researchers do not postulate ironclad laws, but tendencies, which may or may not manifest themselves in the empirical domain' (Tsoukas 1989, p. 558). In Blundel's (2007, pp. 55–6) words:

retrodution involves a type of scientific generalization that is concerned with the isolation of fundamental structures whose powers can be said to act 'transfactually' (i.e. continuing to exist, even though their operations may not be manifested at the level of events or observations).

Transfactual generalization (see also Danermark et al. 2002, p. 77) is regarded as an alternative to statistical and analytical generalization (for example, Bonoma 1985; Brewer and Hunt 1989), since causal mechanisms may be generalized in the real domain of reality despite not exhibiting

		Analytical generalization based on replication logic	
		Few analytical variables	Many analytical variables
Statistical generalization based on sampling logic	Many sampling units	Quantitative research: statistical 'data integrity' due to many sampling units (Bonoma 1985, p. 200) but analytical 'measurement error' due to few analytical variables (Brewer and Hunt 1989, p. 100)	Prohibitive research: 'not possible, in principle' (McGrath 1982, p. 70) due to lack of resources to study many sampling units and many analytical variables simultaneously
	Few sampling units	Critical realist research: few mechanisms (instead of analytical variables) and few sampling units since 'transfactual' generalization follows retrodution logic and focuses on 'causal powers of particular social mechanisms and their complex interaction in specific contexts' (Elger 2010, p. 256)	Qualitative research: analytical 'currency' due to many analytical variables (Bonoma 1985, pp. 200–201) but statistical 'sampling error' due to few sampling units (Brewer and Hunt 1989, p. 100)

Figure 5.2 Research dilemmas

statistical or analytical external validity in the actual domain. The distinction between mechanism-centred and variable-centred generalization is further developed in the following section.

BEYOND VARIABLE-CENTRED DILEMMAS

According to McGrath (1982, p. 70) 'all research strategies and methods are seriously flawed, often with their very strengths in regard to one desideratum functioning as serious weaknesses in regard to other, equally important, goals'. McGrath (p. 70) even goes so far as expressing scepticism about the possibility of doing "good" (that is, methodologically sound) research'. Figure 5.2 attempts to synthesize such dilemmas in terms of two dimensions: sampling units (that is, cases) and analytical variables (Ragin 1987). In particular, Figure 5.2 suggests, following McGrath (1982), that it is prohibitive for any given study to maximize both statistical and analytical generalization due to the resources that such a research design would demand.

Figure 5.2 depicts the traditional association of quantitative research with statistical generalization and qualitative research with analytical generalization. A sampling logic assumes that sampling units represent a larger population. In order to make inferences about the latter, researchers

choose between available formulae for determining the confidence with which statistical generalizations can be made. The degree of statistical confidence, in turn, depends on the size and internal variation within the universe and sample. A large number of sampling units is thus required by statistical generalization.

In contrast, replication logic, on which analytical generalization is built, assumes that a sampling logic prevents many phenomena from being empirically researched (Yin 2009). This is because there might be an absence of sufficiently large numbers of sampling units, or the topic of interest is better researched without clear boundaries delimiting the phenomenon from its context. Analytical generalization thus requires many analytical variables whereas statistical generalization requires many sampling units. Since analytical variables capture change at the actual domain of reality and not the causes of such change at the real domain of reality, replication logic is followed by conventional realist research but not critical realist research.

McGrath's (1982) view of research dilemmas, as shown in Figure 5.2, encapsulates the inability of any research strategy to simultaneously minimize threats to statistical 'data integrity' – in other words, absence of error and bias due to many sampling units – and analytical 'currency'; that is, generalization of research results due to many analytical variables (Campbell and Stanley 1963). This is due to the fact that statistical generalization requires many sampling units to the detriment of analytical variables, whereas analytical generalization requires many analytical variables to the detriment of sampling units. A high degree of data integrity, in Bonoma's (1985, p. 200) words, necessitates 'a precise operationalization of the research variables, a relatively large sample size and quantitative data for statistical power, and the ability to exercise control over persons, settings, and other factors to prevent causal contamination'. Bonoma continues (pp. 200–201):

high [analytical] currency typically demands situationally unconstrained operationalizations of variables to allow cross-setting generalization, and observations within natural, ecologically valid settings – 'noisy' settings – where large samples, quantitative measures, and control are more difficult to achieve.

Brewer and Hunt (1989) point out that analytical currency comes at the expense of increased statistical sampling error, while statistical data integrity comes at the expense of increased analytical measurement error. By studying a few selected units rather than the whole universe, one may put additional resources into sharpening analytical measurement by acquiring more accurate data about fewer units. However, reducing analytical measurement error may increase statistical sampling error. Figure 5.2 thus

synthesizes the three research dilemmas that McGrath (1982) referred to whenever research is focused on analytical variables: increased statistical sampling error (qualitative research), increased analytical measurement error (quantitative research) or prohibitive research (simultaneously qualitative and quantitative research).

Crucially, Figure 5.2 presents critical realist research as focusing on mechanisms instead of analytical variables; allowing for transfactual generalization in the real domain of reality; and following retroduction logic instead of replication or sampling logic. Transfactual generalization does not require many sampling units and, in contrast to conventional realist research, does not require analytical variables at all, since it focuses on mechanisms instead. Critical realist research is not concerned, therefore, with statistical sampling or analytical measurement errors, or with statistical data integrity or analytical currency, since these are associated with variable-centred concerns of measuring change, not determining its causes. Critical realism follows retroduction logic instead of sampling or replication logic because it focuses on causal mechanisms in the real domain of reality instead of the regular conjunction of events in the actual domain and detailed, lived experiences in the empirical domain. Figure 5.2 therefore pinpoints how critical realism offers a way out of the dilemmas of a variable-centred approach. Once a variable-centred approach is replaced by a mechanism-centred one, the trade-off between number of sampling units and number of analytical variables is no longer relevant.

CRITICAL REALIST CASE STUDIES AND THEIR APPLICATION TO IB

Now that the components of critical realist explanation have been introduced – causal mechanisms, retroduction logic and transfactual generalization – I shall turn to the more pragmatic questions of what this philosophical stance implies for case study research, and how practising researchers can adopt a critical realist approach in their case studies. These questions remain unresolved, however, since social scientists are only now beginning to think through the practical implications of critical realism in empirical research. Critical realism is primarily ontological and epistemological, not methodological. A strong bridge between the philosophical and the applied is yet to be forged, and there are very few examples of critical realist case studies to be found (for a useful discussion, see Ackroyd 2009).

There is no doubt, however, that case study research is regarded as essential to generating causal explanations in the critical realist tradition.

Sayer (1992) argues that both 'intensive' and 'extensive' forms of research are necessary to understand the social world. Extensive research – typically, although not necessarily associated with large-scale surveys – uncovers relationships of 'similarity, dissimilarity, correlation and the like' (Sayer 1992, p. 246). Extensive research is the most commonly employed research strategy, although it has weaker explanatory power since it involves understanding the common patterns of features across a population. Intensive research, by contrast, is seen as the stronger form of explanatory research because it seeks to understand 'how some causal process works out in a particular case or limited number of cases' (Sayer 1992, p. 242). As a qualitative research strategy, the case study is suited to an intensive research strategy – although Ackroyd (2009) argues that case studies can also be used extensively.

Given the diversity of case study research, the question remains as to what sort of case study design is consistent with a critical realist approach. In general, case studies may be objectivist or subjectivist depending on whether they address facts or values, respectively. Stake (2000), for instance, distinguishes between 'instrumental' and 'intrinsic' case studies. In 'instrumental' case studies the case (sampling unit) is of secondary interest, but it facilitates the understanding of a phenomenon (p. 437), whereas in 'intrinsic' case studies 'the purpose is not to come to understand some abstract construct or generic phenomenon', but the particular features of the case (sampling unit). In other words, instrumental case studies address facts whereas intrinsic case studies address values. Critical realist case studies are thus instrumental rather than intrinsic (Stake 2000), since their ultimate goal is the postulation of objective causal mechanisms in spite of taking subjective accounts of experiences as the point of departure for an iterative and retroductive explanatory effort (Danermark et al. 2002, pp. 109–11). Critical realist case studies can therefore be distinguished from case studies within constructivism (Maréchal 2010) and critical theory (Poutanen and Kovalainen 2010).

The literature does provide some suggestions as to how to design a critical realist case study, even though such studies remain rare in practice. Danermark et al. (2002, pp. 103–5), for instance, recommend the selection of 'extreme' or 'pathological' cases as well as comparative cases for the purpose of identifying causal mechanisms. Ackroyd (2009) suggests four different case study research designs, along two dimensions: causal mechanisms and contexts. Intensive single case studies allow the understanding of a specific causal mechanism in one context, whereas intensive multiple case studies allow the understanding of that specific causal mechanism in various contexts. On the other hand, extensive single case studies allow the understanding of interacting causal mechanisms in one context, whereas

extensive multiple case studies allow the understanding of those interacting causal mechanisms in various contexts.

More generally, Easton (2010, pp. 123–4) proposes six steps in order to conduct a critical realist case study. First, the phenomenon to be studied should be complex, dynamic and relatively clearly bounded. Second, the research question should be of the form ‘what caused the events associated with the phenomenon to occur?’. Third, the objects or entities which characterize the phenomenon should be identified, taking into account necessary as well as contingent relations among them. Fourth, data should be collected through several collection techniques, with a particular focus on plausible causal mechanisms. Fifth, data should be interpreted through retroductive logic and taking into account the double hermeneutic (interpreting knowledge in the scientific community as well as in the phenomenon under study). Finally, alternative explanations should be compared through ‘judgemental rationality’ (reasoned, provisional and public discussion of alternative judgements about reality).

According to Elger (2010, p. 256), however, the implications of critical realism ‘for a distinctively critical realist conception of case study research remain underdeveloped and are only now being discussed’. The practical application of critical realism to case research is therefore a project for the future, and something to which IB scholars can potentially make a contribution. In the particular case of IB research, the scope for critical realist case studies is promising. On the one hand, case studies are the most popular qualitative research strategy in IB studies (Andersen and Skaates 2004; Piekkari et al. 2009). In addition, the field is well suited to debates on the philosophy of science (for example, Jacobs 2010) to the extent that ‘the methodological background of IB research lies in other sciences, particularly in the social sciences’ (Hurmerinta-Peltomäki and Nummela 2004, p. 163). On the other hand, however, IB researchers tend to avoid risky methodological choices given their psychic distance towards research subjects (Hurmerinta-Peltomäki and Nummela 2004). In addition, the rate of publication of qualitative research in IB journals (for example, Pauwels and Matthyssens 2004) may equally dissuade the adoption of case studies in general and of a critical realist stance in particular.

Possible topics for critical realist case studies in IB research may be assessed along Weisfelder’s (2001) review, in which IB theories are categorized as follows: (i) industrial-organization theory, (ii) internalization theory, (iii) the eclectic theory of international production, (iv) transaction cost theory, and (v) the internationalization model and network theory of Nordic research. Among such theories, the internationalization model and business network theory of Nordic research appear to have the highest potential for the application of critical realist case studies. The

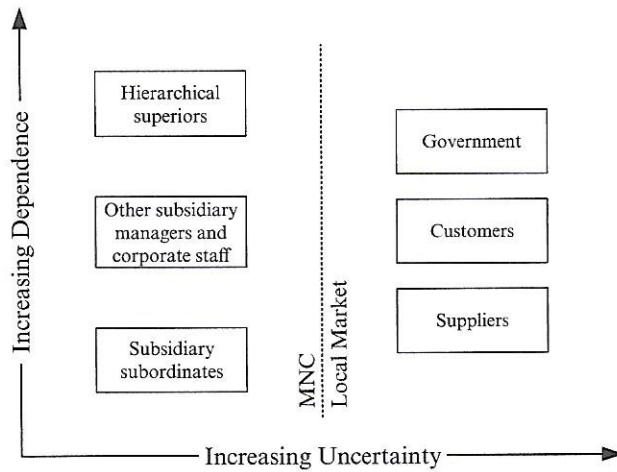
internationalization model invokes dynamics that are inherent in critical realism's notion of 'mechanisms'. Ironically, the Uppsala model of internationalization (Johanson and Vahlne 1977) originally mentions an 'internationalization mechanism' but the assumptions of the model suggest that such a mechanism takes place at the empirical domain of reality and not at the real domain of reality, since it is based on international experiences at the individual and firm level of analysis which are subjective and observable. The network model, on the other hand, focuses on 'structures' of international interorganizational networks (for example, Johanson and Mattsson 1988) which are also subjective and observable, thus occurring in the empirical domain of reality and not in the real domain. The challenge for researchers interested in these models is, therefore, to move retroductively from actors' accounts of experiences in the empirical domain of reality to the postulation of plausible structures of entities and respective causal mechanisms in the real domain.

In a similar fashion, Ghauri (2004) gives examples of topics for case study research which seem to fit internationalization and network models. In particular, IB negotiations, international joint ventures, market entry processes and headquarters–subsidiary relationships are topics which can be researched in terms of both process and network relationships. From a critical realist perspective, however, process refers to causal mechanisms, and networks to structures of entities with causal powers and liabilities. Having said this, if a researcher follows a paradigm consistently, any research topic will be viewed through that paradigm.

Similarly to Weisfelder (2001), Forsgren (2008, preface) distinguishes between 'six perspectives, or theories, of the multinational firm that have dominated the research in international business during the last forty years'. In Forsgren's words (preface), 'I have called the perspectives "tales", not because they are fictitious, but because they emphasize certain elements at the expense of others'. This notion of 'tales' resembles Easton's (2010, p. 122) emphasis on linguistic and metaphorical postulated mechanisms as well as critical realism's emphasis on subjective accounts of experiences as a starting point for retroducting objective causal mechanisms. A critical realist perspective would therefore, I suggest, have broad applicability.

EXAMPLE OF A CRITICAL REALIST INTERPRETATION

Since my doctoral research was based on a network theory of the multinational corporation (Madureira 2004), it could be reinterpreted in order to



Source: Madureira (2004, p. 84, Figure 7).

Figure 5.3 Interpersonal context of FSMs in industrial MNCs

illustrate the implications of critical realism for IB research. As mentioned in the introductory section, my doctoral research was a multiple case study of foreign subsidiary managers (FSMs) in MNCs. The study was designed to maximize analytical generalization based on replication logic, being variable rather than mechanism centred. In order to describe the context of FSMs' personal contacts two main variables were identified: 'dependence' and 'uncertainty' (Figure 5.3).

The two variables (Figure 5.3) were associated, in turn, with 36 contextual factors and 22 contents of FSMs' personal contacts (Madureira 2004, p. 142). In other words, dependence and uncertainty were associated with 58 other variables, thus illustrating the proliferation of analytical variables which may occur in conventional qualitative research (Figure 5.3). In addition to context and content, the study was able to describe the dynamics of FSMs' personal contacts in terms of channels, direction, frequency and paths (Madureira 2004, p. 143). In particular, FSMs were found to manage a formal and an informal network within the MNC, as well as a business and a private network in the local market (Figure 5.3). Moreover, two paths were found: a *snowballing path* through which FSMs increase the scope of their informal and business networks, as well as a *selecting path* through which the formal network is used to reduce the intensity of personal contacts within the informal and business networks.

Such findings may be reinterpreted in the light of critical realism. In particular, FSMs may be regarded as objects or entities which are necessarily related with other objects, including hierarchical superiors and subordinates within the MNC, as well as stakeholder representatives in the local market (Figure 5.3). Taken together, FSMs and such entities form structures in the real domain of reality since their identity can only be defined in relation to each other (Sayer 1992). Such structures of FSMs and necessarily related counterparts have causal powers to generate personal contacts as events in the actual domain of reality (Figure 5.1). The two interrelated causal mechanisms by which FSMs and necessarily related entities generate personal contacts are the snowballing and selecting paths. The generation of personal contacts in the actual domain of reality thus depends on other causal mechanisms (Figure 5.1) which activate FSMs' snowballing and selecting paths. Such conditions may vary in different contexts (Ackroyd 2009), thus requiring further research. Alternative conditions may be retroducted from actors' accounts of experiences in the empirical domain, such as FSMs' perception of dependence and uncertainty (Madureira 2004, p. 84).

From a critical realist perspective, the data collected in my doctoral research could be reinterpreted in order to theorize and generalize causal mechanisms in the real domain of reality rather than variable-centred cause-effect relationships in the actual domain. In particular, personal contacts and related variables in the actual domain – such as dependence and uncertainty – are no longer regarded as causes but simply events generated by causal mechanisms in the real domain of reality. Since events in the actual domain may be out of synch with the causal mechanisms that cause them in the real domain, it is important to theorize mechanisms dynamically. In fact, causal mechanisms are processes by definition (George and Bennett 2005, p. 137), since they are ways in which structures of entities cause events to occur. That also means that, in my doctoral research, only the dynamics of FSMs' personal contacts could be reinterpreted as causal mechanisms (Madureira 2004, p. 143). In particular, the two paths – snowballing and selecting – constitute causal mechanisms which can be generalized in the real domain and critically evaluated against alternative interpretations of existing data and theory. Critical realism has allowed us, therefore, to move away from variable-centred theorizing towards 'causal powers of particular social mechanisms and their complex interaction in specific contexts' (Elger 2010, p. 256).

In sum, retroductive logic stretches the interpretation of case study data in three fundamental ways. First, it requires process thinking, given that causal mechanisms are inherently dynamic and potentially out of synch with the events they generate. Second, it calls for systemic theorizing since

the three domains of reality transcend traditional development of propositions and testing of hypotheses. Finally, it implies critical evaluation of theories since causal mechanisms are not observable. Critical realism may thus shed light on IB research which adopts qualitative research in general and case study research in particular. Especially prone to critical realist explanations are IB phenomena which are dynamic, systemic and multidisciplinary.

CONCLUSION

IB can be regarded as a research tradition which encompasses competing theories and alternative methods. In terms of methods, qualitative research has gained increasing recognition since it enables the study of multidisciplinary and complex phenomena. Although the term 'qualitative research' lacks a consensual definition, several qualitative research strategies can be identified. Case study research is a qualitative strategy whose appropriateness for generating causal explanations depends on the philosophical stance adopted by researchers. On the one hand, case studies may focus on facts or values depending on whether they are objectivist or subjectivist. On the other hand, they may be variable or mechanism centred depending on whether they seek analytical and statistical generalization or critical realist transfactual generalization.

The present chapter has focused on the possibility of generating critical realist explanations from case study research. For that purpose, I have reviewed the key assumptions of critical realism as a realist stance and assessed its implications for case studies in IB. While critical realism is fundamentally a philosophical movement and is not in itself a methodology, there now exists a body of literature discussing how it can be applied to empirical research. Similarly, I have argued in this chapter that critical realism can be used by practising researchers, and that case research is well suited to the critical realist project of mechanism-centred explanations.

The novelty of a critical realist stance comes from an alternative view of reality, causation, explanation and generalization. To recapitulate, reality is regarded by critical realists as stratified into a real domain of objective but unobservable structures with causal powers and liabilities which act and cause events through causal mechanisms; an actual domain of objective and partially observable events; and an empirical domain of subjective but observable experiences. This ontological view is important because it implies, in turn, an alternative view of causation. In particular, stochastic association of patterns of events in the actual domain is regarded as allowing their identification in the empirical domain, but not their explanation

or prediction in the real domain. In other words, causation concerns regular as well as unique and irregular events which may be out of synch with the causal mechanisms that generate them.

From such a view of reality and causation, it follows that explanation is based on retrodution logic rather than sampling or replication logic. Retrodution logic is mechanism instead of variable centred and takes actors' accounts of subjective but observable experiences in the empirical domain as a starting point to retrospectively infer unobservable but objective mechanisms in the real domain. The corollary of such a view of explanation is an alternative view of generalization. In particular, critical realism suggests transfactual generalization as an alternative to statistical and analytical generalization since causal mechanisms (unobservable and thus transcendental) are regarded as externally valid in the real domain in spite of not manifesting themselves synchronically in the actual and empirical domains.

In sum, critical realism offers alternative ontological, epistemological and methodological assumptions which reconsider causation, explanation and generalization in the social sciences. As a result, case studies may provide explanatory insights, especially when phenomena are dynamic, systemic and multidisciplinary. IB research concerned with internationalization processes and international networks is thus especially prone to critical realist interpretations of case study research. But most importantly, no matter the specific topic, IB research generally would benefit from a reassessment of the explanatory value of case studies. In this chapter, I have argued that critical realism is a powerful means for undertaking this re-evaluation.

NOTES

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1. Retrodution is not to be confused with retrodiction, another critical realist term. Elger (2010, pp. 254–5) distinguishes the two terms as follows: 'when the theoretically guided engagement works from outcomes and contexts to develop an account of possible mechanisms, critical realists characterize this as *retrodution*; when it works from posited mechanisms through contexts to explain specific outcomes, it is termed *retrodiction*' (original italics).

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