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An examination of the conditions, characteristics and strategies pertaining to the rise of emerging markets multinationals

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Abstract

Purpose – This paper aims to examine the conditions, characteristics and strategies pertaining to the rise of emerging markets' multinationals (EMNEs).

Design/methodology/approach – The paper relies on both academic and professional resources to offer a holistic understanding of EMNEs by reviewing, analyzing and classifying their underlying conditions, characteristics, internationalization motivations, strategies and competitive advantages.

Findings – The analysis indicates that EMNEs ascended as a result of major socio-economic transformations in the past two decades after the Cold War; follow an accelerated path of expansion; implement flexible and decentralized organizational configurations; enjoy strong political connections; do not internationalize according to the ownership-location-internalization paradigm, rather follow the linkage-leverage-learning pattern; benefit from multiple sources of competitive advantage and adopt five main types of international strategies; are becoming more sophisticated and represent serious threats to their counterparts from advanced economies.

Research limitations/implications – As emerging markets and their multinationals are highly heterogeneous, the findings and suggestions remain context-bound.

Practical implications – The paper synthesizes the EMNEs literature, bridges theory and practice and offers an integrative outline that can be useful for international business managers.

Originality/value – The paper takes an all-inclusive approach and provides insights into multiple societal and organizational facets of EMNEs.

Keywords Emerging countries, Business globalization, Emerging markets multinationals, Firms' Internationalization, International strategies

Paper type Conceptual paper

1. Introduction

Since the end of the Cold War, we have witnessed the formation of a new multipolar world ruled by various centers of political and economic power and marked by the ascendance of nations outside of the advanced industrialized world (Zakaria, 2011). In the past two decades, Japan and the USA's shares of the world's foreign direct investment (FDI) have fallen, while those of developing countries have risen significantly (Kothari *et al.*, 2013; Ramamurti, 2012). For the first time since the industrial revolution, the world economy is not dominated by a small group of

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developed nations (Ciravegna *et al.*, 2015). The FDI flows from developing economies have rapidly increased from US$12 bn in 1990 to nearly US$328 bn in 2010 which is equivalent to 24.8 per cent of the world FDI (Dohse *et al.*, 2012). Some scholars have indicated a shift of FDI and business activities from the triad (USA, Western Europe and Japan) to emerging countries (Aulakh, 2007; Cuervo-Cazurra and Genc, 2008; Kothari *et al.*, 2013; Ramamurti and Singh, 2009). Others have described the "rise of the rest" or the ascendance of emerging countries as a seismic change in the world economy, perhaps "the biggest shift since the Industrial Revolution of the 18th century" (Van Agtmael, 2007, p. 247). Emerging countries are fueling the world's economic output, trade and investment (Ciravegna *et al.*, 2015). Despite their socio-cultural differences, emerging countries are characterized by three common features: high growth rates, low/middle income levels and economic liberalization as the primary engine of their growth (Banalieva *et al.*, 2015; Cuervo-Cazurra, 2012, 2007; Cuervo-Cazurra and Ramamurti, 2014; Gaffney *et al.*, 2014; Hoskisson *et al.*, 2000; Rottig, 2016; Xu and Meyer, 2013) (Table I, Theme 1). While "high growth rate" is widely accepted as a characteristic of emerging economies, some countries notably Russia, Brazil and South Africa have experienced economic slowdown and contraction in the recent years. The emerging countries enjoy fairly well-developed physical and financial infrastructure but have less well-developed processes and systems of governance, regulation, education and accounting than the world's most advanced countries (Banalieva *et al.*, 2015; Kearney, 2012). As of 2013, the Morgan Stanley Capital International (MSCI) Emerging Markets Index included the following 21 countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey (www.msci.com). Similarly, the Financial Times Stock Exchange Index included nine advanced emerging economies including Brazil, the Czech Republic, Hungary, Malaysia, Mexico, Poland, South Africa, Taiwan and Turkey, and 13 secondary emerging economies as Chile, China, Colombia, Egypt, India, Indonesia, Morocco, Pakistan, Peru, Philippines, Russia, Thailand and the United Arab Emirates (Kearney, 2012). According to Goldman Sachs' projections, the four largest emerging economies, namely, Brazil, Russia, India and China will overtake the economies of the group of seven largest industrialized countries (USA, Japan, Germany, France, UK, Italy and Canada) by 2040 (Van Agtmael, 2007). Consistent with the same projections, Brazil, Russia, India and China along with the next 11 economies (Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam) will be larger than the Group Seven soon after 2030. FDI outflows from developing economies have reached the record level of US$553 bn in 2013 (Amighini *et al.*, 2015; Crescenzi *et al.*, 2015; UNCTAD, 2014), and despite the recent decline in the global economic growth, it is expected that emerging countries will lead global development over the next decade (Bortoluzzi *et al.*, 2015).

An important trend in this new multipolar world is the ascendance of emerging markets' multinationals (EMNEs) (Berrill and Mannella, 2013; Goldstein and Pananond, 2008). China Mobile and Lenovo of China, Embraer and Metalúrgica Gerdau of Brazil, Samsung and LG of South Korea, Reliance Industries and Tata of India and Lukoil and Gazprom of Russia are becoming hallmarks of a new breed of multinational companies originated in emerging countries. They are expanding rapidly and leaving a permanent mark on global markets. The number of EMNEs in the Fortune Global 500 list of the

Table I. Conditions, characteristics, motivations, competitive advantages and strategies pertaining to the rise of emerging markets' multinationals

Themes	Sub-themes and features	Explanation	Notes and examples
Emerging markets and emerging markets multinationals	High growth rates Low/middle income levels Economic liberalization	A country that is involved in political, social, and economic evolution and which is experiencing a rapid economic growth	Brazil, China, India, Korea, Mexico, Russia, South Africa, Taiwan, Thailand and Turkey
	EMNEs	A multinational corporation originated or headquartered in emerging countries	China Mobile, Lenovo (China), Embraer (Brazil), Samsung, LG (S. Korea), Reliance and Tata (India)
Conditions underlying the rise of EMNEs	Historical conditions	Western multinationals sought cheap labor and raw materials in third world countries	The firms from developing countries acquired capital, technology and management standards
	Global conditions	Integration of financial systems across the world	Market opening
		Trade liberalization	Exchange of labor, capital and information
		Socio-cultural conjunction	
	Institutional conditions	Increased economic liberalization and openness	Fall of the Berlin Wall, Collapse of the Soviet Union
		Privatization	China: Deng Xiaoping's reforms
		Outward FDI promotion	Neo-liberal policies
			Chinese outward FDI promotion
	Financial conditions	Cheaper sources of capital	Availability of capital
		Low interest rates	Growth of entrepreneurship
		Less restrictive monetary policies	
		High savings rates in emerging countries	
	Cultural conditions	More modern values: rationality, secularity, self-expression, cosmopolitanism and individualism	Tendency toward consumerism, entrepreneurship, global marketplace, competitiveness, professional success, education and innovation
Characteristics	Accelerated/dual expansion	Simultaneous entry into developed and developing markets	Accelerated expansion is supported by high growth rates in emerging economies
	Organizational innovation Get rid of conventional organizational structures	Innovative organizational structures enhance competitiveness	Adopt flexible and global configurations
	Dependence on the government support	Strong political connections	State ownership in the energy sector: Petronas (Malaysia), Petrobras (Brazil) and Pemex (Mexico)

(*continued*)

Themes	Sub-themes and features	Explanation	Notes and examples
	Entry modes based on external growth	Usually enter developed and developing markets simultaneously	Preference for alliances and acquisitions
	Imitator rather than innovator	Preference for improvisation, adjustment to the local markets	Mahindra and Mahindra's Scorpio of India, Embraer of Brazil and Sasol of South Africa
		Employ "Reverse Innovation"	
	Branding strategies	Extending the existing brands	Mexico's Corona extended its brand
		Acquiring established brands	Lenovo purchased IBM PC division
		Adjusting their brands to various markets	TCL is branding differently across the globe
	Sectors/Industries	A wide range of industries	Energy sector: PetroChina, PetroBrasilia and Gazpropm
		The largest firms are concentrated in energy and resources sectors	Technology sector: Samsung, Embraer, Reliance Industries and Tata
Internationalization theories	Internationalization trajectory	Not sequential	Take internationalization as a springboard to overcome their latecomer disadvantage
		An asset-exploring rather than an asset-exploiting process	May internationalize with little prior international experience
	Internationalization paradigm: LLL	Linkage: The collaborative strategies such as joint ventures and alliances	Allow accelerated access to new resources
		Leverage: Leverage the resources	Benefit from the associated cost advantages
		Learning: Learn about new sources of competitive advantage	Become global players
Motivations for internationalization	Seeking new markets	Seeking new markets to boost competitiveness against domestic rivals, to get closer to customers, to gain knowledge about foreign markets	More important for the EMNEs operating in smaller emerging economies like Chile, the Czech Republic or South Korea (e.g. CEZ, the Czech electricity Provider)
	Efficiency gains	To cut the cost of production and gain efficiency	Taiwan's Hon Hai Tata Group's acquisition of UK-Dutch steel group Corus to capitalize on economies of scale
	Higher value	To move up the value chain into more complex and higher value-added activities	Higher value is becoming more important as the EMNEs are maturing E.g. LG of South Korea and Acer of Taiwan
	New resources	To acquire new resources, particularly labor, capital or raw materials	Chinese companies gained control in oil production facilities in Algeria and Canada Brazil's Vale acquired a controlling stake in Canada's Inco

(*continued*)

Table I.

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Themes	Sub-themes and features	Explanation	Notes and examples
	National prestige	EMNEs can enhance the national pride abroad	E.g. China "go out" policy (2002) to create globally competitive companies
	Escaping weak institutional environment	Internationalize in institutionally strong countries	Minimizing risk from domestic conditions
Generic strategies	The Local Optimizer	Expanding into other emerging markets by exploiting the domestic formulae	What works at home can work in other developing countries E.g. HiSense, Mahindra and Mahindra, Tata Motors and Shoprite
	Low-Cost Partner	Capitalizing on the factors associated with low cost of production	Appropriate for the EMNEs from China and India which have abundant low-wage workers E.g. Infosys and Wipro
	The Global (or Regional) Consolidator	Building global scale in mature mid-technology industries, such as cement, steel, aluminum, auto parts, personal computers and beverages	Improving the performance of acquisitions abroad by adding new capacity and growing sales and profits, e.g. Lenovo's takeover of IBM's PC business and Tata Steel's takeover of Anglo-Dutch
	The Natural-resource Vertical Integrator	Securing growing markets or demand through vertical integration	E.g. Gazprom, Lukoil, and Norilsk of Russia, and Vale of Brazil integrated forward into Europe or North America Sinopec and CNOOC of China acquired resources in Australia, Africa and Latin America
	The Global First-Mover	Seeking key technologies and capabilities necessary to compete in new industries	High degree of innovation and competitiveness is required, e.g. Embraer of Brazil in regional aircraft, Huawei of China in 3G and Suzlon Energy of India in wind power
Challenges	Input constraints	The access to input factors such as energy, raw materials, labor, talent and capital is becoming increasingly difficult	The rising cost of resources and labor are mounting in many emerging economies
	Greater competition	The growing pressure from both the developing and developed countries' multinationals	China is seen as the strongest player
	Geopolitical risk	The geopolitical risk associated with the EMNEs' expansion	The geopolitical risk at the local, regional and global levels

(*continued*)

Themes	Sub-themes and features	Explanation	Notes and examples
	More diverse customers	The complexity of diverse and demanding customers	One-size-fits-all approach is not sustainable
	Higher-value innovation	The increasing pressure to innovate	EMNEs are not usually strong at creativity and high-value innovation
	Going global but remaining local	The challenge of reconciling local and global markets	The dissonance between the global and local markets that are socially, culturally and institutionally different
	Limited innovation	Many EMNEs are lagging behind their Western counterparts in innovation	EMNEs rely on factor endowments
	Negative connotations	Negative image associated with developing countries and their corporations	EMNEs suffer from a disadvantage when investing in advanced economies
	Weak institutions	Undeveloped infrastructure, and undesired socio-economic conditions in their home countries	EMNEs' growth may be hampered
Sources of competitive advantage	Home country advantages	The low cost of production, the size of home market, and the extent of domestic competition	Cheap labor, abundant resource, and privileged access to capital, energy and land in countries like Russia, South Africa, Brazil and India
	Government-related advantages	Support from the central government	Privileged loans, incentives, technology, and favorable tax regimes
	Firm-specific advantages	Capacity to develop low cost products, capabilities in adapting new technologies, frugal innovation	E.g. Tata chemicals water purifier, Chotu kool refrigerator developed by Godrej and Boyce
	Network advantages	Flexible, global and decentralized organizational structures	Take a bolder and longer-term view Well integrated in complex networks of partnerships and strategic alliances Well-connected to a large network of the diaspora populations across the world, e.g. China's Haier and India's Tata
	Socio-cultural advantage	Socio-cultural proximity with developing countries	Ability to understand customers' needs in developing countries Ability to manage uncertain, volatile and even harsh business conditions of developing countries

(continued)

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Themes	Sub-themes and features	Explanation	Notes and examples
Dealing with the EMNEs threats	Seriousness	Take the threat seriously	The EMNEs threat is serious as their competitive advantages are rooted in multiple sources
	Long-term orientation	Take a long-term orientation in dealing with the EMNEs	There is no quick fix as the rise of EMNEs is a complex phenomenon
	Engagement	Adopt a high level of engagement in emerging countries	Competition through collaboration particularly with the EMNEs from China and India
	Willingness to learn	Learn from the EMNEs	Learn from the EMNEs about how to make products cheaper, better and more appealing to low-income consumers
	Develop an emerging markets strategy	Develop products for the emerging countries	Largest populations reside in the emerging countries and that is where demand is rising fastest
	Public-private partnership	Business-government partnerships at the local, state, regional and national levels	Dealing with the EMNEs requires a wide-ranging plan
	Avoiding protectionism	Protectionism is not the solution	Protectionism impedes excellence and leads to obscurity
	Learning from the first adopter	Learn from the adopter to pass technology from emerging countries to the Western countries	Pass technology reversely from subsidiaries to headquarters
	Knowing the clients' needs	Figure out what clients need all over the world	Target both wealthy and developing markets

world's biggest companies is going up steadily and the EMNEs have been expanding and acquiring new businesses across the globe at a frantic pace. They are aggressively trying to catch up with their counterparts in developed economies and are making their presence felt in the global marketplace (Kumaraswamy *et al.*, 2012; Lorenzen and Mudambi, 2012; Moghaddam *et al.*, 2014). According to the United Nations World Investment Report, in 2010, there were approximately 21,500 multinationals based in emerging markets (Berrill and Mannella, 2013). Among the top Fortune Global 500 multinationals, there were 95 companies from developing countries in 2010, compared to only 19 in 1990. Furthermore, EMNEs account for over 40 per cent of world exports and around a quarter of outward FDI flows (Contractor, 2013; Dohse *et al.*, 2012).

As the new economic powers are reshaping the world, the most important topic in international business concerns the remarkable rise of EMNEs. The past five years have witnessed an increasing interest in EMNEs research, but most of empirical and conceptual studies are limited to a few businesses and countries, address narrow questions and have restricted scopes. We maintain that from both intellectual and managerial standpoints, it is essential to have an all-inclusive grasp of the EMNEs phenomenon. Therefore, this paper relies on both academic and professional sources to offer a holistic understanding of EMNEs by reviewing, analyzing and classifying their underlying conditions, characteristics, internationalization motivations, competitive advantages and strategies. Furthermore, the paper provides an integrative outline that can be useful for international business scholars and managers.

2. Historical, global, institutional and cultural conditions underlying the rise of emerging markets' multinationals

2.1 Historical conditions

Historically, the evolution of developing countries' multinationals has seen different stages. Initially, the Western multinationals saw the opportunity of opening manufacturing plants in the third world economies to benefit from cheap labor and raw materials. Those countries that welcomed the Western multinationals received capital, technology and management standards (Table I, Theme 2). As the businesses from developed countries opted for outsourcing their activities, the technology of outsourced processes was gradually improved and the firms from developing countries became responsible to make more sophisticated products. These firms can be considered as the seeds of EMNEs. Likewise, the FDI outflows from emerging to developed countries have seen different waves. The first wave happened from the 1960s until the early 1980s and involved firms mainly from Latin America. During the 1980s, FDIs from emerging markets were seeking assets and included many Asian firms from South Korea, Taiwan, Hong Kong, Singapore and then from Thailand, China, India and the Philippines (Amighini *et al.*, 2015). Since the 1990s, the FDIs from emerging markets have been marked by mergers, acquisitions and greenfield investments in search of technology, brand, marketing and organizational competencies (Amighini *et al.*, 2015; Barnard, 2008; Cantwell and Barnard, 2008).

2.2 Global conditions

Since the 1990s, globalization has radically transformed the dynamism of business relations between developing and developed countries. Globalization brought a wide range of events such as integration of financial systems across the world, trade liberalization, deregulation, market openness and socio-cultural conjunction (Clark and Knowles, 2003; Mathews, 2006). Thanks to globalization, both developed and developing countries were integrated into a single world economy. At the same time, the advances in telecommunication and transport created new business opportunities by facilitating the speedy exchange of information, merchandise, capital and labor. As firms from developed economies moved to take advantage of the opportunities generated by the new global markets, they inadvertently created favorable conditions for developing countries and their firms. In the new globalized business environment, some developing countries "emerged" by taking advantage of five key opportunities and resources:

(1) capital: emerging countries became sources of outward FDI;
(2) talent: they capitalized on their favorable demographics to promote business and investment;
(3) natural resources: some countries like Brazil and Russia benefited from their immense energy and commodity reserves;
(4) new consumers: they witnessed growth of new consumers at home; and
(5) innovation: they took effective measures to boost innovation and specialization (Accenture, 2008).

Under these circumstances, the firms from emerging economies started to compete with their Western counterparts across the globe in both developing and developed countries.

2.3 Institutional and financial conditions

As shown in Table I, Theme 2, it is possible to identify some major institutional and financial conditions that facilitated the rise of EMNEs in the past two decades, notably:

- increased economic liberalization and openness;
- cheaper sources of capital;
- privatization;
- outward FDI promotion;
- less restrictive monetary policies; and
- high savings rates in emerging countries.

Central to the rise of EMNEs was the increased economic liberalization that happened across the world in the past three decades. The economic liberalization in China started with Deng Xiaoping's reforms in 1978. In India, it led to bureaucratic and economic reforms in the early 1990s and reduced governmental intervention in the private sector (Stucchi *et al.*, 2015). In Europe, it was marked by the fall of Berlin Wall in 1989 and the subsequent collapse of the Soviet Union in 1991. The end of centrally planned economies in the Eastern Europe in the 1990s and the advent of neo-liberal policies in Latin America and North America intensified further economic liberalization and stimulated market forces across the world, thus creating the right conditions for private businesses to enter global markets (Chen and Tan, 2016; Gaffney *et al.*, 2014; Peng, 2002). At the same time, the relationships among world businesses were deepened by the formation and expansion of regional blocs such as the European Union, North American Free Trade Agreement (NAFTA), Association of Southeast Asian Nations (ASEAN) and

Mercado Común del Sur (MERCOSUR). As a result of the increased openness, companies and individuals gained access to overseas talent, technology, capital and management practices. Large trade surpluses, high savings rates and, more importantly, less restrictive monetary policies strengthened the rising levels of liquidity and improved financing conditions for EMNEs, thus allowing them to finance their expansions securely. Privatization created an "ethos of entrepreneurship", introduced the profit motive to business transactions and encouraged a healthy desire for excellence and global competitiveness in developing economies. Many leftist countries such as China, India, Brazil and Russia suddenly allowed the accumulation of personal wealth and capital gains from business activities. Additionally, many developing countries took measures to promote outward FDI and boost their economic growth. For example, the Chinese government aggressively promoted the outward expansion of its firms to increase the competitiveness of its industries (Gaffney *et al.*, 2014; He *et al.*, 2004).

2.4 Cultural conditions

Several cultural changes in developing countries have helped the rise of EMNEs (Gaffney *et al.*, 2014). Owing to their socio-economic development programs, many developing countries have moved away from traditional values and instead have embraced more modern values such as rationality, secularity, self-expression, cosmopolitanism and individualism (Inglehart, 1990, 1997). This cultural transformation has resulted in a tendency toward consumerism, entrepreneurship, global marketplace, competitiveness, professional success, education and innovation. For example, individualism and self-expression values are associated with higher levels of focus on one's own interests and are likely to create motivation for education, excellence and financial achievement. The tendency of new generations toward these cultural values may explain why a great majority of Chinese young professionals seek higher education and technical skills to attain the capability necessary for global competition. Likewise, the entrepreneurial spirit has been central to the growth of international business in many emerging economies. Additionally, cultural cosmopolitanism has encouraged openness to diversity and has created a global mindset adequate for competitiveness and productivity (Govindarajan and Gupta, 2001; Yamakawa *et al.*, 2008).

3. Characteristics

The emerging countries are marked by higher growth rates hovering over 5 per cent per year (Hoskisson *et al.*, 2013). As such, it is not surprising that the most noticeable characteristic of EMNEs is the accelerated pace of their expansion (Guillén and García-Canal, 2009; Mathews, 2006). According to the Financial Times' Global 500 List, the number of multinationals from Brazil, China, India and Russia quadrupled from 15 to 62 in two years between 2006 and 2008 (Berlin, 2011). Owing to organizational flexibility and innovation, EMNEs are capable of competing with the well-established multinationals from advanced countries (Table I, Theme 3). For that reason, they often get rid of conventional organizational structures and instead implement flexible, global and decentralized organizational configurations at the outset (Guillén and García-Canal, 2009; Mathews, 2006). Such innovative organizational structures enhance their competitiveness on the world stage by reducing the subsidiary-headquarter problems (e.g. principal-agent and communication issues) and by streamlining their international operations (Andersson and Forsgren, 1996; Delios and Beamish, 2001).

Despite the appeal of market-based economic systems, EMNEs still depend hugely on the state support in many emerging countries such as Russia, Brazil and India. Indeed, 20 per cent of the EMNEs in the Fortune Global 500 are state-owned (Accenture, 2008). State ownership is very common in the energy sector with examples like Petronas (Malaysia), Petrobras (Brazil) and Pemex (Mexico). Many EMNEs are directly supported by their central governments, enjoy strong political connections and as a result have "a political advantage" over their Western counterparts. These political capabilities coupled with the high growth rates of their respective countries provided EMNEs with the required resources to expand into foreign countries (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2014; Guillén and García-Canal, 2009). Indeed, the government involvement may determine the level of EMNEs international expansion, the choice of host countries and the type of expansion (Hong *et al.*, 2015; Wang *et al.*, 2012).

The political capabilities and organizational flexibilities of EMNEs equip them with the capacity to compete with the advanced multinational enterprises (MNEs) in both domestic and international markets. The EMNEs often expand globally and upgrade their capabilities in parallel, and as a result, they usually enter developed and developing markets simultaneously. A number of studies show that EMNEs are ambidextrous, deal with changing conditions at home and abroad simultaneously and engage in proactive investment to catch up with their competitors from advanced economies (Luo and Rui, 2009; Luo and Tung, 2007; Mathews, 2006, 2002). They may capitalize on their home market position and the size of their market share to enhance their bargaining power (Guillén and García-Canal, 2009). EMNEs have a preference for entry modes based on external growth such as alliances and acquisitions (Rui and Yip, 2008). It seems that the MNEs from advanced economies tend to be more "regional" than global in their attitude (Mathews, 2006; Rugman, 2003; Rugman and Verbeke, 2004), whereas EMNEs are made to have a global outlook from the beginning. Paradoxically, Berrill and Mannella (2013) found that the MNEs from advanced economies tend to be more multinational than EMNEs. Furthermore, it is found that the higher level of multinationality in the MNEs from advanced economies is not due to their size, age or industrial structure. Therefore, it seems that Berrill and Mannella's (2013) findings contradict Rugman's (2003) and Mathews' (2006) assertions about the degree of multinationality in MNEs and EMNEs.

EMNEs are not big innovators; rather they are recognized as imitators that copy intellectual property from their rivals in advanced economies. More recently, some EMNEs are showing a move toward innovation and creativity (Govindarajan and Ramamurti, 2011; Immelt *et al.*, 2009; Kothari *et al.*, 2013). The examples of innovators include Mahindra and Mahindra's Scorpio of India, Embraer of Brazil and Sasol of South Africa. The EMNEs approach to innovation is different from the Western MNEs', as it is marked by distinctive features such as improvisation, adjustment to the local markets and organizational novelty. It seems that EMNEs' innovation is based on developing countries' needs, constraints, culture and customs. For instance, much of Haier's success is attributed to developing products adapted for Chinese customers. Some EMNEs such as Mahindra and Mahindra from India use innovative models to streamline their organizational processes as well.

Traditionally, branding is not the strength of EMNEs, but there is some evidence that they are catching up in this area as well. We may identify three major branding strategies used by EMNEs:

(1) Extending the existing brands: Some EMNEs extend their existing brands to global markets to attract their prospect customers. For example, Mexico's Grupo Modelo has extended the reach of its Corona beer to become a global market leader in the USA.

(2) Acquiring established brands: EMNEs may adopt a strategy of acquiring established brands in the developed world to leapfrog immediately into an established market space. This is usually driven by the lack of time to establish a brand name or the lack of confidence in being able to establish a global brand name on its own. In 2004, Lenovo, a Chinese EMNE purchased IBM personal computer division for US$1.25 bn in cash and stock.

(3) Adjusting brands: some EMNEs adjust their brands to various markets they are serving to differently meet local preferences in developing and developed countries. For example, TCL uses its own brand in emerging markets like India and China, while it prefers the brand names Thomson in Europe and RCA in North America.

While EMNEs are present in all industries, the largest firms are concentrated in energy and natural resources sectors, and examples include PetroChina, PetroBrasilia and Gazpropm. Some EMNEs from South Korea, Taiwan, Singapore and Hong Kong are operating in technology and engineering. In comparison with their Western counterparts, it seems that EMNEs have larger scopes and tend to extend their operations across a wide range of industries. Examples include CJ Corporation of South Korea, Reliance Industries and Tata of India and Sime Darby of Malaysia.

4. Internationalization theories

Conventionally, the literature views firms' internationalization as a sequential process whereby the firms incrementally develop their international expansion from low risk/control to high risk/control levels (Johanson and Vahlne, 1977). In other words, an organization learns at each stage of internationalization and moves to the more complex stages, while it accumulates knowledge, experience and resources (Fleury and Fleury, 2014). The internationalization path of EMNEs seems quite different, as these firms are often less guided by the psychic, cultural, geographic and economic distances between their home and host countries (Mathews, 2006). Many recent studies suggest that EMNEs skip the incremental stages of expansion, go directly to the more advanced stages with little prior international experience and invest in regions which are institutionally different from their home countries (Barkema and Drogendijk, 2007; Carneiro and Brenes, 2014; Cuervo-Cazurra and Ramamurti, 2014; Gammeltoft *et al.*, 2012). For example, focusing on the international trajectories of four Brazilian multinationals, Parente *et al.* (2013) found that these firms shared a strong entrepreneurial spirit and a high motivation to expand their international operations, despite the crisis and the obstacles they faced abroad. For that reason, it is recognized that EMNEs take internationalization as a springboard to overcome their latecomer disadvantage. In other words, EMNEs are not necessarily evolutionary and sequential in selecting entry modes and locations (Gammeltoft *et al.*, 2012; Luo and Tung, 2007).

The eclectic paradigm, an influential internationalization theory, was put forward by Dunning (2000) suggesting that the firms' internationalization can be explained by referring to three different factors:

(1) ownership advantage or the ownership of firms' specific resources to be exploited externally;

(2) location advantage or the host country advantages such as market, resources and endowments; and

(3) internalization advantage or the opportunity to internalize firms' specific advantages.

While the ownership-location-internalization paradigm (OLI) has been widely used to explain internationalization of MNEs from advanced economies, its applicability in the case of EMNEs has been subject to extensive criticism (Amighini *et al.*, 2015; Goldstein, 2007; Mathews, 2002; Moghaddam *et al.*, 2014; Ramamurti, 2012). For instance, Goldstein (2007) argued that as EMNEs do not possess the same competitive advantages of their counterparts from developed countries, their international expansion cannot be explained by ownership advantages. Similarly, it has been suggested that EMNEs generally do not have vast domestic advantages that can be exploited abroad through international expansion (Amighini *et al.*, 2015, 2009; Mathews, 2002, 2006; Moghaddam *et al.*, 2014). Mathews (2002, 2006) rejected the applicability of the OLI framework in the case of EMNEs and suggested that the multinationals from emerging countries generally undertake international expansion to acquire new resources and strengthen new strategic position. In other words, EMNEs internationalize to acquire new strategic resources rather than exploiting the existing ones. This quest for new resources may explain why EMNEs are usually involved in accelerated patterns of international expansion, why they leverage and why they use the cooperative strategies such as joint ventures and alliances to reduce the internationalization risk (Mathews, 2006). To better explain the EMNEs accelerated internationalization, Mathews (2002) put forward an alternative framework consisting of linkage, leverage and learning advantages (LLL). Linkage includes all those collaborative strategies such as joint ventures and alliances with foreign companies that allow accelerated access to new resources needed by EMNEs. The linked EMNEs may capitalize on their global linkages to leverage their resources and benefit from the associated cost advantages. Thus, the linkage and leverage advantages provide EMNEs with opportunities to learn about new sources of competitive advantage and become global players quickly. In contrast to the OLI, the LLL model explains the EMNEs internationalization as "an asset-exploring" rather than an "asset-exploiting" process. In other words, through the asset-exploration process, EMNEs seek to develop their own capabilities and become more competitive abroad through experiential learning (Luo and Tung, 2007). The main shortcoming of Mathews' LLL framework is its focus on those businesses originated in the so-called "dragon economies" or fast-growing countries in the Asia Pacific region. Indeed, some mature EMNEs tend to follow the OLI internationalization pattern. One explanation is that the new EMNEs are often latecomers and are forced to accelerated internationalization with the explicit goal of gaining access to assets, resources or capabilities not found in their home markets (Gaffney *et al.*, 2014; Mathews, 2002; Narula, 2006). Once they are well-established, EMNEs are likely to reduce the uncertainty by internationalizing incrementally consistent with the OLI framework. Table I, Theme 4 summarizes different perspectives on the EMNEs internationalization process.

5. Motivations for internationalization

It is possible to consider five major drivers behind the EMNEs' expansion, namely, new markets, efficiency gains, higher value, new resources and national prestige (Table I, Theme 5). Despite sizeable populations and rapid economic growth in their home countries, seeking new foreign market is often considered as the EMNEs' top priority. EMNEs go abroad seeking new markets to boost their competitiveness against domestic rivals, to get closer to their customers and to gain knowledge about foreign markets (Athreye and Kapur, 2009; Liu and Tian, 2008). The decision to invest in foreign markets is affected by the extent of rivalry in domestic and foreign markets, the size of home market and particularly the government policies. In the case of large countries such as China, the government has adopted specific policies to encourage the foreign investment, while in the case of countries such as South Korea, small size of the domestic market has pushed firms to find foreign markets. Efficiency gain is not the first preoccupation of EMNEs because these firms often enjoy the lower cost-base resulting from cheap labor, abundant natural resources and government support. Nevertheless, in many industries, the competition from both emerging and advanced countries is quickly growing, and there is an urgent need for more efficiency. Taiwan's Hon Hai is outsourcing some of its operations to cut the cost of production and gain efficiency. Similarly, the EMNEs from Malaysia, Taiwan and Thailand are concerned about the cost of production in their home countries (Sim and Pandian, 2007). EMNEs can enhance their efficiency by penetrating developed countries' markets and capitalizing on economies of scale. For example, Tata Group's acquisition of UK–Dutch steel group Corus was motivated by economies of scale and the associated cost reduction and efficiency gains.

Traditionally, the high value-added activities concerning the technology, intellectual property and brands have been reserved for companies from developed economies. More recently, the desire to move into more profitable activities is becoming an important drive behind the EMNEs internationalization decisions (Chen *et al.*, 2012). Evolutionary theories of the MNE suggest that knowledge and assets accessed and assimilated from foreign locations can lead to enhanced innovation performance (Wu *et al.*, 2016). As EMNEs internationalize, they also move up the value chain into more complex and higher value-added activities. For instance, LG of South Korea and Acer of Taiwan have moved from producing components to selling their own branded products.

EMNEs' international moves are progressively driven by new resources including labor, capital and raw materials (Cuervo-Cazurra, 2007; De Beule and Duanmu, 2012; Makino *et al.*, 2002). Many studies report the importance of natural resources to EMNEs investing abroad (Amighini *et al.*, 2015; Cuervo-Cazurra, 2007; Makino *et al.*, 2002). This motivation has become more attractive, as there has been a quick rise in the price of natural resources over the past decade. Goldstein (2008) shows that much of Tata's internationalization has been motivated by access to natural resources. Buckley *et al.* (2007) report that resource-seeking is a major motivation of Chinese EMNEs especially. For example, Chinese companies have gained control in oil production facilities in Algeria and Canada as well as natural gas reserves in Iran. Similarly, Brazil's Vale acquired a controlling stake in Canada's Inco in 2006, becoming a major mining company by market capitalization. It is interesting to know that Chinese and Indian multinationals are particularly keen on investing in less developed and institutionally weak regions like Africa to beat their Western counterparts (De Beule and Duanmu, 2012; De Beule and Van Den Bulcke, 2009). National prestige is viewed as another motivation for internationalization. EMNEs carry their national identity and are mainly supported by their central governments; therefore, it is reasonable that much of their success including their internationalization and their presence on the world stage is driven by a sense of national pride. Indeed, the governments in many emerging countries actively encourage their companies to expand internationally. Some EMENs expand overseas to escape their undesired institutional or social environment seeking to enhance their innovation performance and global competitiveness (Cuervo-Cazurra, 2016; Wu *et al.*, 2016; Yamakawa *et al.*, 2008). For instance, Cuervo-Cazurra (2016) suggests that in the case of Latin American Multinationals, four characteristics of their home countries, namely, political uncertainty, violence, pro-market reforms and reversals and geographic isolation determine their international expansion. Likewise, Thite *et al.* (2016) proposed that EMNEs internationalization could be incited by their need to minimize risk from domestic conditions such as regulatory and fiscal constraints (Thite *et al.*, 2016).

6. Generic strategies

By considering the country-specific and firm-specific advantages, Ramamurti and Singh (2009) identified five generic strategies that may result in distinct business models (Table I, Theme 6):

(1) The Local Optimizer.

(2) Low-Cost Partner.

(3) Global (or Regional) Consolidator.

(4) The Natural-Resource Vertical Integrator.

(5) The Global First-Mover.

The Local Optimizer strategy is expansion into other emerging markets. The logic is that what works at home can work in other emerging and developing countries. This is the most common strategy adopted by EMNEs and relies on the exploitation of firm-specific advantages during the internationalization process (Ramamurti and Singh, 2009). By adopting this strategy, EMNEs can improve production methods and learn to operate in the difficult business environments of developing countries (Ramamurti, 2012). The Local Optimizer can exploit the firm's capabilities in other emerging markets. Thus, it corresponds to the OLI model and apparently does not follow the LLL framework. The Local Optimizer strategy may be integrated across several functional areas such as design, production, marketing and distribution (Ramamurti, 2012). For instance, Bharti Airtel's low-cost wireless service in India expanded into other developing countries like Bangladesh. The EMNEs such as HiSense, Mahindra & Mahindra, Tata Motors, Shoprite, Marcopolo have been pursuing the Local Optimizer strategy.

The Low Cost Partner strategy emphasizes the low cost of production and therefore is less appropriate for the EMNEs from middle-income emerging countries like Brazil and Thailand. The EMNEs pursuing this strategy intend to diversify the low-cost locations from which customers in high-cost countries can be served (Ramamurti, 2012). The firms adopting this strategy try to move up the value chain by gaining the capabilities that make them globally competitive (Luo and Tung, 2007). One may suggest that Low-Cost Partners aim at enhancing their resources and capabilities rather than exploiting them and their strategic focus tends to be long term rather than short term (Gaffney *et al.*, 2013). The Low-Cost Partner is more appropriate for the EMNEs from China and India that enjoy abundant low-wage skilled and unskilled workers. Many Indian firms in the field of information technology, software development, R&D outsourcing and call center operations are adopting this strategy. Infosys and Wipro are prime examples of companies following the Low-Cost Partner strategy (Ramamurti and Singh, 2009).

The Global Consolidator strategy is adopted by firms that aim at building global scale in mature mid-technology industries such as cement, steel, aluminum, auto parts, personal computers and beverages (Ramamurti and Singh, 2009). While these industries have reached maturity in developed countries, they are seen as young and high-growth in emerging economies (Ramamurti, 2012). The objective of Global Consolidator is to improve the performance of acquisitions abroad by adding new capacity, hiring workers and growing sales and profits. The EMNEs adopting this strategy are concerned about the exploitation of existing assets and capabilities rather than trying to augment their resource base (Gaffney *et al.*, 2013). They show a longer-term focus than Local Optimizers but are still focused on exploiting an existing capability in the short term (Gaffney *et al.*, 2013). The prime examples include Lenovo's takeover of IBM's PC business, Tata Steel's takeover of Anglo-Dutch Corus and Cemex's takeover of large cement companies in Australia, the UK and the USA.

The Natural-Resource Vertical Integrator is adopted by the EMNEs either from a country abundantly endowed with natural resources or one with a large domestic demand for them (Ramamurti and Singh, 2009). The main objective of the firms adopting this strategy is to secure growing markets or demands through vertical integration. The EMNEs pursuing this strategy may have a short-term or long-term focus depending on their needs and the host countries conditions (Gaffney *et al.*, 2013). This strategy offers them the opportunity to enter a country through acquisition, wholly owned subsidiaries or through cooperative ventures. Gazprom, Lukoil and Norilsk of Russia; Vale of Brazil and Sinopec and CNOOC of China have been acquiring resources in Australia, Africa, North America and Latin America.

The Global First-Mover is an ambitious strategy adopted by those EMNEs seeking key technologies and capabilities necessary to compete in new industries. The firms pursuing this strategy should be highly innovative and competitive. As EMNEs are becoming more sophisticated, this strategy is gaining popularity. The prime examples of firms pursuing this strategy include Embraer of Brazil in regional aircraft, Huawei of China in 3G telecommunications equipment and Suzlon Energy of India in wind power (Ramamurti, 2012).

7. Challenges facing emerging markets' multinationals

EMNEs are facing many domestic and global challenges that may hinder their success. Accenture (2008) studies identified the main challenges as input constraints, greater competition, geopolitical risk, more diverse customers, higher-value innovation and going global but remaining local. It seems that after two decades, the access to input factors such as energy, raw materials, labor, talent and capital is becoming more and more difficult. In addition to the rising costs of energy and natural resources, labor costs are mounting quickly in many emerging economies adding strain to EMNEs' operations. The existing EMNEs are facing increasing pressure from both the emerging and advanced countries' multinationals. The EMNEs originated in China, South Korea and Brazil are known as the most powerful rivals in this global marketplace. Geopolitical risk is another risk factor that is increasing in tandem with EMNEs global expansion and can be felt at the local, regional and global levels. As EMNEs enter new markets of wealthier economies, they face the complexity of diverse and demanding customers who require refined products and services. This can be a serious challenge because many of these EMNEs do not have the capability to satisfy the sophisticated customers.

Many EMNEs are lagging behind their Western counterparts in innovation as their earlier success and growth are the results of factor endowments like cheap labor, government support and abundant natural resources. As such, their future growth will be hindered, unless they can enhance their innovation ability (Kothari *et al.*, 2013). Some EMNEs suffer from a disadvantage when investing in advanced economies. They are susceptible to discrimination in advanced markets because of the negative image associated with developing countries and their corporations (De Beule *et al.*, 2014). EMNEs may also face other barriers in advanced countries due to geopolitical considerations (Cuervo-Cazurra, 2016; De Beule *et al.*, 2014). Additionally, EMNEs' growth may be hampered by weak institutions, undeveloped infrastructure and undesired socio-economic conditions in their home countries (Cuervo-Cazurra, 2016; Shirodkar *et al.*, 2016). Likewise, as EMNEs internationalize, they face a growing dissonance between their global and local identities. Indeed, EMNEs are mostly rooted in developing economies that are socio-culturally different from their wealthier markets. Table I, Theme 7, summarizes the above-mentioned challenges.

8. Sources of competitive advantage

The literature recognizes that there are significant differences between the competitive advantages possessed by EMNEs and those of their counterparts from advanced countries (Amighini *et al.*, 2015). In comparison with their counterparts from developed economies, EMNEs often do not have avant-garde technologies, global brands and extensive international experience. Nevertheless, they enjoy various sources of competitive advantage. Based on the extant literature, it is possible to identify five main sources of competitive advantage for EMNEs:

(1) home country advantages;
(2) government-related advantages;
(3) firm-specific advantages;
(4) network advantages; and
(5) socio-cultural advantages.

8.1 Home country advantages

Home country advantages are those factors related to the domestic environment such as the low cost of production, the size of home market and the extent of domestic competition (Barnard, 2008; Chittoor and Ray, 2007; Cuervo-Cazurra, 2007; Klein and Wöcke, 2007; Luo and Tung, 2007). Evidently, the low cost of production is recognized as the most important competitive advantage, as it includes a wide range of factors such as cheap labor, abundant resources and privileged access to capital, energy and land. For example, the EMNEs from Russia, South Africa and Brazil have taken advantage of their countries' vast natural resources and those from China and India have capitalized on their large home markets and the availability of low-cost skilled and unskilled labor (Ramamurti and Singh, 2009). The home country advantages entice EMNEs to keep their core operations at home and set up sales and marketing activities on the global markets (Cuervo-Cazurra, 2007).

8.2 Government-related advantages

Some emerging countries such as China, Russia and India are prime examples of state capitalism and many others such as Malaysia, Brazil and Turkey have imperfect market-based economies. Therefore, it is plausible to link the competitive advantage of many EMNEs to the support that they receive from their national governments (Goldstein and Pananond, 2008; Peng, 2002). In fact, many Chinese MNEs were created as state-owned enterprises and are still receiving considerable backing from the central government including privileged loans, incentives, technology and favorable tax regimes (Athreye and Kapur, 2009; Buckley *et al.*, 2007; Child and Rodrigues, 2005). Many authors have acknowledged the role of government behind the rise of Chinese firms (Buckley *et al.*, 2007; Hong *et al.*, 2015; Ramamurti and Singh, 2009). Likewise, in the case of firms from India, Singapore, Malaysia and Thailand, the accommodating role of central government has been recognized as a source of competitive advantage (Atherey and Godley, 2009; Chittoor and Ray, 2007; Goldstein and Pananond, 2008).

8.3 Firm-specific advantages

An important firm-specific advantage of EMNEs is their capacity to develop low-cost products suited to the special needs of customers in developing countries. EMNEs have excellent capabilities in adapting new technologies and processes to developing countries' contexts. Ironically, the condition of being a latecomer in global markets might represent an advantage for firms engaging in international activities (Amighini *et al.*, 2015; Mathews, 2006). Agnihotri (2015) analyzed different levels of low-cost innovation in India and identified numerous innovative products and services which were developed under conditions of resource constraints. Due to resource constraints, these products are often technologically less advanced compared to the sophisticated counterparts but are good enough to provide required functionality. Tata chemicals water purifier Tata Swach or Chotu kool refrigerator developed by Godrej and Boyce are examples of frugal innovation.

8.4 Network advantages

As mentioned in the previous sections, many EMNEs are equipped with flexible and decentralized organizational structures that reduce the subsidiary-headquarter problems and enable them to compete globally (Delios and Beamish, 2001; Mathews, 2006). As a result, they take a bolder and longer-term view of expansion and become well integrated in complex networks of partnerships and strategic alliances. In the case of China's Haier and India's Tata, the participation to networks hugely enhanced their competitiveness and helped them expand globally (Duysters *et al.*, 2009). Similarly, Elango and Pattnaik (2007) showed that Indian multinationals tend to develop their competitiveness through networks and partnership rather than from the beginning. What is more, many EMNEs are well-connected to large networks of the diasporas populations across the world and are using them to attract investment, talent, resources and innovation.

8.5 Socio-cultural advantages

In comparison with their Western counterparts, EMNEs have a superior capacity to understand consumers' needs and preferences in developing countries, and therefore are able to target them more effectively. They are sensitive to variations in consumer habits caused by differences in culture and geography and swiftly adapt to local market requirements. Ramamurti (2012) explains how the Chinese firms added features not found in Western products to respond to the customers' needs in rural China. Owing to their socio-cultural proximity with developing countries, EMNEs also have the ability to manage uncertain, volatile and even harsh business conditions of emerging markets. The examples include dealing with weak infrastructure, poor road conditions, health or security hazards, vague government policies and erratic financial markets. As a result of these advantages, many Chinese and Indian multinationals are actively operating in less developed countries of Africa (Cuervo-Cazurra, 2007; De Beule and Duanmu, 2012). The ability of EMNEs in overcoming these hostile conditions gives them a considerable competitive edge over their Western counterparts. Table I, Theme 8, summarizes the main sources and categories of EMNEs competitive advantages.

9. Dealing with the threats of emerging markets' multinationals

Conventionally, EMNEs are stereotyped as uncompetitive, technologically backward and inefficient firms that are dependent on cheap labor, government support and abundant natural resources. This image may be factual, but things are changing quickly in emerging markets. The manufacturing EMNEs that typically control activities in the middle of the value chain are seeking to acquire the capabilities that will enable them to move to higher value-added activities (Kothari *et al.*, 2013; Mudambi, 2008). They are increasingly adopting sophisticated business models and are becoming more independent, efficient, sophisticated and profitable. Many of these companies seem more profitable than their peers in the USA, Europe or Japan. The examples are numerous: Samsung, Lenovo, Aracruz Celulose and, more recently, Xiaomi. Usually, it is believed that EMNEs are rooted in unstable business environments of emerging countries and are subject to many risk factors such as political unrest, health related hazards and asset confiscation. However, Ramamurti (2012) questions the myth of environment stability in the triad economies (USA, Japan and Western Europe) and argues that despite their apparently secure socio-political environments, the advanced economies are struggling with many severe fundamental problems that could hinder their future growth. Among these problems, fiscal imbalances, entitlement programs, aging infrastructure, rising income inequalities and adverse demographic trends are of notable significance (Ramamurti, 2012). The anemic growth of the triad economies in the past two decades and the recent financial crises in the USA, the Western Europe and Japan can be viewed as both the causes and effects of the rise of emerging countries. The success stories of Haier, Huawei, Embraer, Samsung, Lenovo, Infosys, Tata, Aracruz Celulose and many other firms from emerging markets show that the threat stemming from EMNEs is quite serious. It is true that the firms from advanced economies are still enjoying the cutting-edge technologies, but the research and development activities pertaining to innovation may be seen as a huge financial burden. What is more, many of these new technologies can be swiftly imitated, creatively improved and aggressively commercialized at very low costs. At the same time, emerging countries are gradually becoming sources of innovation. In the past two decades, China has steadily moved up the ranks of innovation, while the USA has lost ground (Kumar *et al.*, 2013). The similar trends have caused some alarm in developed economies that they may lose their comparative advantage in knowledge-intensive industries (Athreye and Cantwell, 2007).

Ramamurti (2012) recognizes the EMNEs' growing competitiveness and emphasizes that their threat should be taken seriously. He invites the Western managers to take a long-term orientation when dealing with their competitors from emerging countries. The firms from advanced economies should have a high level of engagement in emerging countries particularly large markets such as China, Brazil and India. In addition, Ramamurti (2012) suggests that the Western firms need to develop a willingness to learn from their rivals and consumers in emerging markets. Chen *et al.* (2012) suggest that investing in emerging countries that are rich in technological resources contributes to the technological development of MNEs. The success in emerging markets means that Western firms must be prepared to develop products and services for these countries and innovate exclusively for them. Products invented for consumers in developed countries are not always suitable for emerging economies (Kothari *et al.*, 2013). The sizeable markets and the improving purchasing power of the middle classes in several emerging countries offer attractive incentives for businesses to make the necessary changes and meet the distinctive needs of their "emerging consumers" (Kothari *et al.*, 2013). In short, the Western firms should develop an "emerging markets" strategy to effectively capitalize on the valuable resources such as talent, market and innovation.

From another standpoint, Van Agtmael (2007) invites business leaders and policy makers to consider four important issues when competing with EMNEs:

(1) adopting public-private partnership;
(2) avoiding protectionism;
(3) learning from the first adopter; and
(4) knowing the clients' needs.

First, managers and policy makers should encourage business-government partnerships at the local, state, regional and national levels. Second, they should remember that protectionism is not a solution because it ultimately impedes excellence. By staying in one spot and not advancing or taking risk, those who rely on protectionism, end up with mediocrity and obscurity. The third lesson to be learned from emerging markets is to learn from the first adopters (lighthouse customers) who in addition to using the product or technology can provide considerable feedback to help further refinement and commercialization. Contrary to the traditional perspectives in international business, the innovation could flow from emerging countries to developed countries especially when technology is standardized (Kothari *et al.*, 2013). The business leaders and policy makers in advanced economies should tailor their business models to global trends. As emerging markets are gaining influence, people, firms and countries must find a way to turn these threats to opportunities. Managers and businesses will learn from each other if they embrace a global state of mind. When faced with a competitive challenge, viewing the world as a zero-sum game usually leads to conflict and failure. EMNEs can contribute with their investments to the local development of the host countries (Giuliani *et al.*, 2014). The business managers in the Western countries need to be adaptive and creative along with having a proactive response to be successful. Job losses from outsourcing are the most noticeable effects of the emerging markets' rise. Nonetheless, outsourcing should be viewed as a two-way street because it may create thousands of jobs in the USA and in Europe.

10. Conclusion

This article aimed at examining the conditions, characteristics, motivations, competitive advantages and strategies pertaining to the rise of EMNEs. As indicated in Table I, emerging markets include a large number of economically and socially heterogeneous countries that show three common attributes, namely, high growth rates, low/middle income levels and adoption of economic liberalization policies (Gaffney *et al.*, 2014; Hoskisson *et al.*, 2000). Likewise, EMNEs include a large number of firms that are highly dissimilar in size, technology, sector and sophistication. Despite their apparent diversity, EMNEs show some features that make them distinctive from their counterparts in advanced economies. For example, they mostly follow an accelerated path of expansion, implement flexible and decentralized organizational configurations and enjoy strong political connections (Guillén and García-Canal, 2009). Additionally, they internationalize and upgrade their capabilities in parallel and enter developed and developing markets simultaneously (Guillén and García-Canal, 2009). As discussed in the previous sections, the OLI paradigm cannot fully explain the EMNEs internationalization. Instead, the LLL pattern seems more appropriate, as it explains the EMNEs internationalization as "an asset-exploring" rather than an "asset-exploiting" process (Mathews, 2006). The competitive advantages of EMNEs are associated with their distinctive features and conditions. Some advantages like the low cost of production or support from the government are related to the home country or institutions. Those advantages such as decentralization and flexibility are related to the organizational structures, and some others like ability to understand developing countries and ability to manage uncertain and volatile business conditions are considered as socio-cultural assets. As shown in Table I, Theme 6, EMNEs use five main types of international strategies, specifically:

1. expanding into other emerging markets by exploiting the domestic formulae (Local Optimizer);
2. capitalizing on the factors associated with low cost of production (Low-Cost Partner);
3. building global scale in mature mid-technology industries (Global Consolidator);
4. securing growing markets or demand through vertical integration (Natural-Resource Vertical Integrator); and
5. seeking key technologies and capabilities necessary to compete in new industries (Global First-Mover).

The rise of EMNEs is the result of major socio-economic transformations that took place in the past two decades after the Cold War: the wave of democratization, the fall of centrally planned economies, outsourcing, regionalization, advances in telecommunication and transport, ease in the movement of labor and assets, trade liberalization, cheaper sources of capital, integration of financial systems, large trade surpluses in emerging countries and less restrictive monetary policies. Hence, the rise of EMNEs is a complex and multi-faceted phenomenon that should be understood beyond the corporate boundaries. EMNEs are facing numerous domestic and global challenges, but the evidence confirms that in general, they are becoming more sophisticated and competitive (Ramamurti, 2012). As EMNEs are becoming less dependent on factor endowments like cheap labor and abundant natural resources, they are likely to develop more efficient production processes. The leading corporations originated in the emerging countries such as South Korea, Taiwan, China, India, Brazil and Russia are not really that far behind their Western counterparts. The largest populations reside in the emerging countries where disposable incomes and consumer demand are rising fastest. Therefore, we may speculate that EMNEs could greatly benefit from their sizeable domestic markets to fuel their long-term global growth.

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