



THUNDERBIRD

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Special issue on Multinationals from Emerging Economies: Strategies, Challenges, and the Way Forward

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The last quarter century has seen the emergence of a new set of players in international competition. These are multinationals that have emerged from developing economies such as China, India, Brazil, Philippines, and Mexico. Commonly referred to as Emerging Market MNEs (EMNEs), many of these firms have succeeded by overcoming the liabilities of foreignness, disadvantages of being late movers, and the constraints of operating from home countries that are in the early stages of institutional development.

During the early years of globalization, there were fears that developing country firms would be unable to defend even their home markets because of competition from well established multinationals may wipe them out. This apprehension has been proved to be wrong with emerging market firms becoming successful players in the global arena through innovative strategies. Emerging economies now account for more than 20% of the world's outward foreign direct investment (OFDI) compared to 2% twenty years ago. Among the Fortune Global 500 list, 30% of the firms are from emerging economies. The EMNEs, however, lag behind their developed country counterparts in terms of profit margins and market capitalization.

EMNEs are far from a homogenous group of firms following similar strategies. Given that they are from different national backgrounds, different industries, and in different stages of their growth, it is only natural that there is considerable heterogeneity in their strategies. Some have chosen niche strategies, typically at the low end of the market, while others have pursued head to head competition with global giants. Some have made aggressive acquisitions abroad whereas others have chosen to engage in greenfield investments and joint ventures. Some EMNEs are publicly listed, some are private, and some are state owned. There are EMNEs that are truly global in scope such as Huawei from China and Infosys from India and there are niche players like the Egyptian firm Orascom that provides mobile phone services in North Korea and San Martin Bakery, the restaurant chain from

Guatemala that is opening outlets in the United States. Given this heterogeneity in the origins and strategies of EMNEs, it is important to undertake a systematic investigation of the growth trajectories, strategic choices, and their performance outcomes.

We invite theoretical and empirical manuscripts that address a variety of research questions related to the strategies, growth trajectories, and performance outcomes of emerging markets that take into account the economic, cultural, institutional, and legal differences of their countries of origin. An illustrative set of research questions/areas of interest is provided below. The list is purely illustrative, and we are open to research that addresses any innovative research question relating to EMNEs. We recommend that conclusions, where appropriate, include managerial implications of the research.

1. Targets for internationalization: Some emerging market firms have taken their first steps in internationalization by expanding to other emerging markets. Others have chosen to expand into developing countries and engage in head to head competition with established multinationals (Ramamurti, 2012). What are some of the likely antecedents of these divergent strategic choices and what are their performance outcomes?
2. Many of the multinationals from emerging economies belong to business groups. Examples include the CP Group of Thailand and the Tata Group of India. Does business group affiliation bestow a firm with advantages in the process of globalization? If so, what are these advantages and how do they translate into long term competitive advantage?
3. Some of the multinationals from emerging markets are either state-owned or state-supported. There is virtually no equivalent to this in the developed economies. How does state support affect the strategies and performance of emerging multinationals? For example, how does it affect their political risk? Or cost of capital?
4. Many small and medium-sized multinationals from emerging countries start by targeting ethnic enclaves in foreign countries. To some extent, this helps these firms gain a foothold in foreign markets. But in some cases, being closely identified with an ethnic group may constrain their capacity to grow beyond ethnic enclaves. How can firms make a successful transition from ethnic enclaves to mainstream markets?
5. Liability of foreignness: It is well established in international business research that firms suffer from liabilities of foreignness when they venture into foreign product and capital markets (Zaheer, 1995). Such liabilities of foreignness may be even higher for firms from emerging markets. What strategies have EMNEs followed to overcome such liabilities of foreignness?
6. EMNEs and Capital Markets: Many emerging multinationals have entered global capital markets through both equity and bond issues. Some firms have forgone their domestic markets altogether and have listed solely in foreign capital markets. What are the motives behind such efforts: to access more capital at lower cost? To attain higher market valuation? To connect with knowledgeable investors? To signal to customers that they are global firms? How do they choose the specific capital markets to list? What governance changes may precede or follow entry into global capital markets?
7. Mode of entry and Global expansion: Given that firms have multiple ways to enter a market, it is not surprising that a significant body of research in international business is devoted to

entry mode choice (Datta, Hermann & Rasheed, 2002). However, in most of this research, the focus has been on entry mode choice by developed country MNCs. Are the theoretical approaches and empirical conclusions derived from these studies generalizable to EMNCs?

8. Theories of internationalization: A number of theoretical perspectives have been used in the past literature to explain the internationalization of firms: These range from internalization theory, transaction cost theory, eclectic theory, and internationalization theory. To what extent can these theories explain the internationalization patterns of EMNCs? Kothari, Kotabe, and Murphy (2013) for example, propose a three-stage model for explaining the internationalization of emerging market firms from China and India. Guillén and García-Canal (2009) have identified many differences in the internationalization strategies pursued by developed country MNEs and EMNCs.
9. EMNC heterogeneity: Emerging markets are highly heterogeneous. Hoskisson, Wright and Peng (2013), for example, have suggested a typology of emerging markets based on the two dimensions of institutional development and infrastructure and factor market development. How do these and other salient characteristics of the environment of emerging markets affect the strategies of their firms?
10. Institutional borrowing: One of the motivations offered for the internationalization of emerging market firms is “institutional borrowing.” That is, firms from countries with poorly developed institutions or a high level of government restrictions register in foreign locations, effectively borrowing the institutional environment of a more developed country (Pinkham & Peng, 2017). In what ways can institutional loans help an EMNC? To what extent is it effective?
11. Late mover advantages: A considerable body of research has investigated the advantages of being a first mover. Being a late mover is often considered a disadvantage (Bartlett & Ghoshal, 2000). Most EMNCs are, however, late movers and have been able to succeed in spite of being late entrants to the market. What strategies have EMNCs pursued to leverage their late mover status into a competitive advantage?

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