Emerging multinational corporations: Theoretical and conceptual framework

Mustafa Sakr and Andre Jordaan

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Mustafa Sakr*Andre Jordaan[†]

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Abstract

Given the looming significance of emerging multinational corporations, this article outlines the primary theoretical aspects pertaining to this growing phenomenon. The following four main aspects are covered: The concept of emerging multinational corporations, theories explaining their evolution, market penetration modes, and finally the types of such firms. Based on the motive of multinationality, it is proposed to classify the different theories into three groups, namely: Firm advantages (asset exploiting), host country advantages (asset seeking), and both firm and host country advantages. This article distinguishes between 10 different types of emerging multinational corporations, based on the timing and the motives for initiating the multinationality process, the relation between the headquarters and affiliates, and the geographical dispersion of foreign activities. Entry modes adopted by emerging multinational corporations vary significantly according to ownership, the nature of overseas' operations, the control of parent firms over these activities, and the extent of externalising and internalising.

Key words: emerging multinational corporations, foreign market entry modes, theories of emerging multinational corporations, and types of emerging multinational corporations

JEL codes: P45 – F21

1   INTRODUCTION

The United Nations Conference for Trade and Development (UNCTAD) statistics clearly reveal that the influence of emerging markets (EMs) over the world outward foreign direct investment (OFDI) landscape has steadily expanded from 1990 to 2012. For instance, OFDI flow generated by such group of countries has escalated by approximately 15 fold as fast as the world outward foreign direct

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*University of Pretoria, Department of Economics, Pretoria, South Africa, Corresponding Author, Email: Mustafa.sakr83@gmail.com

†University of Pretoria, Department of Economics, Pretoria, South Africa, Email: Andre.Jordaan@up.ac.za

investment. For this reason, this article provides insight into the theoretical and conceptual framework of emerging multinational corporations (EMNCs). It is organised into four sections. The first section describes the concept of EMNCs. The theories explaining EMNC evolution are discussed in the second section, while he remaining sections consider the types of EMNCs and the entry modes adopted by them to go multinational.

2   THE CONCEPT OF EMERGING MULTI-NATIONAL CORPORATIONS

The distinctive features of the concept of emerging multinational corporations can be elaborated on by dividing this term into its two constituent parts, namely "emerging markets" (describing where EMNCs are based) and "multinational corporations" (addressing which firms are listed under the title EMNCs).

2.1   Emerging markets

The term emerging markets (EMs) was first introduced by the International Finance Corporation (IFC) in 1981 to describe new developing stock markets (Aybar & Thirunavukkarasu, 2005). This term has since been widely used by different researchers and international organisations. According to the literature review (Arnold & Quelch, 1998; Aybar & Thirunavukkarasu, 2005; Constanza, 2009; Hoskisson, Eden, Lau & Wright, 2000; Cortesi & Plantoni, 2011; Sandberg, 2012), it emerges that three variables are commonly used to identify emerging markets. These variables are: population standard of living [often measured as the average gross domestic product (GDP) per capita, the pace of economic growth (frequently measured as the GDP growth rate) and finally economic policies adopted by the government to maintain economic growth and improve the living conditions of its citizens. According to the World Bank (WB) classification, emerging countries often belong to the lower or upper-middle income categories, experience a higher growth rate than that achieved by industrial economies, and are more oriented towards applying a wide spectrum of economic policies favouring freemarket mechanisms.

Furthermore, according to Constanza (2012), emerging markets are characterised by institutional instability and lower levels of economic development compared to industrialised economies. Sandberg (2012) suggests that the category of emerging markets should include growing economies facing structural transformation from a centrally controlled economy, or from what she describes as the "pre-market stage", to the stage of matured industrialised economies, through adopting integrated and coherent reforms of companies, markets, and society. Despite the relative convergence among different studies in defining the concept of EMs, remarkably varied lists of emerging markets have been adopted by the different international organisations reviewed by this article. These are Bloomberg, the Financial Times (FT), the Institute of International Finance (IIF), the International Monetary Fund (IMF), the Organisation for

Economic Cooperation and Development (OECD), Standard and Poor's (S&P), the United Nations Conference for Trade and Development (UNCTAD) and the World Bank (WB), as reflected in Table 1.1.

General observation from Table 1.1 indicates that the number of emerging countries, listed by aforementioned organisations, ranges from 10 to 62 countries. Unlike other international organisations, UNCTAD (2012) supports a narrow definition of emerging markets. Its list encompasses only 10 countries belonging to Asia and Latin America. It therefore excludes many countries such as China, India and Russia, commonly listed by other organisations, as being emerging countries. Also, it does not include the Middle Eastern and emerging African countries, such as South Africa and Egypt.

The United Nations Conference for Trade and Development statistics are proven to be the primary data source used by various studies concerned with capturing emerging multinational corporations activities (Goldstein & Pusterla, 2008; Sauvant, Maschek & McAllister, 2009; Cortesi & Plantoni, 2011; Kudina & Pitelis, 2014). However, owing to its aforesaid limitations, these researchers are unlikely to adopt the UNCTAD EM list. Instead, they often promote extended EM lists, compared to the 20 adopted by UNCTAD, to become more inclusive and representative of all continents, as reflected in Table 1.2. It is also noted that amongst the 62 countries classified as emerging by the eight international organisations, only 20 countries are common among the majority of EM lists (i.e. mentioned by at least five out of the eight organisations). These countries are: Argentina, Brazil, the Czech Republic, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Russia, South Africa, Thailand and Turkey.

After determining the salient characteristics of emerging markets, this article proceeds to discuss in detail the second constituent part of the term "emerging multinational corporations" addressing the question which firms should be considered to be multinational corporations (MNCs).

2.2 Multinational corporations

According to Spero & Hart (2010), multinational corporations are business enterprises that maintain overseas direct investments in order to control or possess value-added assets in more than one country. Consequently, the enterprise that operates outside its national economy only as a contractor to foreign firms is not counted as a multinational corporation. Many other researchers (Markusen, 1995; Caves, 2007; Dunning & Lundan, 2008; Buckley & Casson, 2009) adopt a similar perspective and define MNCs as firms that acquire a substantial controlling power in establishments located in at least two countries, through outward foreign direct investment.

In the same vein, most international organisations, *inter alia*, UNCTAD, IMF and OECD, define MNCs based on a sole criterion; the ratio of foreign to total assets. The threshold is usually determined to be more than or equal to 10 percent. UNCTAD (2009) perceives an MNC as an incorporated or unincorporated company that consists of a parent enterprise (which possesses not

less than 10 percent of assets or voting power of a company existing outside its national economy) and foreign affiliates (not less than 10 percent of assets or voting power of these affiliates is owned by a company that exists abroad). To be considered an MNC, equity modes have to be the sole entry modes for initiating the global orientation of a firm. Thus, firms using non-equity modes (such as exports) in the beginning of their going multinational process are not viewed as MNCs.

Similarly, the IMF (2008) and the OECD (2008) define an MNC or direct investment enterprise as an incorporated or unincorporated enterprise in which a direct investor, who is a resident in another country, owns 10 percent or more of the ordinary shares or the voting power. The affiliate may be a subsidiary (when a foreign investor owns more than 50 percent), an associate (when a non-resident investor owns equal to or less than 50 percent), or a branch (a wholly or jointly owned unincorporated enterprise). From another perspective, it is important to raise the remark of Markusen (1995) pertaining to the similarity between multinational corporations and outward foreign direct investment, to the extent that both terms have often been used interchangeably to refer to the same phenomenon.

Also, UNCTAD (2009) defines both outward foreign direct investment and multinational corporations in quite a similar way, in a sense that both terms may be, to a certain degree, considered synonymous. OFDI refers to a type of investment that aims to build a long-term relationship between one company (direct investor) and another company existing abroad (invested enterprise). The direct investor must possess no less than 10 percent of the assets or the voting power of the invested enterprise. Correspondingly, most studies (Narula & Dunning, 2000; Aykut & Goldstein, 2006; Salehizadeh, 2007; Sauvant, Pradhanþ, Chatterjeeþ & Harely, 2010) depend on OFDI statistics to quantitatively analyse MNCs.

This can be attributed to unavailability of detailed statistics on the activity of MNCs at the national level. Furthermore, the United Nations Economic and Social Council (ECOSOC) (2009) mentions that "Multinational corporations present a special measurement challenge for the balance of payment accounts". ECOSOC interprets these challenges by the fact that the accounting systems of MNCs do not necessarily capture the real economic value of their activities and transactions, as it should be reflected in the national accounts of the different countries they invest in.

Before concluding this section, it should be taken into consideration that MNCs significantly differ according to their involvement in the international markets, or what is referred to as the multinationality or internationalisation degree[1]. This can be captured through wide-ranged indicators, based on the data sources and the main target of each study (Sullivan, 1994; Gomes & Ra-

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[1]The multinationality degree reflects to what extent a firm is involved in international markets (Sullivan, 1994). Moreover, it is a function of various factors, including, *inter alia*, the number of affiliates abroad, the number of markets in which the company operates, the ratio of foreign to total assets, revenues and profits and, finally, the depth of dependence of a certain company on foreign employees, stakeholders and managers (Spero & Hart, 2010).

maswamy, 1999; Spero & Hart, 2010; Aggarwal, Berrill & Huston, 2011). Aggarwal *et al.* (2011) suggest classifying different multinationality degree indicators into three main categories.

These include: performance indicators, company structural indicators and company behavioural indicators[2]. Owing to the fact that companies usually become involved in various markets through a mixture of penetration modes, Sullivan (1994) counters using a single variable approach to capture the degree of a firm's involvement in international markets. Rather, some researchers and international organisations promote composite indices to measure the Multinationality level of a firm (Gomes & Ramaswamy, 1999[3]; Sullivan, 2004[4]; UNCTAD, 2010[5]; Aggarwal *et al.,* 2011[6]).

Having discussed the basic definitions of emerging multinational corporations, it remains important to consider a variety of crucial issues, such as how EMNCs start, why one firm can evolve into a multinational corporation while another cannot, what the main drivers are for going multinational, and when a firm starts engaging with international markets. All these issues are addressed in the next section, which reviews the different theories relevant to EMNC evolution.

2.3 EMNCs THEORIES

Various theories and frameworks have been put forward for identifying and evaluating the significance of factors influencing the unfolding evolution of emerging multinational corporations. Furthermore, these theories and frameworks pay significant attention to analysing the timing of initiating overseas investment,

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[2]Company performance indicators reflect the scale and magnitude of foreign activities of the company, such as overseas sales and revenues, international transactions, and mergers and acquisitions (M&As). Company structural indicators capture the geographical, administrative and institutional framework of the company, such as the number of countries in which the company operates, the nationality of the executive board, the share of foreign workers and assets, and the compliance with world accounting standards. Company behavioral indicators measure the global orientation of the company's executive board, such as the importance of marketing abroad, as well as future foreign expanding plans.

[3]Gomes & Ramaswamy (1999) construct an index encompassing three sub-criteria including sales abroad relative to total sales (as a measure of the dependence of the company on foreign marketing), the share of foreign assets to total assets (as a measure of the involvement of a company in the global value chain), and, finally, the number of foreign markets (as a measure of geographical divergence).

[4]Sullivan (2004) promotes an index composed of five indicators including the ratio of foreign to total branches, the ratio of foreign to total assets, the ratio of foreign to total sales, the international experience of the top management, and the market dispersion.

[5]UNCTAD (2010) proposes an index entitled the "Transnationality Index". It is calculated as a simple average of three variables, namely sales abroad relative to total sales, foreign assets relative to total assets, and foreign labour relative to total labour.

[6]Aggarwal *et al* (2011) propose an integrated methodology that is based on tracking two main attributes, breadth and depth. Breadth reflects the geographical spread of a company's activities. It has four scales: domestic, regional, trans-regional and global. Depth captures the level of engagement between the company and the foreign market. It ranges from shallow engagement (such as imports and exports) to strong engagement (foreign branches, strategic alliances, merging and acquisitions).

as well as the choice of markets and penetration modes. This article proposes classifying the different theories into three categories according to the foreign expansion motives argued by them (see Figure1.1).

The first category of theories focuses on the competitive advantages acquired by firms becoming involved in the multinationality process, while the second category pays attention to the advantages prevailing in the countries hosting MNC activities. The last category deals with both sets of motives to provide a coherent perception. Table 1.3 outlines a comparative analysis of the distinct features of the different theories.

2.4   The first category: firm advantages based theories

In this category, the primary motive for the foreign expansion is the competitive advantages enjoyed by a firm relative to other firms operating in the targeted foreign market. Andreff & Balcet (2013) indicate that the competitive advantages, or what they refer to as firm-specific advantages, can be divided into two subgroups. The first group involves ownership advantages, including patents and trademarks, while the second group involves non-ownership advantages such as production process know-how, management structures and business-relation networks. Given the diversity of firm competitive advantages, various theories have been developed to explain the evolution of emerging multinational corporations, including, *inter alia*, the Uppsala Model, the Innovation Related Model, the Entrepreneurial Approach, and the Resources-based Theory.

a) *The Uppsala Model (Stages Model)*

Johanson & Vahlne (1977) promote their model "Knowledge Development and Increasing Foreign Market Commitments" to explain the firm multinationality process, widely known as the Uppsala model. The core idea is that firms incrementally intensify their foreign market commitments (i.e. the magnitude of resources they commit towards owning or controlling economic activities overseas) as they develop and acquire new business knowledge. Subsequently, the firm's knowledge base considerably influences the pace and the pattern of its multinationality or foreign expansion process.

Furthermore, a lack of market knowledge can hinder firms from expanding their economic activities beyond the boundaries of their national economy. Market knowledge relates to the opportunities and problems prevailing in foreign markets, present and future demand and supply, investment rules and regulations, and marketing channels. All such information is deemed crucial for initiating decisions on foreign market commitment and the evaluation of overseas investment opportunities. According to this framework, learning by doing is the only mechanism to acquire market knowledge. Therefore, firms have to work in the domestic market for a certain period of time until they have acquired the necessary knowledge. Thereafter they can move to work in international markets. Nevertheless, Johanson & Vahlne (1977) admit that certain firms may experience a prompt multinationality process and do not necessarily follow the

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process referred to above. Large firms may experience leapfrogging in their multinationalisation process due to extensive resources and market knowledge.

From another perspective, market knowledge can explain the firm's preferences concerning the choice of markets and penetration modes. At the inception of their global orientation, firms may favour working in neighboring markets owing to the psychological proximity factors. This relates to smaller differences in culture, language, traditions and political systems. After acquiring more market knowledge, firms can proceed to invest in markets that are further afield. Concerning penetration modes, firms are assumed to begin their foreign activities through low market commitment modes (such as occasional and then regular export orders) owing to a lack of market knowledge. Later, companies will commit more resources to their activities abroad (through joint ventures) once they acquire increasing levels of experiential knowledge.

b) The Innovation Related Model (I-Model)

The Innovation related model considers the multinationality process as an innovation for the firm, which is quite similar to the adoption of new products. Shifting the firm's orientation, from focusing only on the domestic market as a unique destination to being an international actor, poses many challenges to the firm's management. The new orientation may require making changes in the marketing channels, the administrative structures, the capabilities and competencies to cope with the business environment, and competition prevailing in the foreign markets (Aspelund, 2010).

The multinationalisation process consists of a number of stages which may vary from one firm to another. However, Laghzaoui (2013) proposes categorising the process into three phases, namely the pre-engagement phase, the initial phase and the advanced phase. During the pre-engagement phase, firms are interested either in the local market or are planning to export. While in the initial phase, firms plan to extend their activities abroad. Firms start engaging with the international markets in the advanced phase.

It is important to underline the relative similarity between the Uppsala model and the I-model. Both models share two main principles, firstly, that global orientation is a slow and incremental process due to the firm's need to either acquire the market knowledge or to adapt to the opportunities and risks related to investing abroad. The second principle is the acknowledgement of psychological distance. Therefore, firms prefer working in markets that are culturally and linguistically similar to their domestic market. However, the influence of psychological distance diminishes as firms gain more experience.

c) The Entrepreneurial Approach

This approach highlights the role of a firm's top management or the entrepreneur in the multinationalisation process. Top management can play an effective role in this regard through adopting globally oriented strategies, networking with international business communities, exploring and exploiting foreign investment opportunities, and managing foreign affiliates. In this regard, Wai

and Yeung (2002) propose the term "transnational entrepreneurs" to describe the group of top managers who can engage in entrepreneurial activities across borders. This entrepreneurship requires certain qualifications to facilitate overcoming investment barriers in the host countries and coping better with their cultural and social contexts.

Wai and Yeung (2002) define the transnational entrepreneur as "a social actor capable of bearing the risks and taking the strategic initiatives to establish, integrate and sustain the foreign operations". Therefore the transnational entrepreneur has three interrelated functions that have to be carried out simultaneously. The first function is to control the economic activities in the different markets. The second function relates to the strategic management of resources across borders through the creative and innovative deployment of the firm's investments. Finally, the entrepreneur has to be able to explore and exploit foreign investment opportunities. Foreign markets are chosen based on an ability to construct the business and social networks required for successful management of the firm's resources. Transnational entrepreneurship is assumed to be a gradual process evolving from experience and knowledge gained through practical engagement in foreign economic activities. This implicitly assumes, similar to the Uppsala and I-models, that the multinationality process is expected to be a slow and gradual one.

d) The Resources-based Theory_

According to this theory, firms tend to invest abroad only if they own or control "strategic resources". This type of resources enables firms to hold a certain competitive advantage required to improve their business efficiency, and in turn their profits. As acquiring strategic resources is a time consuming process, multinationality is perceived to grow slowly (Bareny, 1991). This framework drops the classical assumption of resource homogeneity, as well as the perfect mobility of resources. Instead, resources are presumed to be heterogeneous and immobile among firms (Watjatrakul, 2005).

According to Bareny (1991), a firm's resources include all its assets, capabilities, organisational processes, firm attributes, information and knowledge. These resources can be classified into three subgroups, namely physical resources (production technology, raw materials and equipment), human resources (experience) and organisational resources (managerial and institutional structure). In order to be classified as strategic, a firm's resources must possess the following four attributes. They should be valuable (should enable the firm to implement efficiency improvement strategies), rare (resources are not possessed by a large number of firms), difficult to imitate (for example, if resources are dependent upon unique historical conditions, the link between the resources and the competitive advantage is causally ambiguous and the resources are socially complex), and there should be no strategically equivalent substitutes for these resources.

In the same context, Watjatrakul (2005) distinguishes between strategic resources (which enable the firm to hold a competitive advantage through exploiting opportunities or neutralising potential risks) and the specific resources

adopted by the transaction cost theory (resources that cannot be redeployed or transferred to other firms without a significant reduction in value). Following from this distinction, Watjatrakul (*ibid*) distinguishes between four types of resources reflected in Table 1.4.

2.5 The second category: host country advantages based theories

Unlike the first category, this category of theories underplays the role of the firm's competitive advantages in initiating the multinationalisation process, since emerging multinational corporations often lack such advantages. Rather, it presumes that the host country advantages are the key trigger to attracting foreign firms to operate in these markets (Andreff & Balcet, 2013). In this context, various theories have been developed to explain the evolution of EMNCs, the most significant of which are the Imbalance and Springboard Approach, the Linkage, Leverage and Learning Theory, and the Network Model.

a) The Imbalance and Springboard Approach

Given the significant importance of pull factors of the host countries, this approach views outward foreign direct investment as the launch pad or the springboard of MNCs coming from emerging countries. OFDI is quite pivotal to a company lacking competitive advantage. It enables firms to possess strategic assets, highly developed technology, know-how, trademarks, and competencies (Luo &Tung, 2007). In this regard, Moon and Roehl (2001) remark that firms may tend to invest abroad not only to search for complementary assets, but also to improve the profitability of the firm's specific assets. Therefore, the ownership disadvantages are as crucial as ownership advantages in deriving overseas investment. This is why the core idea of the Imbalance and Springboard Approach is to look at both advantages and disadvantages or imbalances. Balcet and Bruschieri (2010) define the term "disadvantages" to be either the lack of resources such as know-how and management knowledge or the possession of small market share.

Accordingly, competitive advantages can be an outcome of the involvement in the multinationality process, rather than being a prerequisite, as mentioned in Section 3.1. Luo and Tung (2007) argue that the multinationalisation process of emerging firms has evolved at a higher pace than that experienced by their peers from industrialised economies. Subsequently, the multinationality of emerging market firms is likely to be accomplished through leapfrogging rather than being incremental. Moreover, Deng (2012) remarks that rapid growth of emerging markets has motivated their firms to explore foreign markets and to undertake massive acquisitions, particularly in the developed economies.

b) The Linkage, Leverage and Learning Theory

Mathews (2006) explains the expansion of emerging multinational corporations or what he refers to as "dragon enterprises" by way of three factors:

linkage, leverage and learning. *Linkage* is conceived by emerging MNCs as a primary tool for mitigating risks and uncertainty in the international markets and for acquiring resources that are unavailable in the domestic market. Firms can construct various types of linkages with incumbent firms operating in the targeted foreign markets. These linkages can be established in various forms, such as strategic alliances, joint ventures, and engagement in global value chains.

Leverage reflects the accessibility of external resources, as a direct result of establishing linkages between emerging firms and their foreign partners. Generally, firms are expected to target the most easily imitated and transferable foreign resources. *Learning* is the end result of repeating the application of the linkage and leveraging process. According to the framework proposed by Mathews (2006), multinationalisation is expected to evolve at an accelerated pace.

c) *The Network Model*

Firms tend to offset the unavailability of resources through building forward and backward networks with foreign firms that hold tangible experience in the targeted foreign markets. A network is simply defined as a set of inter-organisational relations, causing a firm to become dependent on its counterpart. It should be taken into consideration that building such relations or networks is effort and time consuming, which constrains a firm's ability to easily interchange its counterparts (Johanson & Mattsson, 1988).

It is clearly noticed that both the Network Model and the Linkage, Leverage and Learning Theory share the same perspective on the usefulness of establishing business networks. Networks help firms to obtain access to the resources or assets required for improving the firm's competitive advantages. Nevertheless, the two theories differ significantly in respect of the timing of going global. Multinationalisation is expected to be achieved earlier in the Linkage, Leverage and Learning Theory than in the Network Model, as the latter perceives multinationalisation as a cumulative and time-consuming process.

2.6   The third category: firm and host country advantages based theories

This group of theories is deemed to be more coherent and comprehensive than the aforementioned theories. It combines the motives of firm and host country advantages. As a result, the global orientation is likely to be derived from the need to either exploit firm resources (asset exploiting investment) or obtain access to unavailable resources (asset seeking investment) or both. Theories that support this perspective will subsequently be discussed.

a) *The Double Networking Model*

Emerging multinational corporations are characterised by multiple layers of interconnections, which can be summarised into two main categories: internal and external networks. The internal network describes the interdependence

among the internal units (i.e. affiliates and headquarters) of an MNC spread across borders. This network is responsible for the circulation of resources, knowledge and technology within the MNC. Subsequently, the internal network may reflect the firm's asset exploiting objectives. At the same time, MNC affiliates tend to construct external networks with other firms and institutions outside the boundaries of the mother firm to gain access to additional resources and knowledge. It seems that the Double Networking Model adopts a wider definition of external networks than that assumed by both the Network Model and the Linkage, Leverage and Learning Theory.

According to the Double Networking Model, the external network includes not only firms and business institutions, but also encompasses other institutions such as research entities, universities, think tanks, etc. In this context, external networks represent the objectives of asset seeking investment. It should be noted that the internal and external networks are not isolated from each other, as the characteristics of the internal networks are expected to have a tangible effect on the attributes of the external networks (Zanfei, 2006). Balcet and Bruschieri (2010) argue that the notion of "alliances" may be considered more precise and accurate for capturing the external network and its global expansion. Similarly, the term "acquisitions" could better reflect the internal network between the headquarters and foreign subsidiaries. Both alliances and acquisitions shape the trajectories of the multinational evolution of emerging economy firms. Alliances and acquisitions may be located with the domestic economy in the first stage, and abroad in the second stage of the multinationalisation process. Consequently, multinationality may evolve slowly.

b) Born Global Theory

Rasmussen and Madsen (2002) remark that many researchers recognise the early start-up of a firm's international activity. A wide range of terms is used to describe this phenomenon, including *inter alia*, international new ventures, global start-ups, infant multinational corporations and leapfrogging firms. In this regard, they distinguish between four types of early start-up of multinational firms, based on the number of markets and activities the firm is involved in. These types are as follows: export/import start-up (involved in a small number of markets and activities), multinational trader (involved in a small number of activities but in many markets), geographically focused start-up (involved in a large number of activities but in few markets), and global start-up (involved in a large number of both markets and activities).

Apart from the previous perspective, Kandasaami (2004) defines a born international or Born Global firm as one that is engaged, through foreign direct investment, in overseas economic activities in more than five countries and selling more than 40 percent of its production abroad. Also, in order to be classified as Born Global, a firm must start international sales within the first two years of its establishment. Taking a different view, Wictor (2002) perceives a company as Born Global as if it has, within three years of its inception, foreign sales not less than 25 percent of its total production, and seeks to derive a competitive advantage from exploiting its resources in multiple markets.

Early global orientation may be directed by three main groups of factors. Firm characteristics comprise unique firm advantages, including, *inter alia*, products, technology, managerial skills and consumer orientations. Environmental characteristics refer to foreign market advantages such as favourable government regulations, availability of foreign market information, market competition, export promotion programmes and profit opportunities abroad. Key decision-maker characteristics reflect the global orientation of the firm's top management, which is perceived to be one of the main triggers for early multinationalisation.

c) *The Eclectic Paradigm Model*

Dunning first introduced his model, also known as the Ownership, Location and Internationalization (OLI) model, in 1976. Multinationality is attributed to three main advantages, namely ownership, location and internalisation (Dunning, 1995). Ownership advantages are perceived to be the main engine for becoming involved in overseas' value-added activities.

Thus, a firm must possess certain advantages to be able to compete in the international arena. Accordingly, a firm has to work firstly in its domestic market, and then proceed to global markets. In the original form of the Eclectic Paradigm, Dunning distinguishes between three advantages: a) Those resulting from owning particular income generating assets; b) those enjoyed by foreign affiliates relative to the headquarters; and c) those resulting from the geographical dispersion.

Location advantages relate to the market choice or the decision where a firm is going to locate its foreign activities. This group of advantages includes, *inter alia*, market size and the availability of cheap production factors. Internalisation advantages capture the different modalities (penetration modes) through which firms may arrange the creation and the exploitation of their core competencies based on the location advantages of different markets. Such modalities range from non-equity arrangements (such as exports and imports), to the acquisition of foreign firms.

Given the conceptual framework of the Eclectic Paradigm, the choice of the proper penetration mode depends on the type of advantages the firm possesses. OFDI may be preferred if the firm holds all three advantages (i.e. ownership, location and internalisation). In case of unavailability of location advantages, export may be more appropriate. Finally, licences or franchises would be ideal if the firm has neither location nor internalisation advantages. This proves that having ownership advantages is a prerequisite to becoming involved in the multinationality process, while the availability of either both or one of the two other advantages determines the best entry mode (Pedersen, 2001).

d) *The Investment-Development Path*

The Investment-Development Path (IDP) is one of the widely utilised frameworks for interpreting the multinationalisation process. More precisely, the IDP

explains which countries are going to engage in outward foreign direct investment and how the magnitude of this activity dynamically changes with the pace of the home country's economic development (Dunning, 1997; Fonseca, Mendonça & Passos, 2007; Mortensen, 2009; Narula & Dunning, 2000; Narula & Guimon, 2010). Dunning presented the IDP in 1981 as a dynamic approach within the framework of the Eclectic Paradigm Model (Buckley & Castro, 1998).

The core idea of the IDP is the dynamic interaction between the flows of FDI (outward & inward) and the pace of economic development. Moreover, the IDP recognises the influence of the home country's governmental policies on both flows of FDI. As a result, the net FDI flow (outward minus inward) evolves at a pace that reflects the dynamic relation to economic development. As such, Dunning recognises five stages of development, starting from the stage where a country is a net FDI receiver, and ending in the maturity stage in which a country can attain noticeably high levels of both FDI flows (Narula & Dunning, 2000).

Based on the framework of the IDP, Narula and Dunning (2000) argue that there are two groups of factors influencing the OFDI, namely asset exploitation and asset augmentation. Asset exploitation factors include resources, market and efficiency seeking. The primary purpose of these factors is to maximise the economic rent generated from the existing assets. The second group (i.e. strategic asset seeking) relates to the desire of a firm to add to its assets. Resources seeking outward foreign direct investment often target countries holding absolute advantage in a scarce natural resource. First-stage IDP countries usually do not have any location advantages, except for an abundance of natural resources.

This motive is quite important for firms working in extractive industries. According to Kraemer and Tulder (2009), a firm can access raw materials through one of two alternatives: spot purchase of long-term contracts or internalisation of the production. As the country develops and progresses on the IDP, the significance of the resources seeking motive diminishes, since the marginal extraction cost tends to increase over time. Subsequently, new motives emerge, such as market and efficiency seeking while economic development is improving. Market seeking outward foreign direct investment is significant where the local market offers tangible opportunities for achieving economies of scale. This is likely to occur in countries existing in the last part of stage 1 and the beginning of stage 2 of the IDP.

Efficiency-seeking outward foreign direct investment is likely to take place in the latter part of stage 2 and the beginning of stage 3. Strategic asset seeking outward foreign direct investment enables firms to acquire certain resources, such as patents and trademarks. This type of OFDI is expected to occur at the end of stage 3 and in the subsequent stages. Efficiency and strategic asset seeking OFDI are similar in the respect that they require a certain threshold of location advantages and both tend to be inspired by the process of globalisation (Narula & Dunning, 2000). Table 1.5 summarises the main attributes of the different stages of the Investment-Development Path.

Following discussing the leading mainstream theories explaining the evolution of emerging multinational corporations, it remains important to address the different types of EMNCs, as an integral part of the conceptual framework of emerging multinational corporations. The next section of this article discusses in detail how EMNCs differ from one another.

3 TYPES OF EMNCs

Emerging multinational corporations vary from one another according to their global orientation motives (market-seeking, resources-seeking, efficiency-seeking and strategic assets seeking MNC); the geographical dispersion of their economic activities (regional and global MNCs); the relation between the headquarters and affiliates (foreign sellers, foreign sources); and the timing of engaging with global markets (born local and Born Global MNCs). Figure1.2 illustrates the arrays of EMNCs.

3.1 Geographical dispersion of economic activities of EM-NCs

Based on the geographical proximity between the home economy and the foreign markets, Rugman (2005) distinguishes between two types of emerging multinational corporations, namely regional and global EMNCs:

a) *Regional EMNCs* often concentrate their value-added activities or their affiliates in neighbouring countries, owing to the similarity in cultures and traditions. As mentioned in Section 3.1, several theories discuss these factors under the title "psychological distance". Moreover, regional trade and investment agreements are likely to provide further tax and financial incentives. These advantages can collectively contribute significantly towards minimising the investment risks in the neighbouring markets relative to outlying peers and thus they become more attractive.

b) *Global EMNCs* work in neighbouring as well as own markets or control economic activities in *markets* outside their regions, including widespread markets. The pattern of global geographical dispersion is derived from recent technological changes resulting in splitting production processes, and dramatic improvements in transportation and communication tools. Furthermore, multilateral trade and investment agreements have resulted in removing trade barriers and facilitating market entry.

Emerging multinational corporations may start out as regional firms and after years of doing business regionally, they may decide to widen the geographical spectrum of their economic activities to include markets further afield (Johanson & Vahlne, 1977; Laghzaoui, 2013; Balcet & Bruschieri, 2010).

3.2 Timing of engaging with global markets

Emerging multinational corporations may vary according to the following two manners of timing of entry into the international markets, (Kandasaami, 2004):

a) *Born local EMNCs* work first inside the boundaries of their national economy, due to lack of competence and competitive advantage required for investing abroad. Therefore, born local firms postpone the multinationalisation process until they have enhanced their competitiveness.

b) From their inception, *Born Global EMNCs* target controlling value-added activities in multiple markets. The Born Global *Theory* discusses the different factors influencing the evolution of these firms.

3.3 Relation between the headquarters and affiliates

It is possible to distinguish between two types of emerging multinational corporations, according to relation between the headquarters and affiliates (Accenture, 2010):

a) *Foreign sellers* aim to expanding their markets and approaching new customers through controlling additional foreign subsidiaries and outlets.

b) *Foreign sources* move towards overseas markets to overcome the unavailability or scarcity of resources in the domestic market. Subsequently, the main function of the foreign affiliates is to outsource materials to the headquarters.

3.4 Global orientation motives

Given the motives for overseas orientation, Narula and Dunning (2000) distinguish between the following four types of emerging multinational corporations:

a) *Market seeking EMNCs*: A firm may aim at expanding its markets following the success of exports. This expansion is dependent on many factors, such as government regulations, the need to adapt products to local conditions and requirements, and the reduction of transaction costs.

b) *Resources seeking EMNCs*: Foreign economic activities of this type of firm are motivated by the need to secure safe and cheap sources of raw materials and inputs.

c) *Efficiency seeking EMNCs*: These are firms seeking to primarily improve their cost efficiency by moving their production activities to lower-cost markets.

d) *Strategic assets seeking EMNCs*: These firms use overseas investment as a tool to acquire intangible or tangible strategic assets that are not available in their home markets.

3.5 Other classifications

In addition to the previous classifications of EMNCs proposed by this article, Aggarwal *et al.* (2011) recognise six types of MNCs, as exhibited by Table 1.6. This classification is based on tracking two main company attributes, namely breadth (reflecting geographical dispersion of a company's activities) and depth (capturing the level of engagement between the company and the foreign market).

As shown above, various types of emerging multinational corporations can easily be recognised, to reflect the difference between firms, according to timing and driving factors for going multinational, as well as the geographical scope of their activities, and the level of engagement between the company and the foreign market. In the following section, entry modes adopted by emerging multinational corporations will be discussed in detail.

4 MARKET ENTRY MODES

Entry mode is defined as "an institutional arrangement for organizing and conducting international business transactions by which all future decisions are influenced" (Varinder & Erramilli, 2004). The types and classification of market entry modes will be discussed here.

4.1 Types of market entry modes

Emerging multinational corporations can choose from a wide range of entry modes, from exports to wholly owned subsidiaries (Kim & Hwang, 1992; Hollensen, 2004; Varinder & Erramili, 2004; Peng, 2006; and Dunning & Lundan, 2008; Mukundakumar, 2012; Ulrich, Boyd & Hollensen, 2012; Rizwan, 2013).

a) *Exports* take one of four main forms, namely direct, indirect (export is undertaken by an agent other than the producing firm, such as trading corporations), cooperative (often occurs among small and medium enterprises to achieve higher economies of scale), and intra-corporate transfers (exchange of goods and services among the parent firm and its affiliates).

b) *Licensing* is an agreement that enables a firm to establish a branch or a subsidiary in a foreign market without carrying the capital investment. By licensing, a foreign agent can use the firm's technology or other resources in return for payment.

c) *A turnkey project* is an arrangement whereby a firm takes the responsibility to design, construct and equip a manufacturing or service facility and turn it over to the owner when it is ready for operation.

d) *Franchising* may contain trademarks, copyright, designs, patents, trade secrets and know-how. In return the franchisor receives fees.

e) *Contract manufacturing or research and development (R&D)* enables a firm to outsource the whole or part of its research and development, marketing, distribution, sales and servicing of its products on international markets.

f) *A strategic alliance* is a cooperation agreement between two or more firms to achieve common interests or goals. It does not involve creating a new entity.

g) *Original equipment manufacturers (OEMs)* are agent firms that import product components from the parent firm to assemble and retail the product under the trademark of the parent firm. This entry mode is very common in the automotive industry.

h) *Joint ventures (JVs)* involve the creation of a new business entity that is legally independent from its parent firms. Generally, studies distinguish between three types of JVs, according to the ownership structure: majority share (the foreign firm controls more than 50 percent of assets), equal share (50/50), and minority share (the foreign firm controls less than 50 percent of assets).

i) *A wholly owned subsidiary (WOS)* is a market entry mode also described as the investment or hierarchical mode. It allows the parent firm to entirely own and control the foreign affiliate. This can be done either through merging and acquisitions (M&As) or greenfield. Within this mode, a firm may adopt one of the four approaches of international human resources management, namely ethnocentric (sending employees from the home country to the host country), polycentric (hiring citizens of the host country), regiocentric (hiring employees based on a specific regional context) and geocentric (employees are selected regardless of where they originate from).

Coupled with factors assumed by the aforementioned theories in the second section, Mariam (2008) suggests that a firm is expected to choose the preferred entry mode based on the merits and shortcomings of such a mode as well as external factors (pertaining to the foreign market) and internal factors (related to the firm itself). In addition, Mukundakumar (2012) argues that a firm may adopt one of three rules while choosing its ideal entry mode. The naïve rule implies that a firm prefers to use a sole entry mode irrespective of the market in which it is going to operate. The pragmatic rule assumes that a firm will choose a separate workable entry mode for each market. Firms may favour adopting low-risk modes while penetrating new markets. The strategic rule entails making a comparison between different modes to assure the best selection.

4.2 Classification of market entry modes_

Entry modes vary significantly according to ownership, the control of parent firms over foreign activities, the nature of overseas operations, and the extent of

externalising and internalising. Such diversity inspired studies to propose different classifications for the various entry modes, as is reflected in Table 1.7. In this regard, it seems important to underscore that previous researches acknowledge that ownership or equity modes need to be the sole entry modes for initiating the global orientation of a firm to be considered a multinational corporation (as discussed in Section 2.2). Thus, firms using non-equity modes (such as exports) in the beginning of their multinationalisation process are not viewed as MNCs. However, existing MNCs can adopt both equity and non-equity modes to expand their activities abroad, while being considered multinational corporations.

5 SUMMARY

An emerging multinational corporation is a firm that is based in an emerging economy and controls outward foreign direct investment abroad, thus multinational corporations and outward foreign direct investment may be used interchangeably. International organisations adopt different emerging market lists, as there is no common agreement on which countries are classified as emerging markets. Ten different types of emerging markets multinational corporations are recognised, based on the motives for global orientation, the geographical dispersion of economic activities, the relation between the headquarters and its affiliates and finally, the timing of initiating overseas' investment. Emerging multinational corporations are likely to be motivated either by the need to exploit their resources (asset exploiting investment) or to obtain access to unavailable resources (asset seeking investment). Moreover, some theoretical frameworks recognise the potential role of home countries' governments in boosting the foreign expansion of their firms.

The multinationalisation of emerging firms is often expected to be a slow and incremental process. As a result, firms tend to firstly work in their domestic markets for a certain period of time until they have acquired the necessary competencies required for competing abroad. Soon after, they can start operating in the international markets. Conversely, a few theories argue that the global orientation of emerging firms could be accomplished through leapfrogging rather than an incremental process, enabling firms to start their foreign activities early, right from their inception.

Concerning market choice, most theories predict that firms will probably favour working in neighbouring markets owing to the psychological proximity factors. Such factors refer to similarities in culture, language, traditions and political systems. Having explored neighbouring markets, firms can then proceed to invest in widespread markets after having acquired the necessary competitive advantages. These advantages or competencies are pivotal for neutralising the threats resulting from investing in culturally and socially different markets. Also, firms are assumed to initiate foreign activities through low market commitment modes such as occasional and regular export orders due to risks and uncertainty pertaining to working abroad (higher commitment modes). In a subsequent stage, companies could commit higher resources to their activities

abroad and commence investing in these markets.

Having explored the theoretical and conceptual framework of emerging multinational corporations, many research questions come to mind. First of all, what is the scope of activities of emerging MNCs and how does it evolve over time? Secondly, who are the leading countries of EMNCs? Equally important, what is the current status of Africa in the landscape of EMNCs? The fourth question is, what are the driving forces behind the actual performance of the key emerging African multinational corporations? And last but not least, what are the characteristics of African MNCs in terms of their geographical dispersion and motives for global orientation?

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Table 1.1: Emerging market lists proposed by international organisations

	Country	Bloomberg	FT[1]	IIF[2]	IMF[3]	OECD[4]	S&P[5]	UNCTAD[6]	WB[7]
1.	Algeria								√
2.	Argentina		√	√	√	√		√	√
3.	Azerbaijan								√
4.	Bahamas								√
5.	Bahrain,		√						√
6.	Barbados								√
7.	Belarus								√
8.	Brazil	√	√	√	√	√	√	√	√
9.	Bulgaria			√	√				√
10.	Chile	√	√	√	√	√	√	√	√
11.	China	√	√	√	√	√	√	√	√
12.	Colombia	√	√	√		√	√		√
13.	Costa Rica								√
14.	Croatia								√
15.	Czech Republic	√	√	√		√	√		√
16.	Dominican								√
17.	Estonia				√				√
18.	Egypt	√	√	√		√	√		√
19.	Ecuador			√					√
20.	El Salvador								√
21.	Georgia								√
22.	Ghana								√
23.	Guatemala								√
24.	Emirates			√					√
25.	Hungary	√	√	√	√	√	√		√
26.	India	√	√	√	√	√	√		√
27.	Indonesia	√	√	√		√	√		√
28.	Jamaica								√
29.	Jordan,		√						√
30.	Kazakhstan								√
31.	Kenya								√
32.	Kuwait		√						√
33.	Latvia	√			√				√
34.	Lebanon			√					√
35.	Lithuania				√				√
36.	Malaysia	√	√	√	√	√	√	√	√
37.	Mexico	√	√	√	√	√	√	√	√
38.	Mongolia								√
39.	Morocco	√	√	√		√	√		√
40.	Nigeria			√					√
41.	Oman								√
42.	Pakistan		√		√	√			√
43.	Peru	√		√	√	√	√	√	√
44.	Panama	√							
45.	Philippines	√	√	√	√	√	√		√
46.	Poland	√	√	√	√	√	√		√
47.	Qatar		√						√
48.	Romania		√	√	√				√

	Country	Bloomberg	FT(1)	IIF(2)	IMF (3)	OECD(4)	S&P (5)	UNCTAD(6)	WB(7)
49.	Russia	√		√		√	√		√
50.	Saudi Arabia		√	√					√
51.	South Africa	√	√	√	√	√	√		√
52.	South Korea	√		√				√	√
53.	Singapore							√	√
54.	Sri Lanka								√
55.	Thailand		√	√	√	√	√	√	√
56.	Trinidad and Tobago								√
57.	Turkey	√	√	√	√		√		√
58.	Taiwan		√				√	√	
59.	Ukraine			√	√				√
60.	United Arab Emirates		√	√					√
61.	Venezuela			√	√	√			√
62.	Vietnam								√

Source: Author's own

Table 1.2: Different emerging market lists found in the literature

	Study	Data source	Emerging countries list
1.	Aybar & Thirunavukkarasu, 2005	UNCTAD	UNCTAD
2.	Contessi & El- Ghazaly, 2010		
3.	Sauvant, 2008		
4.	Andreff, 2002		
5.	Kumar, 2007	World Bank	IMF
6.	Groh & Wich, 2012	UNCTAD	IMF
7.	Hoskisson *et al.*, 2000	World Bank	IFC definition for 1999, which included 51 countries.
8.	Kudina & Pitelis, 2014	UNCTAD	Modified UNCTAD definition of developing countries. They focused on developing countries receiving annual FDI inflow of more than 0.5 billion $.
9.	Sauvant *et al.*, 2009	UNCTAD	EMs comprise countries classified by UNCTAD as developing and transitional countries.
10.	Cortesi, Plantoni, 2011	UNCTAD	EMs comprise countries classified by UNCTAD as developing and transitional countries.

	Study	Data source	Emerging countries list
11.	Akbari, 2012	The Security Data Company (SDC) Platinum database provided by Thomson Reuters	Revised IMF list of emerging countries, using the human development index and growth rate. The proposed list included 27 countries.
12.	Andreff & Balcet, 2013	UNCTAD	Compiled a list of 19 countries that were commonly classified as emerging by different international organisations.
13.	Bonaglia, Goldstein & Mathews J, 2006	Various sources	Case studies approach
14.	Goldstein & Pusterla, 2008	UNCTAD	EMs comprise countries classified by UNCTAD as developing and transitional countries.
15.	Deng, 2012	UNCTAD and the SDC Platinum database provided by Thomson Reuters	Thomson emerging countries list
16.	Berrill & Mannella, 2012	FT G500 firms	Financial Times Stock Exchange (FTSE) and the Morgan Stanley Capital International (MSCI) lists of emerging market economies

Source: Authors own

Table 1.3: Comparison of the primary attributes of different EMNC theories

Item	First Category	Second Category	Third Category
Main theories	1. Uppsala Model 2. Innovation Related Model 3. Entrepreneurial Approach 4. Resources-based Theory	1. Imbalance and Springboard Approach 2. Linkage, Leverage and Learning Theory 3.Network Model	1. Double Networking Approach 2. Born Global 3. Eclectic Paradigm Model 4. Investment-Development Path
Primary trigger of emerging MNCs	Firm competitive advantages or assets exploiting	Host country advantages or assets seeking	Both firm and host country advantages or combining assets exploiting and seeking.
Determinants of global orientation of emerging MNCs	1. Firm acquainted knowledge (Uppsala Model) 2. Adaptation with challenges pertaining to operating in foreign markets (Innovation Related Model) 3. Top management orientations (Entrepreneurial Approach) 4. Strategic resources (Resources-based Theory)	1. Lack of competitive advantages (Imbalance and Springboard Approach) 2. Linkage, Leverage and Learning 3. Forward and backward networks (Network Model)	1. Internal and external networks (Double Networking Approach) 2. Firm, environment and decision-makers' characteristics (Born Global) 3. Ownership, location, and internalisation advantages (Eclectic Paradigm Model 4. Assets exploiting and augmenting (Investment-Development Path)
Timing and pattern of multinationality	Multinationality process is expected to be slow and incremental. As a result, firms probably tend to work first in their domestic markets for a certain period of time until they have acquired the necessary competencies required for competition abroad. Hence, it is not expected that a firm initiates global orientation right from its inception.	According to both the Imbalances and Linkage Approaches, global orientation of emerging firm is expected to be accomplished by a higher pace than that expected by the Network Model which perceives multinationality as a cumulative and time-consuming process.	Multinationality process is assumed to be incremental according to The Investment-Development Path, Double Networking and the Eclectic Paradigm. However, firms may initiate their global orientation right from its inception as mentioned by Born Global theory.

Item	First Category	Second Category	Third Category
Foreign market choice (global vs. regional)	Firms may favour working firstly in neighbouring markets, then in far-reaching markets, according to the Uppsala and Innovation Related Models. While others models did not mention.	Not mentioned	According to Double Networking Model, a firm may target the acquisition of foreign subsidiaries in the domestic economy and companies abroad at a later stage.
Determinants of foreign market choice	1. Psychological distance, such as cultural and linguistic differences (Uppsala and Innovation Related Models) 2. Top management orientations and (Entrepreneurial Approach) 3. Strategic resources (Resources-based Theory)	1. Existence of resources and assets. 2. The ability to construct different networks.	1. Existence of resources and assets and the ability to construct linkages (Double Networking Model) 2. Environment characteristics or advantages (Born Global). 3. Location advantages (Eclectic Paradigm Model). 4. Existence of targeted assets, including resources, markets, efficiency, strategic assets (Investment-Development Path).
Market penetration modes	According to the Uppsala Model, firms are assumed to begin their foreign activities through low market commitment modes such as occasional export orders due to risks and uncertainty. Later, they could commit higher resources to their activities abroad and commence investing overseas	Not mentioned	According to the Eclectic Paradigm Model, location and internalisation advantages determine the proper entry mode.

Source: Authors Own

Table 1.4: Different types of resources

Strategicness

		Non-strategic	Strategic
Specificity	**High**	High-specificity, non-strategic resource (HSNR)	High-specificity, strategic resource (HSSR)
	Low	Low-specificity, non-strategic resource (LSNR)	Low-specificity, strategic resource (LSSR)

Source: Watjatrakul (2005)

Table 1.5: Investment-development path stages

Stage	Outward FDI	Inward FDI	Net FDI flow	Economic development conditions	Motives for OFDI
Stage 1	Negligible	Negligible	Zero	Lacks both ownership and location advantages	Resources seeking investment
Stage 2	Remains very limited	Grows significantly	Negative	- Relative improvement in location advantages - Weak ownership advantages	Resources seeking investment
Stage 3	Grows significantly	Lower growth rate	Remains negative as inward FDI stock remains higher	Relative improvement in both location and ownership advantages	Market seeking and efficiency seeking
Stage 4	Continued growth	Lower growth rate	Turns positive	Significant improvement in both location and ownership advantages	Efficiency seeking, market seeking and seeking to augment assets
Stage 5	High stock of outward FDI	High stock of inward FDI	Revolves around zero	Leading developed countries	Efficiency seeking, market seeking and seeking to augment assets

Source: Narula & Dunning (2000)

Table 1.6: Firm multinationality level

Breadth / Depth	Local	Regional	Trans-regional	Global
Sales	Local sales	Regional sales	Trans-regional sales	Global sales
Investment	Local investment	Regional investment	Trans-regional investment	Global investment

Table 1.7: Classification of different entry modes

Criterion	Author (S)	Categories	Entry modes
A. Ownership by the entrant (none, partial, and full). B. Location of the entrant's operation in the host country (marketing - marketing and production)	Varinder & Erramili, 2004	A. Direct and indirect exporting (non-ownership marketing)	Host country intermediaries
		B. Direct export (full ownership-marketing)	Company owned channel such as sales subsidiary
		C. Contractual modes (non-ownership-marketing and production)	A. Licensing B. Franchising
		D. Joint ventures (JVs) in production or marketing (partial ownership-marketing and production)	A. Majority (JV) B. 50/50 (JV) C. Minority (JV)
		E. Wholly owned subsidiary (full ownership-marketing and production)	A. Greenfield B. Acquisition
Extent of externalising and internalising	Hollensen, 2004; Mukundakumar, 2012	A. Export modes	A. Direct B. Indirect C. Cooperative
		B. Intermediate entry modes	A. Licensing B. Franchising C. Joint ventures D. Strategic alliances E. Contract manufacturing

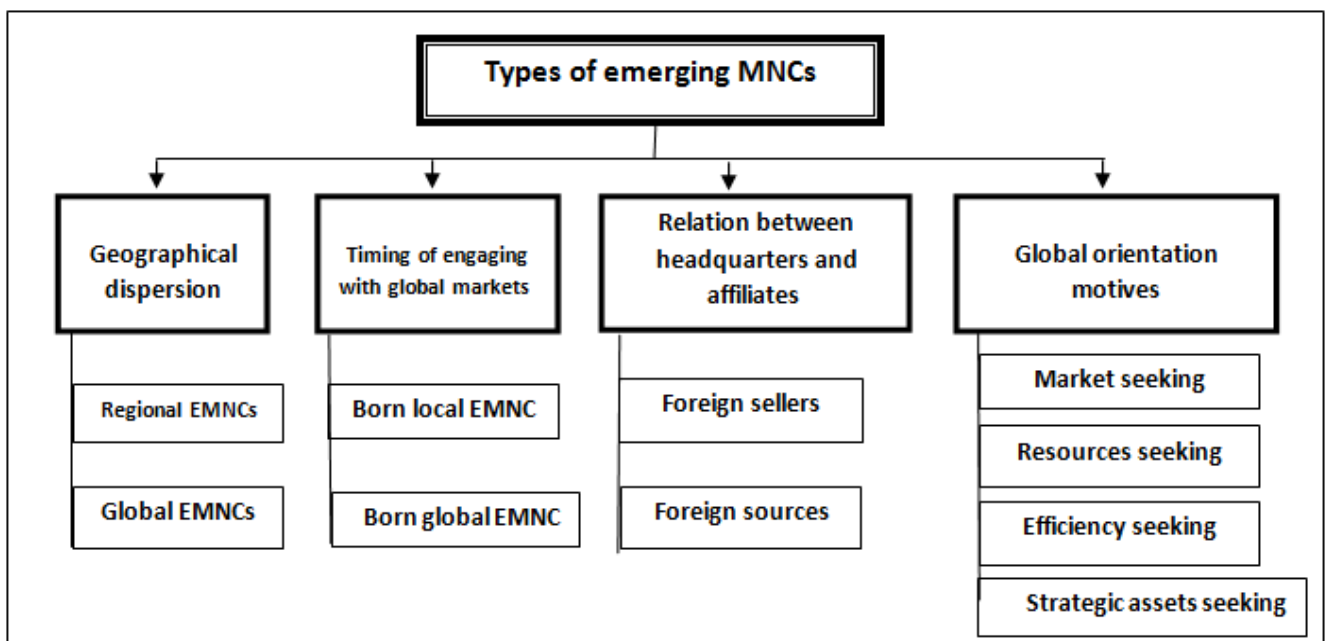| Criterion	Author (S)	Categories	Entry modes
		C. Hierarchical modes	A. Greenfields B. Acquisition
Ownership perspective	Peng, 2006	A. Non-equity modes	A. Export (direct-indirect) B. Contractual agreements (licensing, franchising, turnkey projects, R&D contracts and co-marketing)
		B. Equity modes	A. Joint ventures (minority, 50/50, and majority) B. Wholly owned subsidiaries (Greenfields and Acquisition)
A. Ownership perspective B. Extent of externalising and internalising	Ovcina, 2010	A. Export modes (non-equity – full externalising).	A. Direct B. Indirect
		B. Intermediate modes (equity and non-equity – partial externalising)	A. Contractual (non-equity) B. Joint venture (equity)
		C. Hierarchical or investment modes (equity – full internalising)	A. Greenfields B. Acquisition
Control of MNC over foreign activities	Ulrich *et al.*, 2012	A. High control entry modes	A. Wholly owned subsidiaries B. Direct selling to original equipment manufacturers
		B. Intermediate control entry modes	A. Strategic alliance (SA) B. Joint ventures
		C. Low control modes	C. Direct exports D. Indirect exports

Source: Author's own

Figure1.1: Classification of EMNC theories
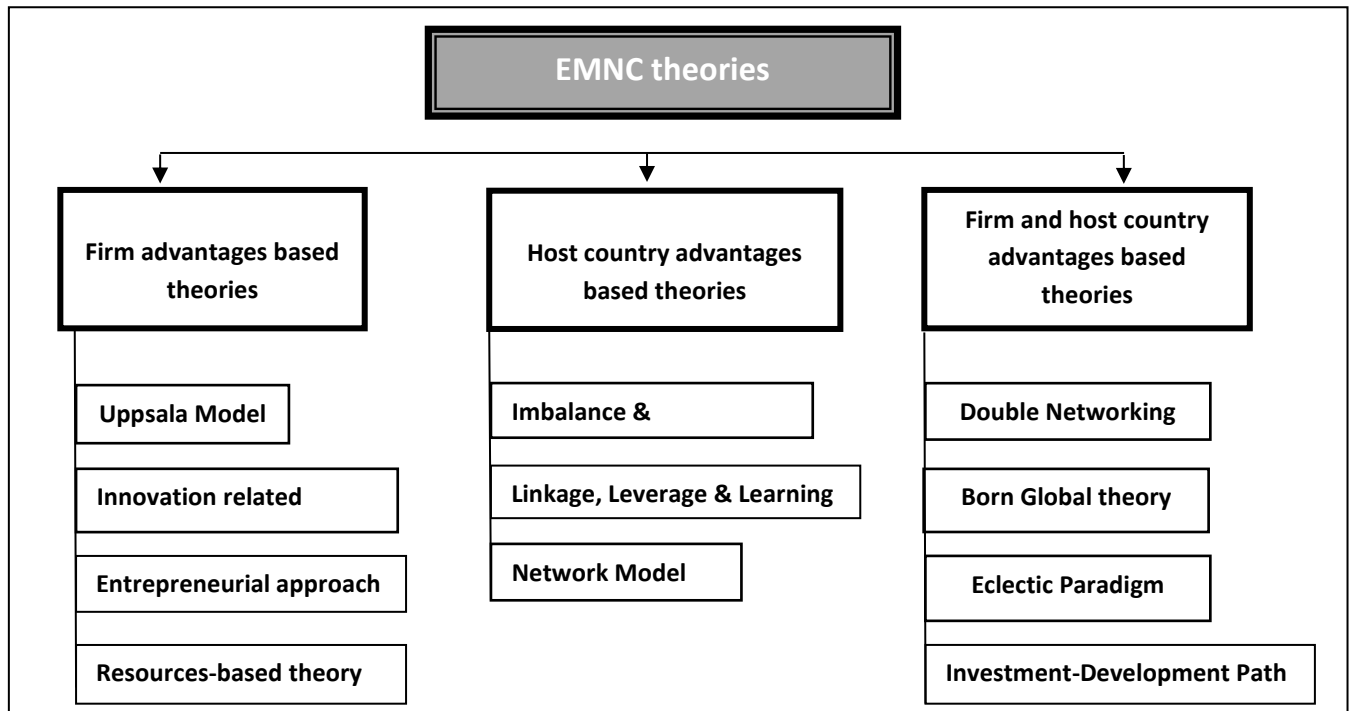
Source: Author's own

Figure 1.2: Types of EMNCs

Source: Author's own