Are emerging market multinationals (EMNC) a new phenomenon that is explained by old theories? Are they an old phenomenon, but which would require new theories? There is no ready answer in the literature. Any path towards a proper reply must consider interdisciplinary research and multilevel analysis. Asymmetric power relations in the global production networks must be considered. State companies, family owned, medium and small companies, all must be considered in the international arena together with the once monolithic multinational model from developed countries. Furthermore, in the words of Andrea Goldstein “rather than only considering economic factors, an account of companies’ internationalization trajectories need to incorporate the formation and development of strategies, routines, objectives, and behaviors in specific social, cultural and historical contexts” (2009: 5). Additionally, Jones and Khanna (2006) remind us that founding scholars of IB studies such as Raymond Vernon, John Dunning and Edith Penrose considered historical approaches and methodology as a high priority. The role of the state in the formulation of policies that affect the international market should not be underrepresented. The world is not borderless and differences still matter (Ghemawat, 2007). Instead of the end of the nation state as predicted by Kenichi Omae (1995), we have seen the numbers of states growing from 96 in 1960 to over 200 as of today. Furthermore, in the recent decades the states have strengthened their role by the formation of regional associations (Aahroni, 2010). Besides the country level, research about EMNC has to consider as well the impact of regionalism. A number of regional agreements were signed in the mid-90’s such as Southern African Development Community (SADC), the Association of Southeast Asian Nations (ASEAN), MERCOSUR and the Andean Community, have offered various incentives for the regional integration (Ayuk and Goldstein, 2006). We have to add another governmental agent that has made itself present in the international context in the recent years, the sovereign wealth funds (SWF). SWF in Goldstein’s view (2009) have been responsible for the recycling of global imbalances and are leading traditional liberal countries to rethink their economic order. To the other hand, we clearly note that the international capacity of EMNC is either downplayed and/or misrepresented. Sometimes they come represented by generalities such as “project execution and political and networking skills, among other non conventional ones” (Gillén and Garcia-Canal, 2009). We might argue that the lack of a clear description of EMNC international capacity in the literature is what presently gives them a free ride in the world market.
INTRODUCTION

Much is being written about emerging market multinationals (EMNC) using the same criteria used to analyze multinationals (MNC) from developed countries. Is this appropriate? Would there be different characteristics in EMNC that would make necessary different theoretical lenses for the proper understanding of their international business strategies?

The fact is that the field of International Business Strategy (IBS) is not problematized when transplanted to analyze EMNC. IBS is a subfield of Strategy that is also informed by International Business (IB). As such it carries along all limitations of the respective contexts of each field.

Chandler (1962) is considered the founder of the Strategy field. What he does in this seminal work is to define the management capitalism as the motor of the American economy led by the big private company in which the top managers formulate the strategy decisions. Later in 1977 Chandler went even further affirmed that these managers would represent the “visible hand” that would determine the best allocation of resources in order to optimize social interests.

The emphasis on the big private company and the power of the manager influenced IB perspectives.

That would certainly correspond to a particular moment in the history of the United States (US), but not necessarily should be considered as a universal truth. Boddewyn (2004) when discussing the field of International Management (IM) considers that management is a historically and socially constructed concept that carries a strong American accent, hence particular consideration should be taken before considering it universal.

Jack et al (2008) suggest that the literature in IB and IM, or that have the MNC as focus, is strongly rooted in the positivist-functionalist tradition and that it does not go through a reflexive process of its epistemological consequences. Furthermore, these authors suggest that research is done in the American context, without concern with its cultural and ideological contents and is regarded as universal.

That leads in the view of Westwood and Jack (2007) to an ahistorical and decontextualized perspective.

In order to keep the purism of the free market concept of the dominant model, the asymmetric power relations of the international context are not taken into consideration. These relations take place amongst governments, MNC, global transnational organizations (GTO) and various social agents (Faria, Ibarra-Colorado and Guedes, 2010).

When privileging the model of the big private enterprise the dominant epistemology brings together the idea of a free and global market for all, as well as the perception of the superiority of the private over the public.
“These powerful discourses are based on the idea that structures and organizations based on economic interdependence, the free market and management replace ‘old’ and ineffective structures and organizations grounded on politics, coercive government and poor public administration” (Faria and Guedes, 2007: 23).

One should not underestimate the role of the state and institutions when discussing EMNC. The different proprietary structure not only with the presence of the state, but as well as of big family owned and controlled companies and business groups must be taken into consideration. Conceptualizing those as “institutional voids” (Khanna and Palepu, 2010), though being very convenient, leads to distortions in the analysis.

Besides, in a context in which the state is being called back in developed economies to bail out banks and corporations, one should not underestimate the “growing dynamism and influence of state capitalism from emerging and developing countries” (Wells, 2009: xiii).

Therefore, a more ample and interdisciplinary approach should be taken into consideration when studying EMNC. The historical and asymmetric power relations in the international arena must be duly considered (Levy, 2008).

In the next session we review the literature in IBS. That will be followed by a discussion of the extant literature on EMNC and our final considerations.

**INTERNATIONAL BUSINESS STRATEGY**

International Business Strategy (IBS) is a subfield of Strategy Management (SM) that is not clearly defined (Lu, 2003). Besides, it may also be found in the literature designated as Global Strategy, International Strategy Management and International Business Studies.

Part of this opaque situation is due to the fact that IBS was born in the Strategy field, but is as well informed by International Business (IB). Peng and Zhou define that “Global Strategy (or International Strategy Management) is an important research field that is formed in the intersection of International Business and Strategic Management” (2006: 492). By the same token, Lu (2003) considers as eligible articles to his analysis of the main contributions to IBS only those that stay within the definitions of both SM and IB.

Bruton et al (2004) suggest that for a research to be within IBS it must analyze topics that are determinant to a company performance. These authors consider that the most important research question in IBS is “to what extent do various environmental and organizational factors impact an MNC ability to outperform its competitors over time?” (2004: 422).

Ricart et al (2004) suggest an analogy with business ecology and places to affirm that the main characteristic of IBS content is the option between localization in different places utilizing distinct structures. They suggest that a rich line of investigation in IBS should “trace activities, resources and knowledge, as well as their interaction, over the appropriate geographies” (2004: 189). These authors consider that research in IBS should be worried with the search of balance between global integration and the capacity to local responsiveness.
In their seminal work Bartlett & Goshal (1989) propose the transnational solution as the best way to balance the often conflicting pressures of global integration and local responsiveness.

At this stage we may consider the definition of the interest group Global Strategy within Strategic Management Society (SMS) in order to gain a better understanding of IBS field. This interest group was formed in 2005 and had as its first leader Mike Peng who is one the main authors of the field:

“This Interest Group focuses on international or global firms. It is explicitly concerned with the impact of evolving global, international, and regional cultural, social, economic, technological, environmental, and political forces on the development and content of organization forms and strategies. Other specific interests include comparative strategic and organizational studies, cross-border management of corporate or business strategy and operations, parent-subsidiary relationships, and foreign location entry strategies” (http://strategicmanagementsociety.net, downloaded 02/15/2011)


Lu (2003) utilizes the same methodology to cover the articles from the second half of the 1990’s. He then adds his findings with Bruton and Lohrke (1997) articles to come to a study of the main contributions in this decade. He departs from the four main streams in SM – environment, leadership and organization, strategy and performance – and he arrives to 18 subgroups in IBS. Within these 18 groups he classifies the 393 articles, which led him to the main authors of the field and the schools they belong to.

The main subgroups that came out in this study were International Diversification and Alliances. These themes were certainly dominating in the 1990’s and that is why Dunning (1995) announced that capitalism would be entering a new era of alliances and that it would be leaving hierarchy behind.

Another important issue highlighted by Bruton and Lohrke (1997) and Lu (2003) was the transition of the theoretical basis from the 1980’s to the 1990’s. The 1980’s were dominated by economic based theories, transaction costs and internalization, whereas in the 1990’s more interdisciplinary theories are present. Three new theoretical bases emerged: Institutional Theory, Knowledge Management and Resource Based View. That led the authors to conclude that IBS will continue to expand.

Peng and Zhou (2006) depart from the same selection of 393 articles performed by Lu (2003) in order to make a co-citation analysis. They reach the 25 articles most cited by the 393, which they classify within the 18 categories proposed by Lu (2003). These 25 articles, considered by Peng and Zhou (2006) as the main contributions to IBS, were published in five main journals: Strategic Management Journal, Journal of International Business Studies, Academy of Management Research, Academy of Management Journal and Management Science. Again we may notice journals both from IB and SM.
Another confirmation of Lu’s (2003) propositions is that the Strategic Alliances subgroup was again the most relevant within the 25 most cited articles (Peng and Zhou, 2006).

However, in what concerns the main authors of the field, the two studies did not coincide. It means that in IBS the number of published articles does not mean relevance.

Ricar et al (2004) propose a new frontier for the research in IBS: studies on how to reach the “basis of the pyramid” (Prahalad and Hart, 2002) should be at the top of the agenda. They consider that there is a total of four billion people in the world that have been neglected by the MNC and academics, which represent an enormous market opportunity.

Additionally, Ricart et al (2004) suggest that the benefits of the market system should be taken to all humanity in new strategic basis that respect cultural and environmental diversity. According to the authors, this is an efficient way to avoid resistances against globalization and to have organizations contributing to a transformation for the future. They consider corporate social responsibility as a new frontier in IBS. The final objective should be to bring prosperity to the whole humanity.

Bruton embraces this call and he goes even further affirming that “companies have the ability to resolve poverty issues in a more appropriate way than government aid programs” (2010: 9). He proposes that academics should join their colleagues from the extreme poverty regions in order to help them understand how companies could be successful in such places.

**EMNC: FROM OLI TO LLL TO (EVERY)WHERE?**

When emerging market multinationals (EMNC) were first studied (Wells, 83; Lall, 83) they were called Third World companies. Since then, the Berlin wall has fallen, hence the divide of the world in two has ceased and the usage of “Third World” as an expression became no longer common. The fall of the wall led to a belief of the end of history and that Western knowledge and civilization would educate the whole world, thus leading to a homogenization. The 2007 crisis in developed countries made clear that this process is absolutely not inevitable nor irreversible, much to the contrary, we live in a world where differences still matter (Ghemawat, 2007).

After so many changes in the world economy within the last 30 years, should we expect theories developed for multinationals (MNC) of mature economies in the 1970’s still be applicable today for MNC from developing economies?

Are developing/emerging multinationals in the XXIst century the same as the Third World multinationals (3WMNC) of the 1970’s?

There is at least one thing that scholars interested in this subject agree: we must look for answers to these questions instead of just applying mainstream theories to EMNC studies.

However, we notice divergence amongst authors and even those that utilize the OLI paradigm (Dunning, 1976; 2008) or the Uppsala model (Johanson and Vahlne, 1977; 2009) to analyze
EMNC suggest different adaptations, which sometimes are divergent or even negate the very model.

The fact is that most of the studies are made with a “perspective from the North” that does not take into consideration the specificities and characteristics of the countries from the South. Consequently, a different institutional setting is called “institutional voids” (Khanna and Palepu, 2010); government role and state companies, which are so important in the South, are neglected (Cuervo-Cazurra, 2008); ownership advantages are not recognized and they are depicted as soft attributes (Rugman, 2009); the historical context is not taken into consideration and the phenomenon of EMNC is described as new and the preceding history of the companies is neglected; large family owned business and business groups are ignored, as are medium and small companies. Each of these issues will be further elaborated in this paper.

International business (IB) has pledged to become more interdisciplinary and avoid the excessive emphasis on economics. Dymsz (1984), after observing the academic production for nine years from his privileged position as editor-in-chief of the Journal of International Business Studies (JIBS), urge scholars for the need of interdisciplinary researches. Apparently, his call was in vain as 20 years later Meyer (2004) renewed the same call for interdisciplinary studies and mentioned the fact that economics had been the most influential approach in the previous two decades. In the same number of JIBS (vol 2, no 2, 2004), Shenkar supports the call for interdisciplinary research and the inclusion of international relations.

Jones and Khanna recognize that “…systematic investigation of historical evidence has disappeared from the research agenda of most IB scholars” (2006: 454). That may explain why some authors mention that EMNC internationalize at an early stage of their corporate life (Goldstein, 2009) while others, like Ramamurti (2009) and Cuervo-Cazurra (2008) confirm the opposite. The latter, when studying the 20 biggest multilatinas, concludes that it took on average 49 years before they would internationalize.

What was their previous history? Why should it be neglected? Is it because some of them were state companies and/or were leaving in a protected economy? According to mainstream theory this scenario would lead to inefficiency and those companies should not be competitive internationally. However, some of them have succeeded in the world market. Why? Does it mean that protectionism during the years of import substitution has favored them? (Wells, 2009). Certainly, if that is the case it will be denied by mainstream theory.

Even though the trend of increasing foreign direct investment (FDI) by EMNC is clear, some authors argue that this is not linked to ownership advantages. Dunning (2008) suggests that this trend is linked to “strategic asset-augmenting” and he states that “…in general, these firm-specific advantages are much less determinative of outward FDI by emerging economies today than they were for developed countries half a century or more ago (2008: 174-5). If this is the case, the “O” of the OLI paradigm does not apply to EMNC. The “L” should not apply either, according to current theory, as EMNC are supposedly mostly located in places with cheap access to labor and natural resource endowments. What about the “I”? According to traditional theory (Buckley and Casson, 1976) the “I” would occur in face of market failure. In situations of South-North investment we should expect that market structures in mature economies would be the best solution for EMNC or, looking from another angle, if no “O” is recognized in EMNC what would they have to internalize via an FDI in a mature economy?
Given these circumstances, how should we expect to analyze South-North FDI within the OLI paradigm?

That led Ramamurti to conclude that IB fails to explain South-North FDI and that a good part of its literature is composed of “context-free generalizations at high levels of abstraction, or context-dependent generalizations at much lower levels of abstraction...What is needed is theory in between that incorporates contextual variables as contingencies” (2009: 13).

EMNC are internationalizing in a much different context from the 1960’s and 1970’s when most American and European MNC did and from the 1980’s when the Japanese MNC reached the world market. Global production networks (GPN) have now long been established and the asymmetric power relations across firms and regions have been interlocked consolidating inequalities (Levy, 2008). Levy suggests that GPN is composed by multiple actors each defending its own interests, not only firms, but states and supranational agencies, non-governmental organizations (NGO) and industry associations. GPN is thus “…a complex political-economic system in which markets, and their associated distribution of resources and authority, are constructed within, as well as actively shape their socio-political context” (2008: 3-4). However, some EMNC were efficient in leveraging within the GPN and were successful in their internationalization process. The GPN structure makes clear that in order to study properly EMNC we must take all those actors in consideration as well as accounting for the asymmetric power relations within them.

In face of this new situation, Mathews (2006) proposes a new paradigm, LLL - link, leverage and learning – to replace the OLI. We might argue that his reasoning is in line with the “reappraisal of the Uppsala model” as proposed by Johansson and Vahlne (2009), in which being part of a GPN is fundamental for the internationalization process. Mathews considers his LLL paradigm dynamic against the static OLI, hence being more adequate to newcomers. In a long documented discussion with Prof Narula, he invites the later to “drop the pretense that everything that has happened in the global economy over the past quarter century can be accommodated within a single conceptual framework introduced to capture a very specific feature of MNC” (2006: 155).

However, issues of power and politics and the consequent asymmetries are not taken into consideration in the LLL. In many occasions South-North FDI has suffered from prejudice and even operations had to be dropped (Dubai Port acquisition of P&O; Goldstein, 2009). How should we designate this situation in which mature institutions from the North orchestrate to repel an FDI from the South? If institutional voids is the concept used to describe the structure in developing economies, should we designate them as institutional ample? Institutional rigidities?

The fact is that the protectionist measures in mature economies have been extensively used against EMNC. These measures have been disguised under issues of national security, supposed government control of EMNC, lack of corporate governance and corporate social responsibility by EMNC and that the EMNC would be supported by privilege access to cheap funds (Goldstein, 2009). That has led some authors to conclude that what EMNC face now is analogous to the situation Japanese MNC faced in the 1980’s. Some authors go even further to say that the pretense lack of management skills by EMNC may lead to losses for corporations from the North in M&A led by the South (Rugman, 2009). In conclusion Tulder (2010) suggests that EMNC faces a higher liability of foreignness (Zaheer, 1995).
Most of this prejudice is derived from the fact that the dominating epistemology when privileging the great private company brings together the idea that the private is superior to the public (Faria and Guedes, 2007). However, when analyzing EMNC we cannot dissociate from the state policy or even the regional institutions (Wells, 2009).

That may as well explain why Cuervo-Cazurra (2007) when studying multilatinas has taken out of his sample the state-owned companies “because their behavior differs from that of private firms; state-ownership results in different objectives” (2007: 262).

The importance of state companies and family controlled groups amongst EMNC becomes clear when we analyze the list of the 23 biggest non-financial companies from Latin America (Mortimore and Razo, 2009): 8 are state or ex-state controlled; 9 are family controlled; and only 6 would fall in the traditional category of large private companies.

The description in the current literature on how the EMNC develop their capacity of internationalization brings more doubts than reasonable explanations. Bartlett & Goshal (1989), who were accurate in suggesting the transnational solution geared towards the MNC from developed countries, propose for EMNC, who they name as late movers (2000), solutions that clearly only identify in them soft capacities. They recognize EMNC at the bottom of the value curve and they suggest that for them to move up it should just be a matter of changing the mind set and be guided by relentless leaders, which is an axiom of managerial capitalism. Curiously enough he does not suggest M&A as a possibility for EMNC to catch up with developed countries MNC. Just a few years after their article came out a strong wave of South-North FDI has started. Other authors consider this new wave of M&A as a big risk EMNC are taking as they lack the managerial capacity to manage complex operations (Rugman, 2009).

Some authors even recognize the importance of the state in the country of origin of EMNC. They describe this relationship with government as an advantage EMNC would have when operating in countries with the same structure (Ghemawat and Khanna, 1998). Cuervo-Cazurra (2008) argues that this relationship with governments gives EMNC the advantage of knowing how to bribe when operating in environments subject to corruption.

In fact, we find in the literature a proposition that “EMNC internationalize in order to build their advantages – a reversal of the traditional perspective” (Aykut and Goldstein, 2006: 20). Some authors even affirm that the institutional voids that exist in all emerging markets would hinder EMNC capacity to compete with MNC from developed countries, because the former would have limited access to capital, sophisticated R&D and top-quality management (Khanna and Palepu, 2010).

Therefore, we clearly notice that, though they are inexorably expanding, the international capacity of EMNC is either downplayed and/or misrepresented. Sometimes they come represented by generalities such as “project execution and political and networking skills, among other non conventional ones” (Gillén and Garcia-Canal, 2009). We might argue that the lack of a clear description of EMNC international capacity in the literature is what is presently give them a free ride in the world market.

To the other hand, we should as well consider the role of small and medium enterprises in the international arena. Aahroni (2010) remind us that there is a total of 82.053 MNC (UNCTAD,
2009), but just a small fraction of big corporations is being studied. She proposes that “we should study these firms, to understand if they face different problems and obstacles in their path toward globalization” (2010: 55).

The following interdisciplinary framework as proposed by Guedes (2010: 97) is an important consolidation of recommendations suggested by prominent scholars from IB and IM.

We notice that all the actors of the GPN, as proposed by Levy (2008), are incorporated in this frame. However, we have to add another governmental agent that has made itself present in the international context in the recent years, the sovereign wealth funds (SWF). SWF in Goldstein’s view (2009) have been responsible for the recycling of global imbalances and are leading traditional liberal countries to rethink their economic order. They influence the decision of multiple actors such as companies, states and institutions.

This is the focus of an empirical study that will be accomplished with the framework developed here.
FINAL CONSIDERATIONS

As suggested by many scholars analyzed in the present work (Dymsza, 1984; Meyer, 2004; Shenkar, 2004; Goldstein, 2009; Ramamurti, 2009; Guedes, 2010), interdisciplinary research is absolutely necessary for a coherent analysis of EMNC. The limitations of isolated and disciplinary fields will not lead to a proper study.

Furthermore, in the words of Andrea Goldstein “rather than only considering economic factors, an account of companies’ internationalization trajectories need to incorporate the formation and development of strategies, routines, objectives, and behaviors in specific social, cultural and historical contexts” (2009: 5). Additionally, Jones and Khanna (2006) remind us that founding scholars of IB studies such as Raymond Vernon, John Dunning and Edith Penrose considered historical approaches and methodology as a high priority.

Besides, state companies, family controlled enterprises and other hybrid forms of ownership coexist in the world market with the traditional big private corporation.

The role of the state in the formulation of policies that affect the international market should not be underrepresented. The world is not borderless and differences still matter (Ghemawat, 2007). Instead of the end of the nation state as predicted by Kenichi Omae (1995), we have seen the numbers of states growing from 96 in 1960 to over 200 as of today. Furthermore, in the recent decades the states have strengthened their role by the formation of regional associations (Aahroni, 2010).

Hence, besides the country level, research about EMNC has to consider as well the impact of regionalism. A number of regional agreements were signed in the mid-90’s such as Southern African Development Community (SADC), the Association of Southeast Asian Nations (ASEAN), MERCOSUR and the Andean Community, have offered various incentives for the regional integration (Ayuk and Goldstein, 2006).

The asymmetric power relations within global production networks (Levy, 2008) must be considered in analyzes of the way EMNC link and leverage their operations in the international system.

In spite of what the IBS literature preaches it is clear that other forms of capitalism are possible and that other forms of MNC are thriving in the world. Compelling evidences show us that the world has not been flattened out by a superior force - i.e., market - which requires the ‘visible hand’ - i.e, manager - as the only way to development. It is particularly interesting that countries that were less affected by the economic crisis of 2007 are the ones where the State still has an important presence in spite of the global power achieved by IBS discourses (The Economist, 2010).

Future research should also evaluate if South-South investment may be more beneficial to the host countries when compared to North-South (Aykut and Goldstein, 2006). The perception that in South-South FDI there is an institutional proximity, and the fact that the technology being transplanted would be more appropriate for the host country would lead to a potential confirmation of this proposition.

Future research could explore the concept of institutional rigidity, which would be the counter reaction of institutions in developed countries to repel FDI from developing countries in situations in which national security issues would supposedly arise.
Another unexplored area where future research in EMNC could develop is to evaluate a potential “havainas” effect, i.e., a reverse strategy of internationalization to developed countries just to bring more awareness in the domestic market¹.

The recent strong presence of sovereign wealth funds (SWF) in the international market is certainly an area that deserves future studies (Goldstein, 2009). Together with SWF, the different forms of private equity funds that operate in the international markets are reshaping the way global production networks operate. Particularly in commodity markets they enter as an agent without commitment to any other party and they may significantly distort the price formation and invert the power balance amongst the participants (Financial Times, 2011).

NOTES
1 - “Havaianas” are a Brazilian sandals that are exported to 80 countries. The turnover of the company is circa USD 1.5 billion and just 2.5% are generated abroad. However, this global reach was translated in a higher position for the products in the domestic market.

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