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Emerging market multinationals' international equity-based entry mode strategies: Review of theoretical foundations and future directions

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Abstract

Purpose: We examine the theories used to study the international equity-based entry mode strategies of emerging market multinationals (EMMs) and the contribution of these studies to extant literature.

Design/methodology/approach: We conducted a systematic review of the literature. A total of 73 articles were identified from key management, international business and international marketing journals published between 2000 and June 2015. Articles were analysed according to the theory(ies) used, thematic area, methodology, home/host countries studied, and findings.

Findings: Despite the great interest around the topic of how the antecedents and outcomes of EMMs' international entry mode strategies may challenge and amend existing theories, the findings that come out of this research mirror patterns observed in the entry mode literature in general. Whilst traditional perspectives such as internalisation theory and the OLI paradigm remain prevalent, a growing number of studies draw on institutional theory and combine multiple theoretical perspectives. Newer theories developed specifically to study EMMs (e.g., the springboard perspective) are used in only five studies and challenged to differentiate their theoretical underpinnings from extant literature. Overall, the theoretical contribution of EMM studies is simply a change in emphasis from the role of firm-specific factors toward the influence of home country institutions on entry mode strategies. We conclude that the literature has only made tweaks at the edge of theories with no significant changes to extant theorisations.

Originality/value: This is the first systematic review of the literature focusing specifically on the international equity-based entry mode strategies of EMMs.

Keywords: Emerging market firms, Entry mode strategies, Multi-theoretical perspectives, Systematic review

Introduction

International entry mode strategies are central to the foreign expansion of firms (Buckley, 2002; Chiao et al., 2010; Hennart and Slangen, 2014; Hitt et al., 2004; Meyer et al., 2014) because they are viewed as a reflection of multinational firms' abilities to access foreign markets, upgrade their knowledge and skills to develop effective marketing strategies, demonstrate local responsiveness, and even launch their own global brands in host markets (Chiao et al., 2010). Indeed, international mode of entry strategies, particularly equity-based modes of entry and their performance consequences are cited as critical issues nested within the micro-context of international marketing (notably, Buckley, 2002). In this paper, we review the theoretical underpinnings of the literature on the international equity-based entry mode strategies of emerging market multinationals (EMMs) published between 2000 and June 2015.

A review of EMMs' international equity-based entry mode strategies literature is timely and important. It is timely because academics are paying attention to EMMs following their increased role in the global market (Chiao et al., 2010; Deng, 2009; Luo and Tung, 2007; Meyer et al., 2014). It is important because the method and ability of EMMs to commit resources abroad may challenge the fundamental assumptions of traditional theories (Chen and Chen, 2003; Deng, 2009). Sheth (2011) argues that "(t)he rise of emerging markets is not only inevitable, it will have a disruptive impact on marketing practice and theory as we know it today" (p. 180). This has led some scholars to suggest that EMMs may possess unique characteristics from operating in planning oriented institutional frameworks, comparatively inactive capital markets and below par legal and regulatory institutions, which requires at the very least, a reassessment of extant international marketing and management theories (Bonaglia et al., 2007; Buckley et al., 2012; Chen and Chen, 2003; Li, 2003; Lin, 2010).

Others (Luo and Tung, 2007; Mathews, 2006) propose the development of completely new theorisations by exploring the distinctive forces influencing how EMMs enter foreign markets. This has led to confusion regarding the theorising of EMMs' international entry mode strategies

and the potential contribution of these studies to international marketing research. Although mode of entry is considered a key international marketing decision (Sheth, 2011; Slangen and Dikova, 2014), there are no comprehensive studies on the theoretical foundations of this literature for EMMs. We address this shortcoming in the literature by examining the theories that have been used to study EMMs' international equity-based entry mode strategies.

In undertaking our review, we focus on the following questions: What theories have been used to study EMMs' international entry mode strategies? And, what specifically have we learned about the entry mode strategies of multinational firms that we were previously unaware of? In so doing the paper will identify some directions for future research for scholars interested in studying the international entry mode strategies of EMMs.

Methodology

Boundaries of the review

Because the concept of emerging economies encompasses a large number of regions and countries, we use the FTSE Global Equity Index, which provides an objective categorisation of emerging markets. Scholars have long argued that the international entry mode strategy, namely the "institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country" (Root, 1987, p.5), is a key part of a firm's international marketing strategy (e.g., Anderson and Coughlan, 1987; Buckley, 2002; Chiao et al., 2010; Slangen and Dikova, 2014). Since most studies agree that EMMs can mainly choose between entry via wholly owned or joint subsidiaries (Jormanainen and Koveshnikov, 2012; Luo and Tung, 2007), this review focuses specifically on studies investigating equity-based entry mode strategies. In line with the scope of the paper, we: (a) excluded studies examining solely non-equity investment into foreign markets such as exporting, licensing and franchising; (b) excluded macro country, industry, or subsidiary level

studies; and (c) included articles on the choice between entry mode strategies, as well as articles examining a single type of equity-based entry mode strategy. While some firms have been EMMs since the 1970s (Lecraw, 1977), their international involvement has become more significant in the 2000s. This review considers studies published between 2000 and June 2015.

Article selection and analysis

Consistent with other reviews on market entry-related decisions (Surdu and Mellahi, 2016), we focused on peer-reviewed academic articles published in key generic management journals, namely Strategic Management Journal (SMJ), Journal of Management Studies (JMS), Academy of Management Journal (AMJ), Organization Science (OS), Organization Studies (OSS), Academy of Management Review (AMR), Management Science (MS), Journal of Management (JM); key international marketing journals, namely International Marketing Review (IMR) and Journal of International Marketing (JIM); and key international business journals, namely Journal of International Business Studies (JIBS), Management International Review (MIR), International Business Review (IBR), Journal of World Business (JWB), and Journal of International Management (JIM). Also, we included two specialist journals, - Asia Pacific Journal of Management (APJM) and International Journal of Emerging Markets (IJoEM) – which have published high impact studies on EMMs (Rugman et al., 2014).

We manually searched for empirical, conceptual and review articles in all issues of the selected journals whose title and or abstract focused specifically on the international equity-based entry mode strategies of EMMs. For each paper that did not depict with accuracy the research scope in its title or abstract, we reviewed carefully the introductory and methodology sections. This resulted in the selection of 73 academic articles (64 empirical and 9 conceptual) which were then examined in detail and coded according to a protocol which included theory(ies) used, article nature (empirical/conceptual), thematic area(s), research methodology (quantitative/qualitative), home/host country(ies) studied, and key findings.

Similar to other reviews (e.g., Canabal and White, 2008; Jormanainen and Koveshnikov, 2012), we examined each article carefully in order to identify thematic areas of main contributions (e.g., choice between international entry modes) and core concepts (e.g., joint ventures, wholly owned subsidiaries). Each author read each of the articles in the sample and coded the main points of the article in regards to the thematic areas and key findings. Then, a consensus was reached amongst the authors concerning the manner in which to organise the articles into distinct groups according to the thematic areas identified. Using thematic areas allowed us to organise the articles better and evaluate the content and scope of articles that constitute the field of EMMs' international entry modes. Also, we were able to conclude whether thematic areas representing business issues that remain unexplained in the literature on developed market multinationals' entry modes (such as the performance of international entry modes, cf. Hennart and Slangen, 2014) are also underrepresented in the EMM literature. Table 1 illustrates the distribution of articles according to the coded thematic areas and patterns of publications. We classified articles according to their contributions in the following areas; (a) motives for specific types of entry mode selection (motives for alliance formation; motives for cross-border mergers and acquisitions (M&As); (b) choices between entry mode strategies (e.g., joint ventures versus wholly owned subsidiaries); (c) timing and sequences of entry mode strategies; and (d) performance outcomes of entry mode strategies (e.g., M&A performance). These categorisations are in line with previous studies reviewing international market entry related decisions of firms (Jormanainen and Koveshnikov, 2012; Surdu and Mellahi, 2016).

Broad themes and publication patterns in mainstream journals

An overview of the publication patterns can better indicate scholarly interest in the topic of EMMs' entry modes in different journals (Table 1). JWB published the highest number of empirical papers (23%, 15 studies), followed by IBR (17%, 11 studies) and APJM (14%, 9 studies). While the literature on EMMs' international equity-based entry mode strategies is receiving attention from international business and marketing scholars, it has yet to engage with the broader management literature (only two papers in generic management journals).

As shown in Table 1, the timing and sequence with which EMMs increase resource commitment into foreign markets have been studied in over 31% of empirical papers (20 studies), particularly in emerging markets specialist journals (APJM; IJoEM) and in international marketing journals (IMR). One explanation for the interest of marketing scholars, in particular, is that EMMs' entry mode timing strategies have been linked with the ability of firms to achieve first mover advantages and develop successful global brands (Lin, 2010). Other contributions are made in the area of choice between mode strategies (30%, 19 studies), most of which focus on the reasons for choosing between fully owned independent entry modes and equity alliances. The remaining empirical studies focus on motives for EMMs' M&A strategies (13 studies), motives for international alliance formations (6 studies) and the performance outcomes of EMMs' entry mode strategies (11 studies). Empirical studies represent 88% (64 studies) of articles, whilst only nine studies are conceptual, indicating a general approach of borrowing theories traditionally applied to developed market multinationals (DMMs), rather than developing novel theorisations for EMMs.

- Insert Table 1 -

Methodological approaches, home, and host countries studied

In terms of methodological approaches, consistent with other reviews on EMMs (Kiss et al., 2012), our analysis reveals a propensity towards quantitative methodologies (73%, 47 studies)

(Table 2)[1]. Almost half of empirical studies (31 studies) use secondary data sources such as government databases, census data, and organizational financial and administrative data, probably due to the low response rates that characterise primary data collection in business research in emerging markets (Mellahi and Harris, 2016). Only 14 studies used mail surveys and administered questionnaires. Qualitative research relies on interview-based case studies (16 studies). Interviewees are generally managers/CEOs of EMMs originating from a single country (mainly China) and entering multiple developed and emerging markets.

Interestingly the analysis revealed a growing number of qualitative studies (82% of the qualitative studies were published since 2010), particularly in marketing and specialist journals such as IMR (four out of five studies are qualitative) and APJM (five out of nine studies). In contrast, several IB journals (IBR, MIR, JIBS) have published no qualitative research on the entry mode strategies of EMMs. Furthermore, only eight out of the 64 empirical studies combined individual and firm level analysis, perhaps due to the emphasis on how home institutions compensate for EMMs' lack of management capabilities compared to DMMs (Du and Boateng, 2015). However, recent findings suggest that in transitional environments – a hallmark of emerging markets-, diverse management teams are desirable given their openness to change and readiness to make rapid decisions (Hambrick et al., 2015).

Our analysis highlights several methodological limitations. Whilst methods such as content analysis and narratives are gaining attention (14 studies published since 2010), studies based on perceptual surveys and secondary data sources still dominate the literature on EMMs' entry mode strategies. The overreliance on secondary data sources is particularly problematic given the concerns over the reliability of secondary data in emerging economies. In addition, despite calls for triangulation in management and marketing research (Yang et al., 2006), only one study combined qualitative fieldwork with a survey-based quantitative method. Additionally, to date, no study has used multiple informants although marketing scholars have

[1] We thank an anonymous reviewer for this suggestion.

long suggested that the use of multiple informants improves the data validity and highlights the quality of inter-relationships (Van Bruggen et al., 2002). Given the small number of studies comparing entry mode strategies of EMMs from different emerging markets or EMMs and DMMs (only eight studies), scholarly concern about the dissimilarities between developed versus emerging market multinationals is also not adequately reflected in the extant literature (for exceptions, see Hitt et al., 2000; 2004). Since most studies used purposeful sampling techniques, this makes it difficult to compare and discuss findings across studies. Moreover, as shown in Table 2, only three of the qualitative studies adopted a longitudinal research design, making it difficult to distinguish between short-term occurrences, such as EMMs investing heavily abroad, and long-term performance outcomes such as developing mode strategies post initial market entry that lead to building successful brands and recognised by consumers in developed economies.

- Insert Table 2 -

Home and host countries studied

Most studies focused on the international entry mode strategies of multinationals from emerging Asian countries (75%, 48 studies) (Table 3). Over 69% of empirical studies (44 studies) are limited to one-country samples, particularly China. Strong support from the home government translated into Chinese multinationals experiencing high growth in outward foreign direct investment (FDI) which, in turn, has attracted significant academic attention. Also, Chinese scholars are more active in investigating the internationalisation of multinationals from their countries (Jormanainen and Koveshnikov, 2012).

We identified some patterns in the selection of home and host countries studied (Table 3). Nearly 40% of the studies argue for the importance of the home institutional environment for the strategic intents of Chinese firms to enter developed and or emerging markets generally via M&As (Deng, 2009). Similarly, 12 studies examined Taiwanese multinationals' choices of

joint ventures over wholly owned subsidiaries into other emerging markets, notably China, where institutional and social ties play both a direct and mediating role (Cho et al., 2014). Research focusing specifically on Indian multinationals (six out of eight studies) looks at how firm-level variables, such as knowledge and business group embeddedness, enable entry into both developed and emerging markets mostly via M&As (Popli and Sinha, 2014). Surprisingly perhaps, whilst Chinese multinationals engage increasingly with countries such as South Africa (UNCTAD, 2014), no studies specifically examine this. We also did not find studies on the entry mode strategies of multinationals originating from Africa or the Eastern European region, although these regions also nurture global players (Mellahi and Mol, 2015); and only four studies focused on so-called Multilatinas. The absence of studies may speak to the high costs of data collection and lack of data availability in these regions. Interestingly studies of EMMs tend to use well-established constructs and measures originally designed for the study of DMMs. Several scholars argued that borrowing the typical methodologies and constructs that have been used to study DMMs may not be useful in emerging market environments since marketing is a "contextual discipline" (Kiss et al., 2012; Sheth, 2011).

- Insert Table 3 -

Theoretical foundations of EMMs' international entry mode strategies

The analysis of the literature reveals that scholars draw on several theoretical perspectives to study EMMs' international entry mode strategies, which can be classified into two main groups. The first group represents *'traditional'* theoretical perspectives, which include internalisation/transaction cost theory (TCE), the eclectic/OLI paradigm and the Uppsala stage theory of internationalisation. Traditional perspectives were introduced to international entry mode research around the late 1970s, primarily to investigate the entry mode strategies of DMMs and, as discussed later, continue to be used to study the entry strategies of EMMs. The second group are relatively *'newer'* perspectives that were introduced to the entry mode

literature starting with the 1990s, such as the resource-based view (RBV), organisational learning theory, institutional theory, network theory, agency theory, the springboard perspective (Luo and Tung, 2007) and the LLL - linkage, leverage and learning – framework (Mathews, 2006). Particularly, the latter two theories support the need for novel theorising for EMMs. Table 4 illustrates the total number of studies drawing on each of the aforementioned theories/perspectives. Whilst most studies use a single theoretical lens (55%, 40 studies), the other 38% adopt multi-theoretical approaches (28 studies)[2].

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Application of traditional theoretical perspectives: TCE/internalisation theory and OLI

Foundational studies on foreign market entry shared the perspective that firm resources should be exploited in the host country for direct investment to occur (Buckley and Casson, 1976). Following this logic, EMMs are less likely to possess, and thus internalise, the resources of older and larger, generally Western DMMs, in which case EMMs would internationalise generally through lower resource commitment modes such as exports. TCE/internalisation theory and OLI/eclectic paradigm have been used either independently or concurrently in a third of studies (36%, 26 studies) primarily to investigate why EMMs enter via high resource commitment modes, mainly through M&As, without possessing superior resources that would allow them to compete successfully in the focal market (Buckley et al., 2012; Pan et al., 2014). Notably, Li (2003) argued that EMMs' ownership advantages may be developed post-market entry because "it is ownership disadvantage that is the pre-condition for firms as latecomers to engage in FDI, thus becoming MNEs. [Thus], the OLI Model has to be modified not to require the existence of ownership advantages as the pre-condition for FDI and MNEs" (p. 233).

Several studies suggested that EMMs with different levels of political connections at home attribute different levels of transaction costs to international investments. Pan et al. (2014)

[2] The remaining five studies have no clear theoretical basis.

investigated the effect of government ownership and legislative connections on Chinese multinationals' entry mode strategies and found that state-owned firms and firms whose directors were involved in public policy formation downplayed the transaction costs associated with internationalisation and chose higher ownership stakes in foreign markets. Whereas EMMs may be deficient in resources such as technological competencies, ownership advantages exist at the network level and not just the firm level (Buckley et al., 2012; Cho et al., 2014). Cho et al. (2014) found that Taiwanese multinationals in China may discount the social costs of breaking pre-established, home-host country network relationships, by opting for shared ownership even when, from a TCE perspective, a wholly owned entry is possible.

Based on the review analysis, 10 studies combine TCE and OLI with RBV and or organisational learning theory (e.g., Chen and Chen, 2003; Chiao et al., 2010; Nicholson and Salaber, 2013). Even when firms possess some advantages that can be exploited effectively in the host market, they may still require resources from the host environment, to learn and tailor their marketing strategy to local markets. Resource seeking behaviour of Indian and Chinese MNEs in developed markets - linked to factors such as target status and deal size - was more strongly associated with higher M&A performance than transaction costs considerations (Nicholson and Salaber, 2013). Chen and Chen (2003) surveyed Taiwanese managers to measure the perceived degree of resource complementarity/resource dependency between partners in different parts of the value chain and reported that Taiwanese internationalisers that were too small to create economic rent via equity ventures focused on improving efficiency via resource alignment through non-equity alliances. Li (2010) also found that international alliances tend to lead to bilateral learning both in terms of co-exploitation of extant knowledge (TCE) and co-exploration of new knowledge resources (organisational learning).

Application of the Uppsala stage theory of internationalisation

The main tenets of the Uppsala stages theory are well known: firms develop their international activities over time, by expanding initially into psychically close markets and only after acquiring experiential knowledge, they would enter distant host markets via higher commitment entry strategies (Johanson and Vahlne, 1977). Similar with the broader entry mode research agenda, a key question in the analysed literature (14%, 10 studies) is whether EMMs follow the path dependent logic proposed by conventional applications of the Uppsala theory. Some concluded that, since pioneering is probably not an option for most of these firms, EMMs follow a gradual expansion process as they learn about foreign markets and benefit from being fast market followers versus late entrants (Da Rocha et al., 2012).

Others found that EMMs do not follow the establishment chain, thus investing heavily overseas at an earlier growth stage compared to DMMs (Bonaglia et al., 2007; Li, 2003; Mathews, 2002). Here, an EMM's home country environment is considered an important source of knowledge, in that the higher the level of home market sophistication of domestic consumers, the more EMMs are expected to have marketing experience, thus making riskier investments abroad. Similar to studies on DMMs (Johanson and Vahlne, 2009), scholars found that efforts made in building political and social network ties reward EMMs with access to valuable resources such as financial capital, and host market knowledge and thus propelling them to internationalise at a faster pace (Bangara et al., 2012; Zhao and Hsu, 2007). Consequently, the knowledge that is location based is tied with host market responsiveness since EMMs are expected to choose entry mode strategies that are most likely to enable them to develop effective marketing strategies and compete on the basis of their network resources and brands and not just their manufacturing and logistics capabilities (Bangara et al., 2012).

Scholars apply the Uppsala theory in the same manner in which it has been used to study the entry mode strategies of DMMs, often by combining it with network theory (three studies) in that the need for prior knowledge and experience is reduced when EMMs benefit from (institutional) network relationships. There is the implicit assumption in the entry mode

literature that the context and research setting from which the theory derived has no bearing on how it should be employed. Perhaps EMMs implementing low-cost and differentiation strategies simultaneously should be expected to rely more on network relationships to obtain control over necessary resources and capabilities. Instead, EMMs that have been exposed to a highly sophisticated home market environment may be more responsive to innovation and changes in consumer expectations and as a result, perhaps less likely to use their networks.

'Newer' theories: Application of RBV and organisational learning theory

The main tenet of studies drawing on RBV and organisational learning theory (25%; 18 studies) is that the tacit nature of resources that EMMs seek, such as knowledge, experience and managerial know-how, are not easily acquired through market transactions. EMMs tend to favour equity-based rather than non-equity entry mode strategies to overcome home market disadvantages via asset enhancement (Kedia et al., 2012) or asset acquisition (Hitt et al., 2000).

From an RBV or organisational learning perspective, entry modes are conceptualised as a means to acquire critical resources to help EMMs reposition themselves in the global value chain (Bianchi, 2009; Hitt et al., 2000; Kedia et al., 2012). When the investing EMM pursues global strategies by standardising its global marketing strategy rather than tailoring it to local circumstances, wholly owned subsidiaries are found to be superior to joint ventures because they provide more control and better coordination between headquarters, foreign subsidiaries and business networks (Cui and Jiang, 2009; Kedia et al., 2012). In turn, international collaborations are preferred in high growth competitive industries where firms seek to establish first mover advantages by learning about the local market via a partner (Cui and Jiang, 2009; Li, 2010). Scholars using case study research uncovered that EMMs learn from inward internationalisation whilst also making creative use of their already existing capabilities to catch up with competitors (Bianchi, 2009; Bonaglia et al., 2007). This said, with their exclusive

focus on choosing the entry mode strategies that reflect resource needs, these studies do not differ from the literature that examines DMMs' entry mode strategies.

Only five studies combine resource-based approaches such as RBV and organisational learning with institutional theory to reflect how EMMs' strategic intents, resources, and subsequent entry mode strategies may be contingent on the rules set by home governments. This line of inquiry highlights two key themes. First, since the major Chinese MNEs are primarily state-owned or state-controlled enterprises, they are motivated to acquire technological and managerial resources and transfer them back to the domestic market where they can differentiate their products to overcome competition from DMMs (Yang et al., 2009; Wei et al., 2014). Second, whilst DMMs tend to adopt more focused strategies abroad, some EMMs, especially those belonging to business groups, tend to diversify into multiple products and markets (Gaur et al., 2014; Popli and Sinha, 2014). Business group affiliation has the potential to fill the voids created by lack of formal institutions, by providing firms with knowledge, financial capital, product markets and reputational benefits to make better use of marketing know-how and serve more specialised, niche segments (Gaur et al., 2014).

Application of institutional theory

The institution-based perspective is the second most popular line of theorising of EMMs' international entry mode strategies (27%, 20 studies). This reflects the important role of the institutional context in emerging economies (Bianchi, 2009; Rugman et al., 2014; Hoskisson et al., 2000). Three studies revisited TCE rationales and explicitly propose that the exploitation of firm advantages may be contingent on home and or host institutional pressures, leading to the combination of transaction cost- and institution-based rationales (Chiao et al., 2010; Demirbag et al., 2009; Li, 2003). Interestingly, studies combining traditional TCE and related theories with the institution-based view focus on the complementarity between theories, as opposed to comparing and contrasting these different theoretical perspectives.

In contrast to the literature on DMMs, where the focus in on the characteristics and idiosyncrasies of host market locations, EMMs' entry mode literature focuses predominantly on the home country. This is perhaps because home country institutions are more interesting for scholars (Rugman et al., 2014). Extant research drawing on institutional theory shows that ties with the local government in China motivate firms to engage in large FDI investments via favourable policies, access to market information and financial resources (Hitt et al., 2004; Lin, 2010). Furthermore, institutional theory proponents advocate that over time organisations sharing the same environments become isomorphic with one another; isomorphic behaviour is studied in terms of product relatedness, host location and ownership decisions (Deng, 2009; Yang et al., 2009). Chinese multinationals' cross-border M&A deals are considered a unique characteristic of their home institutional environment (Deng, 2009). Institutional voids at home make it difficult for EMMs to build global brands (Popli and Sinha, 2014), and thus, these firms use cross-border M&As to access technological and financial capital as well as distribution channels (Deng, 2009; Du and Boateng, 2015). Interestingly, past internationalisation experience is expected to reduce isomorphic behaviour amongst EMMs (Yang et al., 2009). In turn, environmental uncertainty, particularly home market intervention, is expected to increase isomorphic behaviour and lower the likelihood of firms displaying heterogeneous responses to institutional pressures, thus leading to EMMs opting for the entry mode strategies that carry most gains to their home institutions (Meyer et al., 2014; Rugman et al., 2014).

A less commonly explored idea is regarding the interplay between home and host country institutions (Li et al., 2014; Meyer et al., 2014). It is argued that host market investors may show concerns regarding the marketing and financial transparency of EMMs, particularly when home governments intervene in their international marketing efforts (see Rugman et al., 2014). This is a potential area of contribution since EMMs with fewer obligations to serve home government prerogatives may display greater levels of managerial autonomy and vice versa. Host government political backlash and suspicion over the true motives behind government-

linked EMMs' foreign investment strategies have been associated with the high number of M&A deals that were announced but never completed (Globerman and Shapiro, 2009).

Luo and Tung's (2007) springboard perspective and Mathews' (2002/2006) LLL framework

Amongst 'newer' perspectives we also have Luo and Tung's (2007) springboard theory and Mathews's (2002) LLL (linkage, leverage and learning) framework which were developed specifically to examine the international activities of EMMs. Yet, despite their popularity in EMMs research, only five studies drew on them to examine EMMs' entry mode strategies.

Luo and Tung (2007) advocate a 'springboard' perspective, implying that EMMs use foreign expansion as a springboard recursively to acquire critical assets that help them overcome home institutional disadvantages. Popli and Sinha (2014) attested the springboard perspective, noting that Indian EMMs with more experience and business group embeddedness engaged in pre-emptive international M&As following a clustering of industry level acquisitions. The springboard view also suggests that, despite the similarities in motivations to become legitimate (in line with institutional theory), EMMs' responses and likelihood to be early movers are a function of firm-level attributes, such as large domestic market presence and prior international experience (Ge and Ding, 2008; Popli and Sinha, 2014). However, the springboard perspective does not elucidate the post-springboard or post entry difficulties EMMs may encounter. This may be the reason why, despite its popularity, this theory has not been used significantly in international business and marketing research.

Similarly, in his LLL (linkage, leverage and learning) framework, Mathews (2002/2006) proposes that the timing of international entry modes involves a process in which EMMs link with DMMs by offering complementary services that were not advantageous to internalise whilst leveraging unique capabilities such as rapid product imitation. Inherent in these assumptions is that resource exploitation and augmentation may be inter-related (Dunning and Lundan, 2008). Over time, EMMs may learn how to compete with DMMs in areas such as

innovation and new product development. Based on interviews with Chinese managers, Ge and Ding (2008) found that the LLL framework provides a better explanation for the catch-up strategies of manufacturing EMMs, which start their international expansion by leveraging linkages with DMMs to lower their production costs and achieve cost leadership, and over time may switch focus towards innovation or marketing capabilities as sources of competitive advantage. It is yet to be concluded whether differences between LLL and theories such as OLI are important or simply a matter of emphasis. These aspects, particularly knowledge transfer and learning are difficult to study and the prevalence of case study research is low. Thus, more longitudinal research is needed to understand how EMMs experience these 'leveraging' and dynamic 'learning' processes and what these processes are contingent on.

Discussion and directions for future research

Despite the great interest regarding how EMMs' international entry mode strategies may challenge and perhaps even change existing theories (Deng, 2009; Luo and Tung, 2007; Sheth, 2011), this review suggests that, when it comes to studying international market entry mode strategies, the EMM literature is no different from the more established literature on DMMs. In particular, traditional theories, such as TCE, are drawn on significantly and although their predictive abilities are questioned in emerging market contexts, scholars tend to overlook the limitations of the theory. At present, with the few exceptions discussed below, the conclusions drawn from studies of EMMs' international entry mode strategies are not exclusive for EMMs.

A growing number of EMM studies used institutional theory as their primary lens, generally by looking at the effects of home institutions on EMMs' international entry mode strategies (Deng, 2009; Meyer et al., 2014). These studies contribute to a change in emphasis from the firm-specific variables that influence entry mode strategies, which are often studied through a TCE or RBV lens, toward the effects of home institutional factors. If this literature is to contribute further to entry mode research, it can do so by understanding the long-term

impact of institutions on the exploitation and attainment of firm resources and subsequently, on entry mode strategies. Whereas studies on the international entry mode strategies of EMMs may contribute to the extant literature by bringing in new home market contexts, based on the analysis of the literature, we found that these studies do not change and do not even challenge existing theories significantly. Furthermore, whilst Luo and Tung's (2007) seminal paper introducing the springboard perspective is highly cited[3], the proposed theory has not been used significantly in EMM international entry mode research. Perhaps, similar to the LLL framework, scholars could not see how the theory differentiates its assumptions from what has already gained legitimacy in the broader entry mode literature (Demirbag et al., 2009; Ge and Ding, 2008). These works have merely made tweaks at the edge of theories with no significant changes to the theorisation of EMMs' international equity-based entry mode strategies.

Given the significant gap in the literature on EMMs' international entry modes, we put forward an agenda for future research. The need to understand the performance implications of international entry mode strategies and the resource differences between MNEs from countries with different levels of institutional development has attracted academic attention vis-à-vis EMMs, although some of these questions are yet to be addressed empirically. Also, we identified several areas of research that have been more recently stated in the management and marketing literatures, but have not been raised in studies on EMMs' entry modes, despite their importance. Hence, we frame our research directions based on (1) questions scholars have already asked but have not been addressed; and (2) questions that have not been asked before but, we argue, have potential for future research on EMMs' international entry mode strategies.

(1) Directions for future research: Questions asked but not addressed

Question #1: Does one size fit all EMMs?

[3] As of April 2016, Luo and Tung (2007)'s paper had 1,194 citations, averaging over 132 citations per year.

Assumptions that the international entry mode strategies of EMMs, such as entry modes, require new theorisations deserve further explanation. A good starting point for future research is to determine which institutions matter since current multinationals in many non-emerging markets were once part of emerging markets. Many of them became multinationals at a time when their domestic markets were also emerging[4]. Despite similarities and synchronisations in how the economies of emerging markets have opened up to foreign investments, not all EMMs' foreign investment strategies and trajectories are the same (Chittoor et al., 2008; Hoskisson et al., 2000). Due to the paucity of comparative studies concerning the entry mode strategies of EMMs from different markets, we still do not know the extent to which their motivations differ. We propose that firms' responses to home institutional transitions may differ amongst EMMs from different countries, which in turn, provides opportunities to expand the current use of institutional theory which has to date focused on single country research. Chittoor et al. (2008) found that lack of significant inward direct investment in India appears to have motivated domestic firms to develop unique capabilities, that were not available to outsiders and that helped them overcome home market competition (see also Buckley et al., 2012). In Central and Eastern European countries, which experienced rapid transitions to market-based economies, international entry mode decisions were associated with resources and skills brought in by foreign investors. In contrast, China's transition to a market-based economy was evolutionary, with governments intervening significantly in firms' foreign strategies (Hitt et al., 2004). Although emerging economies share several common features, they are institutionally heterogeneous and therefore one size may not fit all EMMs. Scholars should be careful not to generalize findings from single countries across institutionally different emerging economies.

Question #2: What resources do firms need to enter developed versus emerging markets?

[4] We thank an anonymous reviewer for this suggestion.

In the last decade, EMMs have been expanding into both emerging and developed markets (UNCTAD, 2014). Our analysis shows that the main theories that have been used to study entry mode strategies in different locations are TCE (Pan et al., 2014) and institutional theory (Deng, 2009), which on their own do little to explain what resources EMMs, in fact, need in order to enter emerging as opposed to developed markets. An interesting question here is: Can institutional ties replace the need for other firm level resources? By introducing RBV and learning rationales to extant theorisations, scholars could contribute to the limited literature on the characteristics of firms that can leverage their resources beyond initial market entry and whether investment location matters. Furthermore, if EMMs rely on home network based resources, will these facilitate or constrain their progress in different (developed versus emerging) host markets? We know little about what network relationships are most valuable and whether network resources, such as founders' social capital, are more beneficial when entering developed host markets, than for instance, home government ties. Thus far, networks have been studied in a static manner, generally by testing the effect of factors such as the number of executive social ties (Zhao and Hsu, 2007) or linkages with various domestic government and financial institutions (Bianchi, 2009), whilst the effects of the different networks may not be independent of each other. A better understanding of network dynamics may help researchers understand whether and how firms adapt their entry mode strategies to reinstate their role in their networks in response to changing environmental conditions.

Question #3: What meets the promise of EMMs' performance in the long term?

What drives initial entry may not meet the promise of performance later on. Our discussion earlier on the different roles that home governments play in EMMs' international expansion, inevitably leads to the following question: are EMMs' international entry mode strategies dictated by commercial logic or are they acting on behalf of their governments? Furthermore, if emerging home institutions provide superior advantages to emerging market firms, what

differentiates successful EMMs from the less successful ones? Thus far, the literature emphasises that EMMs commence their internationalisation path in a strong financial position due to home institutional support and less so as a result of their management capabilities. Aybar and Ficici (2009) found that on average international M&As do not create value for EMMs and more often point to value destruction, thus questioning the value of resources such as firm experience or the effect of corporate governance systems on EMMs' performance. Since EMMs cannot build resources overnight and one M&A deal is unlikely to solve their resource problem in the long term, we ask: If institutional ties facilitate high commitment market entries for EMMs, do they also have a positive effect on long-term performance? Also unexplored is the value gained from M&As by host market counterparts. Buckley et al. (2014) found that only some types of resources increase the value of target firms, such as experience with M&As and with operating in developed markets. Du and Boateng (2015) add that governments tend to shape the strategies of firms according to the industries in which prominent home institutions have a stake. Thus, EMMs from countries such as China, where sufficient value is not placed on intellectual property laws, may in time erode the competitive advantages of target firms.

(2) Directions for future research: Important questions that have not been asked

Question #4: How is the performance *of EMMs' entry modes* measured?

An important issue emerging from our analysis is how performance is in fact measured. Over half of the studies that examine the performance of EMMs' entry mode strategies draw on TCE rationales and use short term proxies such as stock market reaction (Aybar and Ficici, 2009; Nicholson and Salaber, 2013). However, even when home country advantages do exist, this should not necessarily mean that firms can also access them successfully in order to enter via high resource commitment entry modes. Although a significant number of M&A deals are abandoned (Globerman and Shapiro, 2009), no studies in our database examine M&A deals that have not been completed. Furthermore, we believe that TCE rationales cannot explain

whether the firm will succeed in the host market and integrate its operations effectively, particularly in the case of M&As. Indeed, studies drawing on RBV rationales have emphasised that, when acquisitions are made in developed markets, which are characterized by better quality resources and institutions, firms benefit more, especially in terms of post-acquisition management such as acquiring critical knowledge (Nair et al., 2015). Because the acquisition of superior resources such as knowledge is cited as the key motive for cross-border M&A strategies, an alternative performance measure for EMMs' international entry mode strategies is the degree of reverse knowledge transfer, namely how resources acquired abroad are returned successfully to their respective home markets to be exploited as a source of competitive advantage. EMMs may bear short-term financial losses in favour of long-term gains in the form of access to superior resources and new markets, and, at present, we do not have a relevant measure for the outcomes of EMMs' international entry mode strategies.

Question #5: What about the micro-foundations of EMM*s'* international entry mode research?

It may also prove useful for future research to consider whether the international entry mode decisions and performance of private sector EMMs may be more linked to managerial characteristics and abilities than institutional factors (Bianchi, 2009; Bonaglia et al., 2007). Scholars could examine the role of decision makers in shaping EMMs' entry mode strategies, thereby assisting them to derive value from their entry mode decisions. In emerging markets, where the "rules of the game" are highly informal, a contribution could be made by investigating not only the role of formal institutional actors (i.e. governments) but also the micro-foundations of marketing research because individuals and their interactions may matter significantly to how EMMs create and capture value internationally. Therefore, we conclude that key questions about the international entry modes strategies of EMMs are yet to be answered, which in turn provides opportunities for researchers interested in this topic.

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Table 1: Distribution of empirical articles per journal and thematic areas

Journals	Empirical studies[a]	Motives for specific entry mode selection		Choices between entry mode strategies	Timing and sequences of entry mode strategies	Performance outcomes of entry mode strategies
		International alliance formation	Cross-border M&As			
		(6)	(13)	(19)	(20)	(11)
JWB	(15)	1	4	5	3	2
IBR	(11)	-	3	4	2	3
APJM	(9)	-	1	1	4	3
IMR	(5)	-	-	2	4	-
MIR	(6)	2	1	2	1	-
JIBS	(6)	-	2	4	-	2
JIM	(5)	-	2	1	2	-
IJoEM	(4)	-	-	-	4	-
JoIM	(1)	1	-	-	-	1
AMJ	(1)	1	-	-	-	-
OS	(1)	1	-	-	-	-

[a] We identified 64 empirical studies. The 5 studies (2 in JIBS, 1 in IBR, 1 in IMR, and 1 in JoIM) that discussed more than one topic were coded into multiple thematic areas simultaneously.

Table 2: Distribution of empirical articles per methodologies

Methodologies		**Data source**	**No. of studies**
Quantitative studies		Secondary sources - pre-established databases	30
		Primary data: mail surveys	14
		Primary data: interviews	2
		Mixed methods	1
Of which	Comparative studies (DMMs versus EMMs)		3
	Comparative studies (EMMs versus other EMMs)		2
Qualitative studies		Secondary sources - pre-established databases	1
		Primary data: interviews	16
Of which	Longitudinal studies		3
	Comparative studies (DMMs versus EMMs)		1
	Comparative studies (EMMs versus other EMMs)		2

Table 3: Distribution of empirical articles per home and host countries studied

	Host countries studied	India	Asia	Latin America	Europe, Japan, North America	Multiple EMMs and DMMs	Germany	China	UK; US	Slovakia	Italy	Southeast Asia, China
Home countries studied												
China						(16 studies)	(2 studies)		(1 study)			
China, India						(2 studies)						
China, Japan						(1 study)						
China, Mexico, Turkey						(1 study)						
China, Russia						(1 study)						
India						(8 studies)						
Taiwan						(5 studies)		(4 studies)				(1 study)
Taiwan, Malaysia						(1 study)						
Taiwan, Singapore						(1 study)						
BRIC, Indonesia, Mexico, Thailand, Turkey						(1 study)						
Korea						(1 study)						
Latin America						(1 study)						
Mexico, Poland, Romania, Canada, France, US						(1 study)						
Egypt						(1 study)						
Multiple EMMs						(2 studies)						
Chile				(1 study)		(1 study)						
Turkey			(1 study)			(1 study)						
Multiple EMMs and DMMs		(1 study)								(1 study)	(1 study)	
Brazil						(1 study)						
BRIC					(2 studies)	(1 study)						
ASEAN								(1 study)				
US, Japan, Korea								(1 study)				

Table 4: Distribution of articles per theoretical perspectives

Theories	(1) TCE/internalisation theory	(2) OLI/Eclectic paradigm	(3) Uppsala stage theory	(4) RBV	(5) Organisational learning theory	(6) Institutional theory	(7) Network theory	(8) Springboard perspective	(9) LLL framework	(10) Agency theory
(1) TCE/internalisation theory	[total=16]									
(2) OLI/Eclectic paradigm	2	[total=12]								
(3) Uppsala stage theory	1	2	[total=10]							
(4) RBV	4	2	1	[total=13]						
(5) Organisational learning theory	2	2	1	3	[total=8]					
(6) Institutional theory	2	2	-	3	2	[total=20]				
(7) Network theory*	-	2	3	-	-	-	[total=5]			
(8) Springboard perspective	-	-	-	-	-	-	-	[total=5]		
(9) LLL framework	-	-	-	-	-	-	-	3	[total=3]	
(10) Agency theory*	1	1	-	-	-	-	-	-	-	[total=2]

Note: Total number of studies (see in bold) is cumulative (includes single and multi-theoretical studies). Some multi-theoretical studies have multiple entrances as they combine more than two theories.
*We do not discuss network and agency theories separately because they have been used primarily to complement traditional theories, e.g., TCE, Uppsala theory of internationalisation.