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THE EVOLUTION OF EMERGING ECONOMY MULTINATIONALS

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THE EVOLUTION OF EMERGING ECONOMY MULTINATIONALS

Abstract

The phenomenon of emerging economy multinational (EMNE) internationalization has stimulated a lively debate among international business scholars. After more than two decades of high-quality scholarly work, this debate continues. The evolution of emerging market economies as well as the geopolitical events of the recent past have provided further boost to the research agenda on EMNEs' internationalization, keeping the topic at the forefront of international business (IB) research. A call for scholarly articles was issued to expand academic understanding of what's still emerging about EMNEs. Several high-quality papers were received and reviewed, resulting in 15 papers accepted for publication in the special issue. The present paper introduces the special issue and an overview of the papers published, highlighting how these papers extend our understanding of EMNE internationalization, especially with regard to evolution of their competitive advantages, location choices, and entry modes. In doing this, this paper proposes ways in which scholarship of EMNEs can advance beyond our common understanding of country-specific and firm-specific antecedents of EMNE internationalization. We also examine some recent notable contributions to the literature as well as propose an agenda for future research.

THE EVOLUTION OF EMERGING MARKET MULTINATIONALS

INTRODUCTION

Since 2006, the World Investment Report (UNCTAD, 2006) has officially acknowledged the emergence of developing countries as significant sources of foreign direct investment (FDIs). In the ensuing years, the contribution of emerging countries to global FDI has consistently increased, reaching a quarter of total outflows in 2021 (UNCTAD, 2022), while in 2025 emerging regions are expected to be home to almost 230 companies in *Fortune*'s Global 500 list (McKinsey, 2016). This explains why the literature on multinational enterprises from emerging economies (EMNEs) has grown at a phenomenal rate, as evidenced by García-Lillo et al. (2020), who retrieved almost 500 papers published in more than 150 journals in just six years, from 2014 to 2019.

The literature on EMNEs has developed along three main trajectories. First, a scholarly debate, which is still very lively, investigates the extent to which conventional international business theories – conceived to explain the cross-border investments of multinational enterprises from advanced economies (AMNEs) – are able to account for a “new wave” of FDIs stemming from emerging countries. On the one hand, several scholars believe that existing frameworks can explain the rationale of EMNEs investments after introducing some conceptual adaptations (e.g., Arikan, Arikan & Shenkar, 2021; Buckley, Clegg, Cross, Liu, Voss & Zheng, 2007; Buckley, Munjal, Enderwick & Forsans, 2016a; Rugman, 2007; Gammeltoft, Barnard & Madhok, 2010; Narula, 2012; Hennart, 2012; Cuervo-Cazurra, 2012; Ramamurti, 2012). On the other hand, other scholars view EMNEs as a new “zoology” of firms requiring new theories (e.g., Child & Rodrigues, 2005; Mathews, 2006; Luo & Tung, 2007, 2018).

A second trajectory attempts to disentangle the idiosyncratic characteristics of EMNE strategies and modes of internationalization as compared to those of AMNEs. Especially, it takes into account the specific drivers, location choices, entry modes, learning strategies, home and host country characteristics and distances (e.g., Alon, Elia & Li, 2020; Bertoni, Elia & Rabbiosi, 2012; Buckley et al. 2017, 2016b, 2016c; De Beule, Elia & Piscitello, 2014; Hobdari, Gammeltoft, Li, & Meyer, 2017; Li, Quan, Stoian, & Azar, 2018; Ramamurti & Singh, 2009).

Finally, a third literature stream aims to assess the effect of the internationalization of EMNEs on their own performance and on the performance of other stakeholders such as acquired firms, the home country from which they originate, and the host country in which they invest (e.g. Amendolagine, Giuliani, Martinelli & Rabellotti, 2018; Buckley, Elia & Kafouros, 2014; Contractor, Kumar & Kundu, 2007; Elia, Kafouros, & Buckley, 2020; Piperopoulos, Wu & Wang, 2018; Thakur-Wernz & Shantala, 2019).

Despite the number of papers on EMNEs, the debate is far from being complete. Indeed, on the one hand, after almost two decades of cross-border investments, EMNEs and their home countries have been subject to several transformations and evolutions, implying that further investigation is needed to understand what is still emerging and what has emerged as regards the EMNEs. This explains the rationale of our special issue. In addition, we need to understand how EMNEs are going to face the challenges stemming from the mega-trends that are likely to shape the future of international business, such as the US-China trade and geopolitical war, the disruptive effects of digital transformation, and the central role that sustainability is assuming (UNCTAD, 2020). These trends, together with a series of events that are looming uncertainties in the global economy, such as Covid-19 pandemics and the Russian aggression in Ukraine, are challenging the evolution of international production networks and global value chains, calling for a deeper reflection on the future role of EMNEs.

The present paper aims to foster future research and proposes innovative approaches, as the articles included in this special issue illustrate. It examines the challenges of EMNEs to international competition, to established theory and to the creativity of researchers who need to design new and robust empirical results. Thus, it questions theoretical works on the MNE and its strategy, and it provides exciting opportunities for empirical work on the global economy.

The remainder of the paper is organized as follows. First, we focus on the theoretical challenges of EMNEs, i.e., the first research trajectory identified above that is still one of the most controversial issues in the literature. We then offer some fresh perspectives for studying EMNEs, emphasizing how the papers featured in this special issue contribute to enriching our knowledge. Finally, we conclude by setting a future research agenda in which we identify topics that deserve particular attention in understanding the evolution of EMNE internationalization.

THE THEORETICAL CHALLENGE OF EMNEs

There are two generic approaches to “new” phenomena. One is to regard the “newness” as requiring a completely fresh approach. A new class has been established and this requires a new explanation. The other is to emphasise what the new phenomena has in common with previously “understood” phenomena and to see how far existing explanations and theories can cope with the new phenomenon. A further problem is to firmly establish how “new” the phenomenon is. This requires careful comparative work to establish difference from things already explained – and similarities. Before we overturn extant theory, analysts need to be sure of the existence of these differences.

All these processes have been debated in the case of EMNEs (see for example, Child & Rodrigues, 2005; Hennart, 2009; Cuervo-Cazurra, 2012; Narula, 2012; Verbeke & Kano, 2015; Buckley et al., 2016a). The dimensions of difference have been explored, and, as we shall see, there are salient differences between EMNEs and established AMNEs. Approaches fall into two camps. One group felt that a straight application of extant theory would be the best first step – an example is Buckley et al. (2007, 2018) who applied internalization theory to Chinese outward foreign direct investment (COFDI). The opposite view was taken by Matthews (2006), for instance, who proposed a new framework for the analysis of EMNEs based on the LLL (Linkage, Leverage, and Learning) approach. Another theoretical framework is “spring-boarding” (Luo & Tung 2007, 2018). To some extent, these opposing views still contend and have kept the scholarship on EMNE internationalization flourish.

The following discussion first examines the application of extant theories of the MNE to EMNEs. It then evaluates “new” approaches.

Applying extant theories to explain EMNEs internationalization

The traditional “Uppsala approach” to the sequencing of foreign entry by MNEs does not suit EMNEs. In the original Uppsala explanation (Johanson & Vahlne, 1977), MNEs minimise risk by gradually increasing commitment towards foreign markets, and at the same time, entering culturally proximate countries before venturing into more “unknown” markets. For EMNEs, this directionality is not in line with observed patterns. “Gradual and Proximity” approaches to investment by EMNEs do not predict their behaviour for either speedy and high commitment internationalisation through cross-border acquisitions (CBAs) or geographical closeness and cultural closeness of host countries. For instance, Indian MNEs have been acquiring foreign firms in more advanced countries for seeking strategic assets,

such as globally known brands and cutting-edge technology not available at home (Buckley & Munjal, 2017).

As regards the internalization theory of the multinational enterprise, this framework was first advanced when MNEs meant “western” (including Japan), largely manufacturing, publically quoted joint stock or privately owned, vertically and horizontally integrated corporations (Buckley & Casson, 1976). Chinese outward investors were **none** of these and therefore represented a crucial test of the theory (Buckley et al., 2007). In this crucial test, the theoretically derived “standard” explanatory variables performed remarkably well, providing a “not disproven” verdict on the theory. However, one standard variable proved to be incorrectly signed and significant – the political risk status of the host country. Chinese firms were characterized to be ‘short-sighted’ as they show perverse behaviour, more likely to enter countries with high political risk, against the received wisdom of the theory and against conventional Western strategic thinking (Buckley, Yu, Liu, Munjal, & Tao, 2016).

A theoretical anomaly, especially when nested within satisfactory results, requires explanation. Several competing hypotheses arise. First, Chinese outward investors may not perceive risk in the traditional sense, or foreign political risk (having virtually none at home). Second, Chinese managers are not risk averse (or not as risk averse as the norm in “Western” MNEs). They fulfil the role of agents for the state. Third, Chinese MNEs are politically motivated, rather than profit driven, being directed by Communist party geopolitical objectives. We might ask why, then, the other conventional variables perform so well. Fourth, Chinese investors tend to prefer countries with low governance standards (Munjal, Varma, & Bhatnagar, 2022). Finally, and completely in contrast to the last explanation, Chinese firms sense that high political risk implies the absence of Western competition and therefore opportunities that may compensate for the higher risk (a genuine risk/reward trade-off). Thus, a rich new round of theorizing commences.

However, internalization theory does not imply that activities should always and everywhere be internalized. The theory specifies that markets will be internalized until the point at which the costs of further internalization outweigh the benefits. Outsourcing is preferred beyond this point. The growth of the market for market transactions (Liesch, et. al, 2012) has expanded rapidly in the 21st century and EMNEs have taken full advantage of controlling activities by contract, rather than by internalized ownership modes. Outsourcing is most frequently employed by AMNEs as a cost reducing strategy, offshoring labour-intensive activities for

efficiency motives. However, several studies (Buckley, Munjal & Requejo, 2022; Enderwick & Buckley, 2019; Munjal, Requejo & Kundu, 2019) show that EMNEs use outsourcing to acquire key resources, including knowledge, and, with limited capital at their disposal and learning to reach the research frontier, outsourcing becomes central to the internationalization strategies of (for example) Indian MNEs. The “Global Factory” approach (Buckley & Ghauri, 2004; Buckley, 2009, 2018) examines the governance of global value chains (GVCs) by MNEs and shows that the mix of internalised and externalised activities is flexible and dynamic. The different configurations of in-house activities and outsourcing depend on a wide range of variables, notably the external market configurations, and firm-level difference between EMNEs and AMNEs.

Moving to the “OLI” approach led by Dunning (1979), which emphasised ownership, location, and internalization as explanatory factors for FDI by MNEs, all these explanatory concepts are questioned by EMNEs. It is arguable that EMNEs do not necessarily have conventional firm specific advantages (FSAs), that factors affecting their location choices are different when compared to incumbent MNEs, and that they often outsource high value adding operations rather than internalizing them (Buckley, Munjal & Requejo, 2022). Scholars deliberate the question about sources and types of ownership advantages possessed by EMNEs, which gives initial impetus for internationalisation (Hashai & Buckley, 2014; Buckley et al., 2016a; Ramamurti, 2012). The role of country-specific advantages (CSAs), such as government’s support, and low-cost capital advantages have been widely acknowledged in the literature. “New” internalization theory emphasises the interaction between FSAs and CSAs, specifically the transferability of these advantages during the course of internationalisation (Rugman & Verbeke, 1992, 2003).

Finally, the resource-based view (RBV) of the firms (together with its Knowledge-Based View -KBV- variant) suggests that organizations are heterogeneous ‘bundles of resources,’ and that variation in firms’ growth depends on the resources they own and control (Barney, 1991). Managers should therefore concentrate on the accumulation, exploitation and (re)configuration of the pool of resources held by their firms, enabling differentiation from competitors (Wernerfelt, 1984, 1995; Barney, 2002; Dierickx & Cool, 1989; Mahoney & Pandian, 1992).

The link to EMNEs is the suggestion that they are at a competitive disadvantage versus AMNEs, and they need to quickly augment resources to catch-up with their global peers.

RBV approaches applied to EMNEs examine routes, such as foreign alliances and acquisitions, by which these firms can amass and control the resources necessary to give them a competitive edge from an initial position of disadvantage (Patnaik, Munjal, Varma, & Sinha, 2022; Elia, Munjal, & Scalera, 2020). This explains why EMNEs are felt to be more tolerant to non-wholly owned activities than AMNEs that are alleged to prioritise “control” and why they have a pronounced preference for entry by CBAs route rather than greenfield in advanced countries, although this must be nuanced by sector, technology, experience, and cultural distance (Alon, Elia, & Li, 2020). EMNEs are, indeed, often buying FSAs in their acquisition targets, and this creates new conceptual approaches designed to explain the “catch-up” of EMNEs, i.e., the attempt of EMNEs to accumulate and control competitive advantages to cope with MNEs from advanced countries and to survive in global markets. In particular, EMNEs have been able to enhance their innovation capacity through CBAs in advanced countries or greenfield in emerging countries, through a geographically diversified portfolio of investments, and in culturally distant countries (Elia, Kafouros, & Buckley, 2020).

“New” Theories of EMNEs

Some scholars take the view that a “new” phenomenon such as EMNEs require new theory. Two EMNE-specific theories have been evinced. These are the LLL (also known as triple L) framework of Matthews (2006) and the “springboard” perspective first put forward by Luo & Tung (2007). Neither is a fully fledged theory but a useful adjunct in appreciating the key distinguishing features of EMNEs.

The LLL framework centres on EMNEs’ internationalisation in parallel with their pursuit of resources. The framework presents a sequential process of linkage, leverage and learning in the internationalisation process of EMNEs. Matthews (2006) argues establishing linkages in the global economy is inevitable. EMNEs, in their pursuit of internationalisation, establish linkages with incumbent firms in advanced economies, while incumbent firms establish linkages with EMNEs to exploit low-cost production base in emerging economies. Linkages allow EMNEs to leverage their internationalization forays by accessing critical resources possessed by incumbents and learn from them. Accessing resources allows EMNEs to fill deficiency in their resource base, catch up with competitors, and tackle the risks encountered in foreign markets. Linkages also allow EMNEs to increase their legitimacy and credibility in the foreign market (Munjal, Buckley, Enderwick, & Forsans, 2013).

Mathews (2006) further argues that overtime with repeated application of linkages and learning EMNEs learn. They learn by “doing” as well as by “imitating” incumbents. Learning different practices and techniques, such as how to organise international operations and marketing effectively, can help the EMNE to grow and compete globally. The role of learning, especially experiential learning, echoes the Uppsala model of internationalisation (Forsgren 2002). The firm, while undertaking foreign operations, learns from experience and acquires tacit market knowledge. Buckley et al. (2016b) argue experiential learning in the foreign market and EMNEs’ ability to combine resources accessed from incumbent allows them to undertake cross-border acquisitions (CBAs), which eventually “scale-up” and “speed-up” their internationalisation plans.

Luo & Tung (2018) capture this phenomenon of EMNEs’ scaling-up and speeding-up through CBAs in “springboard” perspective and have successfully attempted to extract theory out of their initial perspective paper. It is part of a generic approach that focuses on “catch-up” by EMNEs. The core of this approach is the argument that EMNEs systematically and recursively use international expansion as a springboard to acquire the critical resources that they need to compete against global rivals at home and abroad and to reduce their vulnerability to institutional and market constraints at home.

Specifically, Luo & Tung (2007, 2018) suggest that EMNEs use international expansion as a springboard to: (1) compensate for their competitive disadvantages, (2) overcome latecomer disadvantages, (3) exchange threat with global competitors that have a major foothold in their home country market, (4) bypass trade and non-tariff barriers into advanced markets, (5) alleviate domestic institutional and market constraints, (6) secure preferential treatment from home governments, and (7) exploit their relative competitive advantage in other emerging and developing countries.

EMNEs are not only asset seeking (including global brands, key technologies, global talent and international distribution systems) but also opportunity seeking (especially in their use of mass and cost-efficient production capabilities in both developing countries and low- to mid-end markets in advanced economies) organizations. It should be noted that most if not all these strategies are also used by conventional MNEs. “Springboard” steps are used by EMNEs as a long-term growth strategy to achieve competitive global positioning. They are recursive because such “springboard” outward activities are strongly integrated with domestic activity and interact with them. Enderwick & Buckley (2021) propose a conceptual

framework comparing the role of springboarding along three commonly adopted upgrading paths: path-following, path-compressing, and path-creating. However, it remains the case that the “new conceptual frameworks” are not entirely specific to EMNEs.

MOVING FORWARD: A RESEARCH AGENDA ON MNEs AND SOME FIRST-HAND EVIDENCE FROM THIS SPECIAL ISSUE

From the discussion above, we understand that the extant literature consistently contrasted EMNEs to their counterparts from advanced economies. This convention of seeking explanations of differences solely from the national origin of the MNE may have led to the false assumption that the underlying differences between the two groups of firms can be attributed entirely to the national origin of the firm. Study after study has retained this bias by attributing any observed differences between these firms to the country related factors. Such an oversight has naturally inhibited inquiries into other potential causes of differences between EMNEs and conventional MNEs.

How accurate is it to reduce examinations of MNE behaviour to national characteristics alone? On the one hand, we contend that globalization and seamless sharing of knowledge and technology across countries have led to a much more level field for EMNEs and conventional MNEs (Cuervo-Cazurra, 2012). In recent years, EMNEs have been increasingly able to rely on more advanced assets because of the co-evolution of their ownership advantages and home-country national innovation systems. Their foreign asset-seeking strategies are now supported by the assets available in their home economies rather than compensating for homebased weaker assets (Elia & Santangelo, 2017). It can be claimed that the EMNEs are no longer playing ‘catch up.’ Rather, they enjoy relatively rapid and convenient access to the latest knowhow and best practice from wherever it happens to originate.

On the other hand, we cannot expect that EMNEs will become exactly like firms from advanced economies. Indeed, cultural, institutional, and economic differences will prevail, reinforcing the importance of studying the role of the country of origin in examining the internationalization path of EMNEs. While scholarly inquiries into EMNEs must continue, there is a need for an agenda-setting effort to identify trends and topics that deserve further attention. In particular, the question of “what is still ‘emerging’ about EMNEs?” must be an ongoing discussion and debate.

In the discussion that follows, we delineate questions that warrant scholarly attention. These research questions are not exhaustive; rather they lay the foundation for inspiring scholars to carry on empirical investigations that shed new light on EMNE behaviour and performance in global markets. We also provide the first-hand findings stemming from the papers that are featured in this special issue and that offer some answers to the key research questions postulated in the call for papers.

Ownership advantage

Research questions: *What types of ownership advantages are leveraged by EMNEs for their internationalization in the contemporary environment? Are they different from those of the early waves of internationalization? Are they still different from those possessed by MNEs from advanced economies? Are traditional ownership advantages of AMNEs still relevant for the internationalization of EMNEs?*

The paper by Munjal, Bhasin, Nandrajog & Kundu (2022) examines the evolution of EMNEs' competitive advantages. Using a large panel dataset on Indian EMNEs, spanning over a period of 20 years, from 2000 to 2019, these authors explore how CBA, which has been a popular internationalization strategy for EMNEs as it allows for augmenting competitive advantages through acquisition of strategic assets (Buckley et al., 2016a; Munjal et al., 2013), have impacted the acquiring EMNE's capabilities. For this empirical inquisition, the authors used average treatment effects on treated method and compared the effect of CBAs on acquiring EMNEs with a counterfactual group formed using propensity score matching. As theoretical bases, the authors employ the Springboard perspective (Luo & Tung, 2007, 2018) and the Global Factory framework (Buckley & Ghauri, 2004). They argue that EMNEs pursuing a CBA strategy for internationalization develop core competitive advantages in the domains of technological and marketing capabilities because their acquisitions are mainly made to acquire technology and market specific strategic assets. The authors also argue that these competitive advantages naturally help the EMNEs' quest for further internationalization through exports. However, in this pursuit of internationalization, building technology and market specific competitive advantages, the EMNE tends to trade off its core competitiveness in production related capabilities because it has to reallocate its resources away from production. Overall, this paper shows that the evolution of the EMNE can be explained by internalization theory as embedded in the Global factory model.

Home country

Research questions: *How does the home country context (in terms of market, consumers, institutions, policies, industrial development, national innovation system etc.) of EMNEs evolve? Does the home country support internationalization of its EMNEs in a different way from the past? From which industries will future EMNEs come from? What are the new geographies (e.g., Africa) EMNEs are originating from?*

The paper by Jones, Temouri, Kirolos & Du (2022) employs secondary data analysis and investigates the relationship between home country institutional quality and FDI undertaken by the EMNE. The authors conceptualise a curvilinear (U-shaped) relationship between institutional developments in EMs and EMNE's internationalization. Basing their argument on the body of literature on institutional arbitrage and institutional escapism, the authors argue that, in addition to reasons such as accessing foreign capital market, protection of intellectual property rights and avoiding bureaucracy at home, EMNEs also invest in tax havens to protect their profits. Parking profits in low or no tax host countries allows EMNEs to accumulate reserves that can be used for further expansion without having to repatriate to home country where tax rates are generally higher. The authors offer a conceptual framework that splits institutional development into two phases. The first phase occurs where institutions in EMs are underdeveloped and it explains the EMNE's *institutional escapism strategy*, whereby the EMNE internationalize into tax haven countries to escape home country institutional hazards. The second phase represents *institutional leverage strategy*, whereby the EMNE leverages home country institutions as a competitive advantage. The second phase arrives when institutions in emerging economies have matured to the level of a typical advanced economy. At this later stage, the emerging economies provide an improved institutional environment and competitive tax structure where managers may be better off strategically focussing on the EMNEs' core capabilities and not on aggressive tax strategies.

The paper by Luiz & Barnard (2022) also draws attention to the EMNE response to institutional hazards at home. Their analysis is based on a multiple case study approach with six South African EMNEs. Their findings suggest that EMNEs create a portfolio of locations to hedge risk as a key component of managing performance. The authors stress that institutional constraints and sudden undesirable changes in the institutional conditions at home push EMNEs to escape to safer host countries. EMNEs grappling with such institutional hazards at home often develop capabilities to deal with threats, but EMNEs also evolve their portfolio of host locations.

The role of home-country is also explored by Su, Kong & Ciabuschi (2022), who focus on the effects of home-country political ties on the innovativeness and reverse innovation transfer for 99 Chinese multinational companies (MNCs) and their 177 subsidiaries undertaking strategic-asset seeking investments. The authors find a detrimental effect of home-country political ties on Chinese MNCs headquarters innovativeness due to higher bureaucracy, lower competitiveness, overreliance on government support and lack of legitimacy in host countries for “state-connected firms.”

Finally, Cuervo-Cazurra & Pananond (2022) emphasize the role of home country in shaping the GVCs of EMNEs. More specifically, building on an extension of the resource-based view, the authors claim that the underdevelopment of endowments, the sophistication of consumers, and the specificity of the institutions of emerging economies affect not only the competitiveness of the firm but also the formulation of GVCs compared to advanced economy MNEs along three dimensions: objectives, trajectory, and governance. First, the authors claim that the objective of EMNEs is to compensate for home-country factor endowment deficiencies and to upgrade their resources, while MNEs from advanced economies focus more on distributing simplified activities across countries. Second, the authors claim that EMNEs’ GVCs trajectory is influenced by the lower sophistication of the home country consumer characteristics. Consequently, EMNEs expand their GVCs to access higher value-adding activities or assets that are missing in their existing operations in the home country, while AMNEs use GVCs to disaggregate activities across countries and exploit location economies. Finally, GVC governance is shaped by institutional quality of emerging economies, which tend to be more relation-based, thus pushing firms to prefer a more hierarchical governance structure both at home and abroad to ensure higher control over activities and a closer alignment and coordination in GVCs. Conversely, firms from advanced economies are more likely to rely on the externalization of activities in their GVCs based on their experience with high-quality rule-based institutions in their home markets.

Host countries

Research questions: *What type of host country and entry mode choice do EMNEs prefer? Do EMNEs still prefer more risky host locations? How does the host country context (in terms of institutions, policies, industrial setting, culture, national innovation systems) play a role in*

attracting a new wave of investments from EMNEs? Why are EMNEs investing in other emerging markets?

International joint ventures (IJVs) are one of the most attractive forms of foreign market entry. In their study, Akdeniz & Talay (2022) aim to examine how the country-of-origin of the IJV partner firms and the IJV host country affect joint venture termination. The authors offer a typology to explain the contextualization of IJVs according to their home-and host countries and provide an empirical test using a comprehensive dataset of IJVs established in 48 countries. The typology offers a unique contribution to the intersection of the research streams on IJVs and emerging markets as previous research has examined a few IJV varieties and rarely considered the country-of-origin as a driver of IJV outcome. Akdeniz & Talay (2022) find that, compared to advanced economy multinationals, IJVs founded in EMs are less likely to terminate. Another finding suggests that partnerships established between two AMNEs are more likely to terminate than other nationality combinations. While this may seem counterintuitive, it can be argued that conventional MNEs, more than emerging market partner firms, are likely to seek higher efficiency and ex-post opportunism in assessing the value of their partnerships. Finally, the authors assert that, when the home- and host-country of a partnership are considered jointly, the termination of an IJV with partners from an advanced economy and an emerging market is more context-sensitive.

The papers by Luiz & Barnard (2022) and Jones et al. (2022) address the location choice by EMNEs with reference to host country institutional characteristics. Both papers highlight the fact that the EMNE preference for host location is conditioned by the quality of institutions at home. The extant literature suggests that EMNEs tend to escape institutional hazards at home as a way to protect their performance (Nuruzzaman, Singh & Gaur, 2020) but our knowledge of institutional arbitrage and shifting operations back to home country is not well developed. These papers contribute to this niche area and suggest that when institutional reforms at home levels institutional gaps, EMNEs venture back home. In this regard, Luiz & Barnard (2022) make a good point about portfolio of locations held by EMNEs. The authors argue that, although thinking in terms of a portfolio of locations was initially an integral part of international business scholarship (Aliber, 1970, Rugman, 1976), the theory has receded over the last few years. However, the requirement for EMNEs to hedge risk as a key component of managing performance shows the value of revisiting and further extending this line of inquiry.

Distance

Research questions: *Do EMNEs still face significant institutional distance in investing abroad? If so, does the direction of institutional difference matter? Do EMNEs still face a strong liability of emergingness and outsidership? What is the contribution of the diaspora from the emerging source country to reducing (or augmenting) cultural and institutional distance?*

The paper by Tang & Buckley (2022) proposes a directionality logic to investigate the effect of formal institutional distance on FDI by EMNEs. These authors argue that EMNEs may not assess the risk and cost of institutional distance merely by the distance's absolute value but evaluate the direction of distance as well. The underpinning rationale is that the institutional quality of an EMNE's home country can be better or worse than that of a host country (e.g., a least developed economy or an advanced economy). Such asymmetry affects the FDI location choice and investment scale of EMNEs. Drawing on internalization theory, the authors posit that EMNEs make a two-stage FDI decision (i.e., a location choice followed by an investment scale). At different stages, the directionality of institutional distance plays unique roles in affecting EMNEs' internalization of imperfect external markets. Also, Tang & Buckley (2022) identify the moderating effect of intangible assets on the directionality–FDI relationships. When empirically testing these relationships, they offer a staged model to examine the two-stage decision and reflect the process nature of internationalization decisions. In so doing, this study extends the institutional distance research with a nuanced view of directionality and develops internalization theory with greater clarity of cost-effectiveness - a core concept of this theory.

Governance

Research questions: *Do EMNEs still utilize different management practices than AMNEs (e.g., as regards the transparency, the use of tax havens, capital flight)? Do state-owned enterprises (SOEs), business groups and sovereign wealth funds display different strategic behaviours from traditional MNEs? How can we disentangle the heterogeneity within each of these groups?*

Benfratello, D'Ambrosio & Sangrigoliz (2022) compare the location decisions of Chinese and other multinationals in Africa. They argue that the systemic engagement of the Chinese government in Africa, providing strategic and practical support to investors and reducing, *de facto*, "liability of foreignness", endows Chinese MNEs with ownership advantages that tend

to reduce their concern for risk. Empirical findings by the authors suggest that Chinese investors are less sensitive to risk-mitigating location factors than firms from other emerging and advanced economies, with a distinctively lower reliance on internal agglomeration. These results confirm extant knowledge on Chinese MNEs, i.e., that they tend to be market-seeking and manufacturing-oriented, but also highlight a less expected pursuit of knowledge spillovers via FDI. Instead, they do not support the common contention that they are distinctively resource-seeking and target politically unstable countries.

Panicker, Upadhyayula & Sivakumar (2022) examine the evolutionary aspect of EMNEs for the case of SOEs internationalization. The authors argue that following economic reforms in emerging markets, such as privatisation, the ownership structure of SOEs change.

Consequently, many SOEs in emerging markets, with China being an exception, tend to have a hybrid ownership structure with state and private institutional investors both holding shares. The authors argue that these hybrid SOEs are likely to benefit from different ownership groups with private institutional investors providing resource advantages and the state providing political capital. However, in the larger environment, state ownership often impedes the SOE's internationalization because governments are frequently overwhelmed by the socio-economic and political goals. Consequently, governments sometimes divert SOE's financial resources to fulfil their goals. However, the impeding effect of state ownership is likely to be mitigated by private institutional ownership. The authors provide detailed arguments about the mitigating effects of private ownership for domestic private as well as foreign private investors. Overall, the central thesis of this paper lies in identifying and explaining SOE's evolution in terms of change in ownership structure and the impact that it brings on the firm's internationalization.

The different strategic behaviour of "state-connected" firms has been highlighted also by Su, Kong & Ciabuschi (2022). First, "state-connected" MNEs are too bureaucratic and less capable of enduring competition, due to the need to fulfil many political and social objectives and to the risk of "repetition learning" arising from a politically protected business environment. Second, political ties may lead state-connected Chinese MNEs to over-rely on government-created advantage in the home market, thus leading to innovation inertia. A third problem is that Chinese state-connected MNEs suffer from a lack of legitimacy and potential hostility in host countries, which limits their possibility to source knowledge. Hence, a "liability of stateness" may arise for Chinese MNEs that are eager to boost their ability to innovate through foreign investments.

Performance

Research questions: *What is the impact on the medium and long-run financial and innovation performance of firms acquired by EMNEs? What is the impact of EMNE investments on their own financial and innovation performance? Under what conditions do EMNEs perform worse or better than AMNEs? To what extent are they able to catch-up in terms of technology and productivity? Is the effect of cultural and institutional diversity on performance similar to their early investments?*

The paper by Athreye, Saeed & Baloch (2022) investigates the factors that are associated with the success of Chinese and Indian EMNE investments in the “Northern” (i.e., developed) and “Southern” (i.e., developing) locations after more than two decades of successful internationalization, by looking at the survival rate. Using a sample of 747 Chinese and Indian foreign subsidiaries belonging to 218 Chinese and 176 Indian firms over the period 2005- 2018, the authors find that survival is markedly weaker in the North due to the more intense competitive pressures arising from the stronger technological and managerial abilities of domestic firms. Conversely, in the South, Chinese and Indian firms can rely on strong competitive advantages and industrial leadership in several areas, which translates into better survival rates. The authors also find that the immigrant diaspora in Southern locations plays a role in mitigating the endogenous risks, i.e., the risks arising from limited knowledge about social, cultural, and political aspects of production in the host markets.

Su et al. (2022) explore the role of internationalization in fostering innovation performance of Chinese EMNEs by highlighting the detrimental role of home-country political ties.

Interestingly, the authors uncover the positive mediator role of subsidiary innovativeness in the relationship between HQ innovativeness and reverse innovation transfer, meaning that, without triggering subsidiary innovativeness, headquarters cannot obtain valuable innovation-related knowledge from the subsidiaries.

Ozkan, Khan, Deligonul, Yeniyurt, Gu, Cavusgil & Xu (2022) examine “market share” performance of AMNEs and EMNEs operating in each other’s markets using a comprehensive, longitudinal dataset over a ten-year period. Interestingly, their findings show a declining performance of AMNEs operating in emerging markets over time, while EMNEs generally appear to benefit from increased market shares in their advanced economy markets for the same period. The study findings contradict the assumption that AMNEs are likely to prevail in all or most market sectors when operating in emerging markets. The authors reveal

how the performance of AMNEs and EMNEs is evolving over time, considering specific country-industry dyads, including seven industry contexts ranging from retail to electronics.

Knowledge and capabilities

Research questions: *How does internationalization contribute to enhancing the knowledge and capabilities of EMNEs? Have EMNEs been able to climb the value chain? If yes, what type of path and trajectories are they following? Are EMNEs still using a knowledge-utilization (i.e., more imitation-oriented) approach or are they increasingly adopting a knowledge-creation (i.e. more innovation-oriented) strategy? Are EMNEs capable of integrating and orchestrating knowledge and resources stemming from their portfolio of investments?*

Analysing the case of Lenovo, Feng, Liu & Liu (2022) explored factors that foster dynamic capabilities in EMNEs. The authors argue that, in the process of internationalization, EMNEs make a transition from their pre-existing local identity to a global identity. This shift in identity is natural and essential as, during this transition, EMNEs tend to affiliate with their international peers and secure a sense of belongingness with the global community. Global identity facilitates EMNEs to attract managers with global mindset. EMNE managers with global mindsets are better off in identifying and leveraging opportunities in global markets (Andersson & Evers, 2015). The authors draw attention to a recent argument by Baden-Fuller and Teece (2020) that dynamic capabilities theory “has cognitive and perhaps even emotional dimensions” (p.1) and argue that the process of establishing global identity sensitises EMNE managers. It triggers a cognitive mechanism among them and enhances the micro-processes of sensing, seizing, and transforming capacities in the global marketplace.

Malik, Sharma, Kingshott & Laker (2022) present a novel case of the EMNE operating in the digital and electronic media industry. Using an in-depth case study of a family owned EMNE, the authors investigate how EMNEs in digital and electronic media industry potentially leverage their technological, cultural, and relational capabilities and deliver superior outcomes to their global clients. This not only help EMNEs to improve their performance by providing better service to their clients but also transform their business model. The authors specifically argue that by “investing in specific values and ability-, motivation-, and opportunity-enhancing HRM practices”, EMNEs create a social and relational context that

engenders ‘among employee’ capabilities which enables the firm to invent new ways of creating and capturing value, i.e., business model innovation.

Digital technologies

Research questions: *What are the challenges and the opportunities offered by digital technologies to EMNEs? Are they different with respect to those faced by traditional MNEs from advanced economies? Will digital technologies change the internationalization patterns and strategies of EMNEs? Will they help EMNEs to accelerate and catch-up with traditional MNEs, thus making the former less and less “emerging”? Will the Fourth industrial revolution benefit primarily AMNEs, e.g., in terms of lower production costs, thus weakening some of EMNEs’ traditional competitive advantages?*

The paper by Vecchi & Brennan (2022) focuses on Chinese Internet firms' overseas expansion in the European market, with the aim of providing insights on their motives, strategies, and challenges. As regards the motives, the authors highlight that, during the first wave of internationalization (up to 2015), the main driver of the overseas expansion of Chinese firms was the saturation of the home market, while in the second wave (after 2015) the main motivation was market competition. In terms of strategies, during both waves companies tend to endorse a step-by-step approach characterized by substantial pragmatism in their investments, although the second wave was faster than the first one. Finally, the main challenges faced by Chinese Internet firms expanding in Europe were intensive regulatory pressures, the cultural barriers, the liability of foreignness and “Chineseness,” and the consequent difficulty in finding collaborators. The authors conclude by suggesting the “NOLI” framework – i.e., the OLI paradigm incorporating the networks of commercial collaborative alliances that are made possible by web presence.

The paper by Malik et al. (2022) also highlights the EMNE’s growing managerial and technological capabilities that significantly influence their B2B relationship in a dynamic digital media industry. The authors also argue that several emerging economies in Asia are rapidly evolving into global hubs for technological and business model innovation as these firms leverage disruptive digital technologies such as digitization, artificial intelligence (AI), Internet of Things (IoT), and block chains.

Recent macro-trends

Research questions: *How will EMNEs deal with the forthcoming uncertainty and turbulent environment arising from the post-pandemic era and from other recent phenomena like the rise of Nationalisms and Populisms, the battle for global leadership between USA and China, the conflicts between countries (e.g., Russia and Ukraine), the shortages on energy and raw materials, the increasing centrality of sustainability and circular economy, and the effects of the climate change? Will EMNEs gain or lose competitiveness and market shares? Will advanced MNEs reshore some activities to decrease uncertainty, thus turning global into regional value chains and downsizing the role of EMNEs? How will EMNEs adapt and change their internationalization strategies to cope with these contingencies?*

The paper by Cuervo-Cazurra & Pananond (2022) and Malik et al. (2020) discuss the potential evolution of EMNEs' participation to GVCs in light of the recent macro-trends (digitalization, political tensions and sustainability) that have been highlighted by UNCTAD (2020) and that might lead to alternative scenarios as regards the future of global production networks, i.e. diversification, regionalization and reshoring. More specifically, the authors suggest that regionalization and reshoring might open-up new opportunities for EMNEs to occupy the space left vacant by their more advanced competitors, by enabling them to consolidate the control over the GVCs and to capture more regional markets.

Finally, the paper by Chabowski and Samiee (2022) maps the extant literature over two time periods, pre-2010 and post-2010, to uncover trends, and examine the evolution of the literature on EMNE internationalization. Using bibliometric analysis, the authors identify highly cited EMNE publications for each period and generate a co-citation matrix. They use multidimensional scaling to provide insights into the knowledge structure (in terms of knowledge nodes and their relational proximity) that have evolved in the extant literature for each period. Apart from the knowledge structure, the key contribution of the paper lies in presenting an integrated conceptual framework that not only synthesizes the extant research but also provides an impetus for future research. The main components (and subcomponents) of the framework are strategic orientation (entrepreneurial emphasis, geographic focus, and relational resources), market-focused capabilities (knowledge development characteristics and processes), and competitive advantage indicators (positional and financial outcomes).

LOOKING FORWARD: FRESH PERSPECTIVES FOR STUDYING THE EMNE

Collectively, papers in this special issue advance our knowledge of EMNEs, as they provide insightful answers to some of the key research questions that we identified as being crucial to literature. Yet, there is much room for future research avenues.

The underlying causes of differences between EMNEs and conventional MNEs must incorporate at least five neglected drivers of MNE internationalization and performance. These are: industry sector, local partners, business model digitalization, sustainability, and resilience. These highly critical factors have been relatively overlooked in the recent comparisons of EMNE versus conventional MNEs.

First, industry differences are paramount, presumed to account for a substantial proportion of variation in MNE performance. Indeed, the empirical study appearing in this issue by Ozkan et al., (2022) clearly demonstrates that MNE performance is largely a function of industry rather than country differences. Examining market share performance of EMNEs and conventional MNEs in each other's markets and using longitudinal data, Ozkan and his co-authors conclude that "...that the industry sector appears to be a more significant driver of market share performance than country effects." (p. 215). Prominence of industry difference can also be seen in Athreye et al. (2022), Malik et al. (2022) and Vecchi & Brennan (2022). Specifically, Athreye et al. (2022) take into account the heterogeneity of industrial developments and specializations to explain the varying performances of EMNEs in emerging and advanced countries. Malik et al. (2022) have shown how EMNEs evolving by are leveraging new age disruptive digital technologies, contending that industry-specific factors such as entry barriers, competitive intensity, and technological advantages figure prominently in determining EMNE performance. Vecchi & Brennan (2022) underline how existing internationalization studies have focused mainly on manufacturing firms, while research on internationalization of service industries tends to be rather scarce. Hence, studies addressing the industrial specificities of EMNEs internationalization are required.

Second, there is evidence that EMNE performance is also a function of the local partner's capabilities. Examining MNE joint ventures, the study by Akdeniz & Talay (2022), also in this special issue, reports evidence that partner capabilities play a significant role in the likelihood of international joint venture termination. Cuervo-Cazurra & Pananond (2022) also emphasises the role of foreign partners in EMNE internationalization as they can be a conduit

for plugging EMNE into GVCs. Nonetheless, the performance implication of involving government as a partner can be counterproductive (Su, Kong & Ciabuschi 2022) because in the larger scheme of things, the government's socio-economic and political goals are likely to supersede over the EMNE's goal of internationalization (Panicker et al., 2022). The strategic role of the partners has been stressed also by Vecchi & Brennan (2022) for the expansion of Chinese Internet Firms into the European Market. More specifically, different partners have been chosen to access different types of local resources such as networks of vendors, financial and cloud business, payment processors, local merchants etc. Partnerships are also subject to periodical updates based on the evolution of EMNEs' internationalization strategies and on the extent to which EMNEs' are successful in accessing the local resources and in reducing their uncertainty and liabilities of foreignness. Thus, a scrutiny of the partnerships and partners' characteristics becomes crucial when scholars examine the evolution of EMNEs' internationalization.

Third, the emergence of digital enterprises features prominent, new business models that rest on adopting digital tools and technologies across all aspects of their operations. These include: e-commerce, 3D printing, Internet of Things, big data, additive manufacturing, smart supply chains, and robotics. Compared to their conventional counterparts, platform businesses benefit from their ubiquitous presence and the ability to minimize costs through streamlined operations, and through fast, agile, and connectivity-enabled business models that allows to propose new and appealing customer value propositions (Cavusgil, 2021; Vecchi & Brennan, 2022). These new realities compel researchers to search for differences among MNEs that can be traced to their underlying business models -- aside from their national origin. Deployment of contemporary new digital technologies opens further opportunities but also challenges MNEs (Malik et al., 2022). On one hand, the adoption of digital technologies enables EMNEs to increase both their productivity in manufacturing activities and their effectiveness in accessing new markets, making them more competitive in the global arena. On the other hand, AMNEs can not only benefit from the same advantages, but also exploit new technologies to reduce production costs (Strange & Zucchella, 2017), enabling them to challenge EMNEs on their own ground, given that EMNEs have largely developed their competitive advantage using the lower production costs offered by their home countries. Understanding these new competitive tensions between EMNEs and AMNEs arising from the digitalization of the business model represents one promising avenue for future research.

Fourth, the transition towards a more sustainable production system is expected to have strong implications for international business in the nearby future. In particular, AMNEs are increasingly subject to strong pressures to develop greener products by stakeholders in their home countries. In addition, advanced economies are challenging the traditional linear and global production models by fostering the adoption of a circular economy paradigm, which is likely to have strong implications for global value chains (Hofstetter et al., 2021; Malik et al., 2022). In particular, the shift towards a more sustainable and circular model is likely to redefine the relative importance of the country-specific comparative and firm-specific competitive advantages, and to trigger a geographic reconfiguration of the value chains by favouring local producers. In this evolving scenario, we need to understand whether EMNEs are subject to similar or different pressures by stakeholders in emerging countries, how they are complying with the need for more sustainable production models in emerging and advanced economies, and how they are reacting to the GVCs reconfiguration decisions implemented by AMNEs adopting circular and sustainable practises.

Finally, resilience is the adaptive capability of a firm to respond to the increasing uncertainty of the rapidly changing environment of the MNE, arising, e.g., from pandemic outbreak, geopolitical tensions, technological advances, changing regulations, increasing competitive intensity, natural disasters, climate changes, and the like. MNEs are required to increase their ability to cope with frequent disruptions and recover from them in a timely manner by maintaining continuity of operations. AMNEs are pursuing resilience by adopting different strategies, such as increased digitalization and automation of the production process, reconfiguration of GVC through reshoring and regionalization, redundancy of suppliers etc. (UNCTAD, 2020; Cuervo-Cazurra & Pananond 2022). Thus, it is essential to understand how emerging countries and EMNEs are reacting to the increased uncertainty of the world economy, by shedding light on EMNEs' resilience strategies in comparison with and in response to those of AMNEs. More in general, scholars investigating relative internationalization and performance of EMNEs versus AMNEs must factor in temporal events such as recessionary and de-globalization or "slowbalization" periods leading to high-risk environments (Cavusgil & Deligonul, 2012).

CONCLUSION

We asked the fundamental question “what is still emerging and what has emerged about EMNEs?” This special issue has provided some steps forward in our understanding of EMNEs in terms of appropriate theory, conceptual and empirical advances, as well as a fuller appreciation of the role of context and new developments such as digitization. Theoretical contributions centred on the role of knowledge and capabilities in the internationalization of EMNEs and an improved understanding of what the internationally transferrable assets are, and may be in future, that enable successful EMNE internationalization strategies. This enables a sharper understanding of internalization decisions and the role of outsourcing for EMNEs.

This special issue has enhanced our understanding of the crucial role of context in comprehending the strategies of EMNEs –this is particularly true in the areas of host country and entry mode choices and the important effects of host country conditions, reaffirming this essential element in appraising the role and status of EMNEs. Conceptual advances in this issue have been made in the understanding of the notion of “distance” in international business, both institutional distance and psychic distance. Our understanding of “directionality” in combination with distance has been similarly enhanced. The contemporary concerns with governance and performance are reflected here. The nuances of difference between EMNEs and conventional MNEs in governance are becoming much clearer and the tangled issue of performance determinants has been tackled successfully, although when we ask **whose** performance is enhanced by the internationalization of EMNEs we still receive mixed answers.

What is still emerging? Theoretical perspectives continue to be competing paradigms and this should be expected as all theories are provisional and stand ready to be disproven. The conventional approaches such as internalization theory remain standing but special theories within general theories have proven useful to our authors and will undoubtedly remain serviceable. We would counsel against a “mix and match” approach to theory and hope that authors continue to ensure that their theoretical frameworks remain internally consistent with regard to fundamental assumptions.

We have progressed a long way in terms the comprehension of entry modes and internationalization strategies of EMNEs and the field appears to be approaching convergence if not entire consensus on the difference in trajectories as determined by starting point and context (technological, institutional, industry sector, home environment, macro

conditions and differential capabilities). New elements, such as the digitalization revolution analysed here reflect the dynamic subject matters that international business specialists analyse, so it is unsurprising that much work remains to be done, despite the herculean efforts of researchers, to fully encompass the performance and welfare effects of EMNE internationalization. There are many actors, many contexts, and many empirical challenges in the way of comprehensive answers to the question of who ultimately benefits (and loses) from EMNE internationalization. In this special issue, the authors have provided convincing answers to many of the extant questions on EMNEs, but perhaps because of changing firms, technologies, institutions, and contexts, questions will always remain and answers are always provisional.

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