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Gammeltoft, Peter; Cuervo-Cazurra, Alvaro

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Enriching internationalization process theory: insights from the study of emerging market multinationals☆

Peter Gammeltoft[a,*], Alvaro Cuervo-Cazurra[b]

[a] Copenhagen Business School, Porcelænshaven 24A, DK-2000 Frederiksberg, Denmark
[b] Northeastern University, D'Amore-McKim School of Business, 313 Hayden Hall, 360 Huntington Avenue, Boston, MA 02115, USA

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A B S T R A C T

We argue and explain how the study of emerging market multinational companies can help enrich our understanding of the internationalization process. Firms' internationalization process is a central and enduring theme in international business. However, most of the theoretical models are built on the analysis of advanced economy multinationals. Emerging market multinationals differ crucially in the role that the home country plays in their behavior, resulting in different patterns of internationalization. We propose that the discussion of the applicability of extant theory can be advanced by differentiating internationalization theories according to three different ontological perspectives: resource oriented, transaction oriented, and process oriented. We further suggest that the study of emerging market multinationals' internationalization processes reveals three contextual accelerators: government, catch-up, and global value chains. These accelerators help adapt internationalization process models to new contextual realities.

1. Introduction

Process explanations of internationalization, such as the incremental internationalization or Uppsala model and innovation-related models (Andersen, 1993; Bilkey and Tesar, 1977; Johanson and Vahlne, 1977, 2009), are widely used approaches for analyzing the dynamics of firms' international expansion. The models suggest a sequential approach to internationalization, with firms gradually expanding across countries as managers learn how to compete and operate abroad. The models have been rethought as technological advances enabled the emergence of born-global firms that expand quickly across borders (Knight and Cavusgil, 2005; Madsen and Servais, 1997; McDougall et al., 1994). However, the growing literature on emerging market multinational companies (EMNCs) suggests that these firms internationalize differently from traditional models, for example, by expanding abroad faster, entering countries very different from the home country, using high commitment entry modes without the requisite local experience, purchasing firms in advanced economies to obtain technology and brands, and relying on support networks from the home country (Cuervo-Cazurra, 2011; Gammeltoft et al., 2010b; Guillen and Garcia-Canal, 2009; Luo and Tung, 2007; Mathews, 2006; Ramamurti, 2012).

Hence, in this paper, we augment the understanding of the internationalization process by analyzing EMNCs. We argue that their study provides novel insights on the dynamics of internationalization because they question the assumptions in current models of

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* Corresponding author.
E-mail addresses: pg.egb@cbs.dk (P. Gammeltoft), a.cuervocazurra@neu.edu (A. Cuervo-Cazurra).

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sophisticated firm capabilities and supportive home country conditions as prerequisites for foreign direct investment (FDI), helping extend both theories and mechanisms. Specifically, we first propose that extant internationalization theories can meaningfully be clustered according to three different underlying ontological perspectives: resource oriented, transaction oriented, and process oriented. We then use this framework to clarify the insights that analyses of EMNCs have produced on the internationalization process within each perspective.

Second, we distill and clarify the variety of arguments regarding the uniqueness of EMNCs to propose three accelerators of the internationalization process: government, catch-up, and global value chain. First, in the government accelerator, emerging market firms benefit from direct and indirect government support that speeds up internationalization by reducing risks leading to entry into challenging countries and using large investments and commitments. Second, in the catch-up accelerator, emerging market firms seek to upgrade capabilities via internationalization, leading them to enter many and highly diverse countries and use acquisitions intensively. Third, in the global value chain accelerator, emerging market firms use linkages within global value chains to learn the nuances of foreign markets and internationalize, initially indirectly as suppliers and later directly as they become independent of advanced economy lead firms and build their global value chains.

These ideas contribute to two streams of research: the theory of the multinational firm and its explanation of the internationalization process, and the topic of emerging market multinationals. First, we help extend the theory of the multinational by introducing additional modifications to its predictions on the internationalization process. Traditional models assume the relative importance of differences and frictions in cross-border transactions that drive firms towards gradual internationalization. Technological advances have reduced some of these frictions and distances by lowering costs of international transactions, e.g., in sales, finance, or recruitment, speeding up internationalization (Banalieva and Dhanaraj, 2019; McDougall et al., 1994). This is what we call a technological accelerator. The internationalization of emerging market multinationals offers additional extensions to our understanding of the internationalization process. The underdevelopment of the home country modifies risk and knowledge development, speeding up foreign expansion and revealing three novel accelerators: government, catch-up, and global value chains. These accelerators provide an integrative framework that extends traditional models by incorporating insights from the internationalization of EMNCs.

Second, we provide a novel understanding of the analysis of emerging market multinationals and their internationalization. The study of these firms has revealed new insight into the motives, country selection, and entry modes (see reviews in Cuervo-Cazurra et al., 2020c; Cui and Aulakh, 2019; Li and Shapiro, 2019; Luo and Zhang, 2016). Theoretically, however, most of the attention has been devoted to understanding the sources of competitive advantage and the selection of operation mode in internationalization. In contrast, the study of their internationalization process seems to be sidetracked despite its potential for extending theory (Cuervo-Cazurra, 2008, 2011; Meyer and Thaijongrak, 2013). We focus on this area and explain how the conditions of the home country of emerging market firms drive their internationalization process, helping gain a novel understanding of these increasingly important global actors and contributing to advancing theory.

2. Trends in outward direct investment from emerging economies

There are prominent reasons why the internationalization of emerging market firms and their FDI has attracted not only persistent but increasing attention from academia, government, and business. One reason is global realignments. Emerging economies, understood here as low- and middle-income countries with rapid economic growth and in an institutional transition towards market-based economies, were looked upon with great expectations from the turn of the millennium onwards. At a time of low growth in advanced economies, emerging markets accounted for an increasing share of world gross domestic product, their stock markets were booming, and they became attractive targets for both portfolio and direct foreign investments. Yet, expectations never quite came to fruition as emerging economies suffered from the financial crisis, falling commodity prices, and productivity slowdown. Consequently, economic, media, and to some extent, even scholarly interest in these countries diminished.

Nevertheless, emerging economies are still significant in terms of economic size, internationalization, innovation, and global governance. While growth rates have receded, the 24 countries in the MSCI Emerging Markets Index made up fully half of the world purchasing power parity gross domestic product by 2021, up from one third in 1991 (authors' calculations), accounting for a larger share of world output than the G7 countries. Emerging economies as a group comprise most of the world's population, natural resources, landmass, and biodiversity. They are also steadily advancing their science and technology capabilities as reflected in conventional innovation indicators such as research and development (R&D) expenditure, science and technology personnel, patents, and scientific publications. Through governance reforms, emerging economies are gaining more influence in multilateral institutions such as the International Monetary Fund, the World Bank, and the World Trade Organization. Perhaps even more significantly, and to some extent fueled by lackluster reforms of existing institutions, some emerging economies are forging new institutions of global governance, such as the Asian Infrastructure Investment Bank, the Contingency Reserve Arrangement, and the New Development Bank.

Another prominent reason for the persistent interest in EMNCs is the continued international advance of these companies. Outward direct investment from emerging economies grew steadily in the 2000s in both absolute and relative terms. Constituting 8% of global

outflows in 2000, outward FDI grew to 31% in 2019, peaking at 46% in 2018 (UNCTAD's FDI database). Seven of the twenty countries with the largest foreign direct investment (FDI) outflows in 2019 were emerging economies (UNCTAD, 2020b). The number of emerging economy firms in the Fortune Global 500 reached 164 in 2017, up from 20 in 1995 (Luo and Tung, 2018). Yet, by the 2020s, outward FDI flows had slowed down, as had global financial flows in general. Principal reasons were the paucity of economic growth and lingering worldwide nationalist and protectionist tendencies triggered by the global financial crisis, compounded by the late 2010s trade and technology wars and global pandemic. Global FDI flows declined by 49% in the first half of 2020 relative to the year before (UNCTAD, 2020a). Outward FDI growth also subsided as many EMNCs moved into a consolidation phase of deepening rather than broadening their international strategies and organizational structures and processes. Others have met with host-country barriers after years of accelerated internationalization, sometimes selectively targeted at specific firms, other times laid down in new general and more restrictive investment screening initiatives.

A third contributor to the sustained interest in EMNCs is the ascent of China. China has figured particularly prominently in the recent discourse on outward FDI from emerging economies and has come to account for a considerable share of total outward FDI volume, even if a significant part has gone to Hong Kong. Outflows from China have also been perceived as particularly promising due to market access and financial investments, and particularly disconcerting for reasons such as intensity of competition, technology misappropriation, and national security. Even though China has become a significant outward investor, it is a latecomer, and its external drive began in earnest in 2000 with the 'Go Out' policy. Outflows from China proliferated from around 2005 and accelerated in 2008, when Chinese outward FDI increased as part of a stimulus package associated with the global financial crisis. It constituted 29% of outflows from emerging economies in 2019, peaking at 45% in 2016. Being a latecomer, Chinese presence is much more modest in terms of stocks, however. For example, non-European Union firms owned 35% of all firm assets in the European Union in 2016, yet China, Hong Kong, and Macau accounted for only 1.6% (European Commission, 2019). Chinese outward stock was 6% of the global outward stock in 2019, although a significant portion was in Hong Kong. After years of dramatic increase and the peak in 2016, China introduced legislation to curb 'irrational' investments, and outflows dropped to a more moderate level. Outflows are not likely to return to prior levels any time soon and overseas lending, e.g., associated with the Belt and Road Initiative, has also been scaled back considerably. A more inward-looking 'dual circulation' national development strategy in the years to come is likely to curb outward FDI growth. On the other hand, the conclusion of new international trade and investment agreements such as the Regional Comprehensive Economic Partnership and, if ratified, the European Union-China investment agreement are likely to facilitate the development of more dispersed and sophisticated supply chains and provide some boost to outward FDI growth.

Lingering nationalist and protectionist tendencies following the global financial crisis and subsequently the global pandemic, fortified by recent trade wars, de-coupling rhetoric, and pandemic-related restructuring of supply chains, may lead to pronounced changes in internationalization processes of multinational firms and EMNCs in particular. Nevertheless, preliminary evidence suggests that changes may be less far-reaching than political rhetoric could lead one to expect, perhaps because the economic environments firms are facing in terms of distribution of resources and relative costs and scarcities are less affected than expected. After all, multinationals are adept at devising strategies to adapt to new contextual changes and constraints underlying skepticism of globalization (Cuervo-Cazurra et al., 2020a). For example, firms do not appear to reshore production or restructure their supply chains on a large scale (AMCHAM, 2020; Beattie, 2020; USCBC, 2020), foreign purchases of Chinese government bonds are booming, US financial institutions are expanding in China (Mitchell et al., 2020), and there have been many Chinese stock listings on the US stock exchanges NYSE and NASDAQ over the last few of years (Lockett and Henderson, 2020). Supply chains are 'sticky' and rather than reshore on a large scale, firms are more likely to diversify their supplier base and geographical footprint, increase their stock supplies, and deploy other risk-mitigating techniques.

3. Major themes in the literature on emerging market multinationals

Outward FDI has evolved through three historical 'waves' (Gammeltoft and Kokko, 2013). The last and current one evolved in the 2000s due to an increasingly liberal world economy (at least until recently), growing globally distributed multinational production and innovation models, liberalization of home economies, increasingly liquid markets for corporate assets, and more advanced international financial markets. Scholarly interest in direct investment outflows from emerging economies has evolved through the same three waves, and even though the flows themselves have receded somewhat in recent years, the motives underpinning this interest, scholarly, business-related, and policywise, have only become stronger. Hence, scholarly interest has continued unabated, and the number of yearly publications on the subject is still increasing.[1]

The current wave of literature on EMNCs has become voluminous. Several journal special issues on EMNCs were published, e.g., *Journal of International Business Studies* (Luo and Tung, 2007), *Journal of International Management* (Aulakh, 2007; Gammeltoft et al., 2010b; Kumar et al., 2013; Gammeltoft and Cuervo-Cazurra, this issue), *International Journal of Technology and Globalisation* (Gammeltoft, 2008), *International Journal of Emerging Markets* (Gammeltoft et al., 2010a), *Global Strategy Journal* (Cuervo-Cazurra, 2012), *European Management Journal* (Gammeltoft et al., 2012), *International Journal of Technology Management* (Gammeltoft et al., 2017), *Asia Pacific Journal of Management* (Hobdari et al., 2017), *Journal of World Business* (Aguilera et al., 2017), and *Thunderbird International Business Review* (Wang et al., 2020). Edited books have also provided new insights (Cuervo-Cazurra and Ramamurti, 2014; Cuervo-

[1] This was loosely reconfirmed by a search in EBSCOhost on the terms "outward foreign direct investment" OR "multinationals from emerging markets" OR "emerging market multinationals" OR EMNEs, yielding the following publication counts: 31 in 1995–1999, 81 in 2000–2004, 203 in 2005–2009, 555 in 2010–2014, and 786 in 2015–2019.

Cazurra et al., 2020b; Cuervo-Cazurra and Montoya, 2018; Grosse and Meyer, 2019; Demirbag and Yaprak, 2015; Merchant, 2016; Ramamurti and Singh, 2009; Sauvant, 2009; Williamson et al., 2013). The literature on EMNCs has been the object of several reviews, general (Cuervo-Cazurra et al., 2020c; Cui and Aulakh, 2019; Li and Shapiro, 2019; Jormanainen and Koveshnikov, 2012; Yang, 2012; Luo and Zhang, 2016; Paul and Benito, 2018) as well as region-specific (Alon et al., 2018; Deng, 2012; Iqbal et al., 2018; Liuhto and Majuri, 2014; Wang and Gao, 2019).

The early contributions in the EMNC literature tended to be more aggregate, aiming to identify macro-level characteristics, drivers, and trends. In subsequent years, the literature diversified in both breadth and depth, analyzing a broader array of more specific topics with increasing depth. Early on, there was a preponderance of studies focused on empirics; later contributions became more theorized. Some applied a growing array of extant international business theory, others tested its applicability on EMNCs, and some endeavored to develop new EMNC-centric theory. Today, the specialized EMNC literature has come to mirror virtually all themes analyzed in the general international business literature.

Yet, several themes have become particularly prominent in the literature studying EMNCs: existence, motives, process, governance, and impacts. First, the most basic one is perhaps the existence and growth of EMNCs, as emerging economies were assumed to be capital importers and firms were assumed to have few firm-specific advantages that could be exploited across borders (Rugman, 2010). Much of this literature engaged with the character of EMNC resources and capabilities and the nature of their competitive advantages. Second, progressing from existence, another prominent theme has been the different types of EMNC internationalization motives, seen from a pull (host) and a push (home) perspective. Here, much focus has been on asset augmentation strategies to catch up and compete both abroad and at home. Incidentally, EMNCs efforts to acquire strategic assets abroad are not exclusive to the current wave of outward FDI. Lall (1983), in the early work on Third World multinationals, as EMNCs were known then, noted that firms from Hong Kong formed overseas joint ventures in established technology industries which were not well established or significant export industries at home. A third group of studies has focused on identifying patterns in the internationalization processes of EMNCs and how they may differ from advanced economy multinationals. Among the themes analyzed here have been location patterns, entry strategies, speed, commitment, risk tolerance, and the role of inter and intra-firm networks. Fourth, studies have attempted to identify regularities in organizational structures and governance forms in internationalized firms and the strategies pursued in establishing them, including the role of business groups and family- and state-owned firms. Governance issues related to corruption, legal compliance, and corporate social responsibility have also been analyzed. Finally, a set of contributions focused on the various types of impacts accruing from EMNC activities, both in host and home countries. Among domains of impact considered have been global competition, economic and social development, and national security, the latter having been scrutinized especially for Chinese and Russian firms.

The one thing that all EMNCs share is that they originate from countries characterized as emerging, which affect their internationalization in ways that differ from the experience of advanced economy multinationals upon which much of the international business literature is based. Thus, the study of the MNC requires going deeper into how particular conditions of the home country affect how firms build their capabilities and internationalize (Cuervo-Cazurra et al., 2018). Central issues here have been the role of institutions, institutional voids and market deficiencies, capital market imperfections, and various forms of state activism. A specific genre in this literature has been comparative studies, aiming to identify differences between EMNCs depending on their country of origin.

4. Three perspectives on internationalization: resources, transactions, and processes

Firms' internationalization process, perceived as the temporal and spatial evolution of firms' distribution of resources and governance structures across national borders, is one of the most scrutinized subjects in the international business literature. In a sense, all international business theories are process-related since internationalization is never instantaneous but inherently involves dynamics. Yet, theories differ categorically on whether they explicitly theorize this process, analyzing dynamics and sequences of actions, or leave it implicit and rather focus on discrete choices. In fact, most international business theory tends to do the latter, with both theoretical predictions and empirical models focusing on the selection among multiple choices, be it of countries, entry modes, or contractual arrangements, even though there has been a general tendency towards better accommodating dynamics in recent years.

One of the most vigorously debated and perhaps most important issues in the recent literature on EMNCs is the applicability of extant international business theory to the characteristics and behavior of EMNCs. This debate was not prominent in the early work on EMNCs (e.g., Kumar and McLeod, 1981; Lall, 1983; Lecraw, 1977; Wells, 1977, 1983), which emphasized the differences between EMNCs and multinationals from advanced countries, including differences analyzed today, such as the lack of proprietary advantages, latecomer status, and unsupportive home country conditions. It also argued that the international competitive advantage of EMNCs tended to be based on low production costs, partly due to the ability to import technology and on their experience with operating in emerging markets. At the same time, however, it assumed that the received theories on foreign investment and internationalization,

such as the product life cycle (Vernon, 1966), incremental internationalization model (Johanson and Vahlne, 1977), and ownership, location, internalization paradigm (Dunning, 1977), remained applicable to EMNCs, despite being developed on the experiences of advanced economy multinationals. Later contributions applied a more dynamic process perspective and focused on organizational learning and technological catch-up (e.g., Cantwell and Tolentino, 1990; Lecraw, 1993; Vernon-Wortzel and Wortzel, 1988).

The contemporary debate on the applicability of the extant theory is often approached in terms of three positions (Cuervo-Cazurra, 2012; Gammeltoft et al., 2010b): those that suggest that entirely new theories should be developed for the study of EMNCs (Child and Rodrigues, 2005; Guillen and Garcia-Canal, 2009; Luo and Tung, 2007; Mathews, 2006), those that propose that their study reconfirms the applicability of existing theory (Narula, 2012; Rugman, 2010; Verbeke and Kano, 2015), and those that argue that existing theories should be modified or extended (Cuervo-Cazurra and Genc, 2008; Gammeltoft et al., 2010b; Hennart, 2012; Ramamurti, 2009, 2012).

Part of the debate seems to be driven by whether authors consider how the conditions of the home country influence the advantages and global strategy of EMNCs, or whether they abstract from such conditions and instead focus their attention only on the firms and their actions. The first case, which is the view that we follow, results in a better understanding of companies by contextualizing their strategies, helping understand the assumptions of existing theories, and identifying new insights that advance their development. The second case leads to a restatement of general principles that apply to all companies regardless of contextual conditions. This seems to undermine the essence of international business as a subject matter that highlights the importance of context in business decisions.

Even though there has been some convergence between major international business theories in recent years (e.g., ownership, location, internalization paradigm (Dunning, 1977); incremental internationalization model (Johanson and Vahlne, 1977); internalization theory (Buckley and Casson, 1976); dynamic capabilities (Teece, 2014); and knowledge-based view (Kogut and Zander, 1993)), they remain distinct in their underlying paradigmatic assumptions as well as in their declarative scope, and hence deal with different subject matters based on different premises. Thus, whether international business theory should be revised to accommodate EMNCs, and if so how, is contingent on the theory considered.

We conjecture that international business theories have commonalities that allow discussion to be conducted per theory group rather than for each theory individually. For the purpose of discussing the theoretical implications of EMNCs as we do later, theories of the multinational company can meaningfully be clustered into three ontologically separable groups, which are distinct in terms of their scope and what they purport to explain (explanandum), the main explanatory factors they invoke (explanans) and their underlying assumptions (ontology). In other words, we suggest that international business scholars tend to perceive the internationalization process in different yet regularized ways.[2] We dub these three groups resource-, transaction-, and process-oriented, respectively. Table 1 summarizes and contrasts these three ontological perspectives.

In the resource-oriented group, the basic perception of multinational firms is as bundles of resources and capabilities. Firms' resources and capabilities constitute both prerequisites and rationales for their internationalization. On the one hand, resources and capabilities offset the liabilities firms face abroad. On the other hand, the possession of unique or rare resources motivates firms to exploit and possibly augment these in foreign markets. Firm-specific resources are traditionally assumed to be intangibles, especially technology and brands. In addition to product and process-related resources, theories tend to also consider firm capabilities for governing international operations as a particular resource class.

Table 1
Three ontological perspectives on the internationalization process.

	Resource oriented	Transaction oriented	Process oriented
Explanans	Exploitation and augmentation of firm resources; firm growth	Economic efficiency; market imperfections; incentive alignment	Firm-market interplay; learning; risk reduction; opportunity discovery and generation; firm growth
Explanandum	Spatial resource distribution; operation modes	Firm governance forms; corporate governance; market vs. hierarchy; operation modes	Firm internationalization process; drivers, processes, consequences
Ontology			
• Firm	Resource and revenue growth; profit maximization	Efficiency	Organizational growth and learning
• Agency	Bounded rationality; asymmetric information	Bounded rationality; uncertainty; asymmetric information; moral hazard, opportunism	Bounded rationality; uncertainty
Theories	OLI paradigm; resource-based view/ knowledge-based view; ownership advantages; resource dependence theory; springboard model	Transaction cost economics; internalization theory; agency theory; capital market theory	Incremental internationalization model; product life cycle; flying geese model; global value chains; learning, linkage, leverage model; dynamic capabilities; process school; contingency theory
Examples of analyses	Cui et al., 2011; Deng, 2009; Gubbi et al., 2010; Liang et al., 2012; Sun et al., 2012	Bhaumik et al., 2010; Buckley et al., 2007; Filatotchev et al., 2007; Panicker et al., 2019; Verbeke and Kano, 2015	Cuervo-Cazurra, 2008; Hertenstein et al., 2017; Liu et al., 2008; Yang et al., 2009; Zhong et al., 2013

[2] We consider here only theories that focus on firm internationalization and not theories which operate only at the aggregate industry or geographic level (e.g. gravity theory, investment-development path, cluster theory, and macro-institutional approaches).

In the transaction-oriented group, the basic view of multinational firms is as governance forms. Theories in this group are characterized by a micro-economic focus on transactions in markets between agents. Markets are the natural state, and firms and their governance emerge as efficient solutions to market imperfections. Internationalization in specific results from the internalization of market deficiencies across borders. The adopted governance form derives from the features of the specific markets and assets involved. Firm-internal governance depends on transactions between owners and managers, where incentives can be aligned through contracts. Internalization theory purports to explain and predict multinational firms' international governance as the mechanism for developing and exploiting sources of advantages. While internalization theory was traditionally mainly static, 'new internalization theory' focuses on the dynamics of this governance over time and how value creation hinges on knowledge recombination and governance choices.

Finally, in the process-oriented group, the basic perception of the multinational firms is as institutions that evolve through internationalization. The internationalization process itself is seen as the defining feature of multinational firms, and these theories aspire to understand the dynamics of the process over time. They also tend not to consider firm-specific advantages a prerequisite of internationalization (e.g., Forsgren and Johanson, 2010) but instead consider internationalization driven by the continuous interplay between a firm and its markets, primarily product but also input markets. Internationalization is perceived as a mainly progressive process of firms' temporal and spatial commitment of assets.

The theories share certain commonalities. The most pronounced focus of the theories is on motives, location, and operation mode and, sometimes, how this evolves over time. Theories also tend to provide relatively firm-centric explanations and pay less attention to how the environment and broader institutional context influence motives, strategies, structures, and performance of multinational firms. The theories are somewhat converging. For example, the 'new internalization theory' extends traditional internalization theory with a more dynamic and process-oriented perspective and argues for cross-fertilization with business history. However, it still focuses mainly on cost rather than value creation.

5. Emerging market multinationals and the three perspectives on internationalization: resource-, transaction-, and process-oriented

Building on this framework, we now explain how the study of EMNCs has generated new insights in each of the three categories of internationalization theories. This summarizes previous studies of EMNCs and clarifies their arguments within a holistic view.

5.1. *EMNCs and resource-oriented theories*

Numerous studies analyze and debate the extent to which EMNCs possess firm-specific advantages, their character, and how they are exploited and augmented. The notion that firms internationalize based on preexisting firm advantages is deeply ingrained in extant international business theory. These advantages typically relate to intangibles such as proprietary technology, strong brands, or managerial and organizational advantages, including advantages of common governance.

The study of firm-specific advantages in the internationalization of EMNCs has resulted in three alternative approaches. First, some argue that most EMNCs lack significant advantages altogether, with the implication that internationalization is unwise or unsustainable (Rugman and Li, 2007). A second set of scholars argue that EMNCs internationalize to obtain them (Mathews, 2002a, 2002b; Luo and Tung, 2007, 2018). A third group proposes that EMNCs have advantages, but they are different from the conventional ones (Cuervo-Cazurra and Genc, 2008; Elango and Pattnaik, 2007; Guillen and Garcia-Canal, 2009).

The use of internationalization as a mechanism for building firm-specific advantages by EMNCs has resulted in new insights. Over the last four decades, successful emerging economies have pursued outward-oriented development strategies harnessing export market learning and various modalities of foreign technology acquisition (Hobday, 1995; Luo and Tung, 2007, 2018; Mathews, 2006). Hence, learning from abroad, whether through across- or behind-the-border linkages, has been comparatively more important in capability building in emerging than in advanced economies, where many advanced-country multinational firms built up their capabilities based on the domestic market before internationalization. Resource exploration is often cited as an internationalization motive to developed markets, and often these investments are intended less to grow markets abroad than to be able to compete at home (Williamson and Raman, 2011). Shifting focus from domestic innovation to international learning as the primary modality of advantage formation has interesting implications for theory.

The study of the usual sources of advantage for EMNCs has led to the identification of multiple alternatives: frugal innovation, process efficiency, preferential factor access, institutional flexibility, and government support. One advantage is a superior ability to understand needs and wants in emerging markets and engage in frugal innovation and produce 'good enough' products to match them (Peng, 2012; Ramamurti, 2012; Williamson and Wan, 2018). These products are typically attractive in other emerging markets but can also find niches in developed markets (Govindarajan and Ramamurti, 2011). A second type of unusual source of advantage in EMNCs is process efficiency and cost innovation – the ability to build and manage efficient production and supply chain systems. These advantages can be based on cheap inputs, the ability to adapt to or better exploit relative local factor availability and costs, combined with late mover advantages, and access to the latest technologies without sunk costs. A third type of advantage of EMNCs relates to differential access to location advantages, i.e., that EMNCs can enjoy preferential access to home-country factors, such as low-cost labor, natural resources, subsidies, markets, regulation, etc. This can be particularly pronounced for state-owned and government-connected firms, which are prevalent in many emerging economies (Lebedev et al., 2021; Ma et al., 2016). A fourth type is a superior ability to navigate thin or outright adverse institutional and infrastructural environments. To succeed, emerging economy firms need to overcome constraints related to the physical infrastructure, 'institutional voids' in labor, product, and capital markets, and the

supporting institutional infrastructure, e.g., weaknesses of regulators and intermediaries (Khanna and Palepu, 2010; Friel, 2021). This is an ability typically honed during their home-country genesis but exploitable in the markets of other emerging economies (Cuervo-Cazurra and Genc, 2008). Relatedly, but still distinct, it has been suggested that EMNCs often develop compensating strengths in institutional flexibility and networking capability in the face of contextual adversity, both locally and, as in the case of overseas diasporas, abroad. A fifth type is government support. EMNCs are seen as the beneficiaries of active government encouragement and, in some cases, financial and diplomatic support (Aggarwal and Agmon, 1990; Li et al., 2018). The ability to establish and benefit from government relationships and support is often highlighted as a potential contributor to EMNC competitiveness (Lebedev et al., this issue).

The literature on EMNCs has extended the understanding of the character and role of location advantages and their interplay with firm advantages. Given the lower level of economic and formal institutional development that characterizes emerging economies, EMNC competitiveness tends to be more reliant on location advantages such as access to natural resources, low-cost labor, particular types of skilled labor, or other production factors. However, location advantages are usually not internationally transferable, and thus competitive advantage built on location advantages is typically taken to be less supportive of internationalization (Rugman and Li, 2007). It is also considered less sustainable since location advantages are typically considered accessible by all firms, including foreign investors. This results in firm advantages that depend on location advantages being subject to imitation and erosion by competitors. While there is some truth to this argument when location advantages are contrasted with firm advantages, insightful analyses suggest that firms' access to location advantages can be highly differential and hence support firm advantages more sustainably than traditionally assumed (Hennart, 2012; Narula, 2014).

EMNCs' formation of their resources and capabilities are fundamentally conditioned by home country characteristics. While analyses of host-country effects are more prevalent in the mainstream international business literature, the EMNC literature contributes to a more differentiated understanding of home-country effects. While extant international business theory assumes that multinational firms internationalize out of home country strengths, the potential effects of home country conditions are more ambidextrous in emerging markets. On the one hand, as in the case, for example, of privileged access to government financial and non-financial support and other location advantages, they can be supportive (Han et al., 2018; Hennart, 2012; Luo et al., 2010). On the other hand, as in the case of institutional voids, they can constrain and even induce escape response (Child and Rodrigues, 2005; Cuervo-Cazurra, 2011; Stoian and Mohr, 2016; Witt and Lewin, 2007). Yet again, scarcities often discipline firms to innovate, and familiarity with adverse institutional conditions and capabilities in navigating them enables some EMNCs to develop untraditional advantages, which can ease their entry into other less developed economies and their competitive position vis-a-vis advanced economy multinational firms, e.g., skills in e-commerce or new business models for hard-to-reach rural customers (Luo and Wang, 2012; Wang et al., 2012). Consequently, EMNCs have a higher propensity than advanced economy multinational firms to invest in less developed countries with weaker institutional environments, and they have a more favorable competitive position in those markets (Cuervo-Cazurra and Genc, 2008; Morck et al., 2008).

5.2. *EMNCs and transaction-oriented theories*

Analyses related to governance and agency issues in EMNCs are less numerous than those on resources and capabilities. This is probably in part because analyses of this type are more specialized and in part because they involve dynamics and generalized principles that tend to abstract from the conditions of the country. This results in EMNCs being subject to similar predictions to those derived from the study of advanced economy multinational firms.

Despite this, several governance dimensions are highlighted in the EMNC literature, particularly corporate and international governance, governance discretion, M&A strategy, and technology-market bundling: First and foremost, perhaps, is the overall governance structure of the firm and, in particular, the influence of business groups and family and state-owned firms and the role they play in EMNC internationalization. While in developed countries the theoretical orthodoxy has long been a focus on core business operations, in emerging economies business groups are prevalent (Khanna and Yafeh, 2007; Tan and Meyer, 2019). This is often an outcome of weakly developed markets and institutionally 'thin' environments, which induce the internalization of transactions. Possession of scarce managerial and organizational capabilities incentivizes firms to exploit them in multiple business areas, and diversification can serve to manage risk in uncertain environments. The learning gained from the internationalization of affiliates to business groups can support the foreign expansion of other affiliates (Guillen, 2000). However, such business group advantages may not be reproducible in units abroad in locations, which already have high-quality institutions (Gaur and Kumar, 2009).

Second, EMNCs can represent certain untraditional advantages of discretion in governance. For example, there is a higher prevalence of state-owned and other non-publicly owned firms, of state or family influence among publicly-owned firms, and of business groups with cross-shareholdings among companies operating in a wide diversity of industries (Colli and Colpan, 2016; Khanna and Yafeh, 2007). Additionally, in many emerging economies, firms are subject to less public scrutiny and controls than in advanced economies. For these reasons, firms can sometimes operate with fewer governance constraints, more managerial discretion, and less stringent short-term efficiency requirements and apply non-traditional strategies in their internationalization (Bhaumik et al., 2010).

A third topic is the different use of M&As by EMNCs in their foreign expansion. EMNCs frequently deploy M&As in their internationalization, which involves agency-related challenges in headquarter-subsidiary relationships. EMNCs have been found to deploy often a 'light-touch' integration approach, where the acquired entity is maintained largely intact, and a long-term and gradualist approach to its integration is adopted (Kumar, 2009; Cogman and Tan, 2010; Liu and Woywode, 2013; Wang et al., 2012). This contrasts with mainstream practice among multinationals from advanced economies, which tend to integrate quickly and comprehensively to either realize synergies or consolidate. The motivation and capabilities of EMNCs contribute to explaining this difference:

EMNCs often conduct 'upmarket' strategic asset-seeking M&As, where the acquisition target is more technologically and organizationally advanced than the acquirer and embedded in a home environment in which the acquirer often has limited insight. Preserving the acquired unit relatively intact and autonomous reduces risks of 'killing the golden goose.' Where capabilities are concerned, EMNCs are often less experienced with international M&As, particularly in cases where M&As are enabled more by government incentives than internal capabilities, and this can lead them to adopt a more gradual approach to capture more gains from learning.

A fourth area where EMNC research has contributed to extending and deepening the analysis of transactions in internationalization is related to the bundling of advantages with locational assets. Much international business literature implicitly perceives internationalization as a vector moving from technology to markets; from invention over product development and production to sales. This led to a conceptual and analytical (over) emphasis on internationalization to capitalize on technological assets abroad. The frequent foreign strategic asset acquisitions by EMNCs with favorable market access and strong process skills have exposed a loser coupling between technologies and markets: firms may equally well integrate backward from markets and process skills to technological assets. Whether or not one or the other modality prevails when intangibles held by a developed market firm are bundled with complementary local resources held by an emerging market firm is not given a priori but is contingent on the market transaction costs and complementary assets controlled by host-country economic actors (Hennart, 2012).

5.3. *EMNCs and process-oriented theories*

While the resource-oriented and the transaction-oriented approaches also concern the internationalization process in a broad sense, the process-based approaches are distinguished by several features. The resource and transaction-oriented approaches tend to be very parsimonious, highlight a particular mechanism of internationalization at the expense of others, and be relatively static. In contrast, the process-oriented approaches are first and foremost characterized by emphasizing the dynamic and sometimes accumulative and evolutionary nature of internationalization. They also tend to apply a broader perspective and incorporate more factors as both explanans and explanandum, at the expense of parsimony. An exception is the Uppsala model, in its varying specifications over time (Johanson and Vahlne, 1977, 2003, 2009; Vahlne, 2020; Vahlne and Johanson, 2017), which has largely preserved its parsimony around firm-based learning processes in market expanding activities.

With respect to process, one of the most frequent observations is that EMNCs have a propensity to be more aggressive in their internationalization than extant theory suggests, e.g., investing over longer distances, more rapidly, with higher commitment modes and assuming more risks (Aybar and Ficici, 2009; Deng, 2009; Li, 2010; Luo and Tung, 2007; Morck et al., 2008; Ramasamy et al., 2012; Satta et al., 2014). Leaving aside cultural and institutional explanations, a few reasons have been suggested for this behavior: home-country learning, competitive pressures, latecomer characteristics, and government incentives. One reason is that even though they may have limited direct internationalization experience, some EMNCs have substantial indirect experience, e.g., having traversed substantial learning processes by linking up to foreign multinationals, e.g., through joint ventures, alliances, or subcontracting relationships, before progressing to investing abroad themselves (Luo and Wang, 2012; Mathews, 2006; Thomas et al., 2007), or by gaining experience from industry and regional diversification at home (Li et al., 2021; Lu et al., 2014), such as by operating across regional boundaries within continental-size economies (Pattnaik et al., 2021). A second explanation is that competitive forces in both the international and the domestic market may pressure EMNCs to internationalize more rapidly. Internationally, markets may already be relatively saturated and the 'low-hanging fruits' in terms of investment opportunities already picked. Domestically, EMNCs are often exposed to more intense competition than advanced economy multinational firms were exposed to in their home market at the time of their genesis. A third driver of EMNC tendencies to internationalize more aggressively is the existence of both advantages and drawbacks of being latecomers. On the one hand, attempts to compensate for the relative weakness of experience and capabilities can force a stronger entrepreneurial orientation and pursuit of unorthodox approaches (Liu et al., 2008). On the other hand, traditional latecomer advantages, such as knowledge leverage and less sunk costs, may also contribute to accelerated internationalization (Bonaglia et al., 2007). Finally, a characteristic of EMNC internationalization processes that is often highlighted as a manifestation of 'aggressiveness' is a tendency to assume more risks than received literature and orthodoxy would suggest (Buckley et al., 2007; Duanmu, 2012; Quer et al., 2012), even though this claim is not uncontested (Alon et al., 2014; Blomkvist and Drogendijk, 2016). The higher risk tolerance of EMNCs may result from financial, institutional, policy, or other forms of government support (Han et al., 2018; Luo et al., 2010; Nuruzzaman et al., 2020) or, as mentioned above, from strategies devised to compensate for being latecomers. Taxonomies of EMNC internationalization patterns help separate distinctive trajectories from more conventional ones (Ricard et al., 2021; Ayden et al., 2021).

A second theme on the process followed by EMNCs is the differences in decisions in comparison to advanced economy counterparts as a result of the underdevelopment of the home markets. These differences take several forms: host country distances; learning-driven investments; home-host arbitrage; strategic intent, and network support. Much received internationalization theory is, largely implicitly, based on advanced economy multinationals that seek outlets for their products in markets, which are economically and institutionally relatively similar to their home markets and therefore also often geographically proximate. However, this is not the case for EMNCs, which may internationalize both 'laterally,' 'downwards' and, as opposed to AMNCs, 'upwards.' Consequently, they often expand towards countries that are different from rather than similar to their home country (Barnard, 2021; Cuervo-Cazurra, 2011). For companies originating from poorer economies, the relevant and attractive markets may be advanced economies that, by definition, represent larger geographic, psychic, and other distances to reach (Cuervo-Cazurra, 2011). Another difference is that while most outward FDI is motivated by foreign market access and building-up of overseas trading networks (Ramasamy et al., 2012), EMNCs often pursue international learning through M&As to compensate for the weakness of the systems of innovation in the home country (Nayyar, 2008; Madhok and Keyhani, 2012). As EMNCs seek technology from advanced economies with a more supportive innovation

system, these investment projects are often done with higher speed, over longer distances, and higher commitment modes than 'traditional' greenfield investments. The third characteristic is that EMNCs are often internationalizing to exploit differences rather than similarities between home and host locations, e.g., when investing upstream in the value chain or for strategic assets or natural resources. In some economies, state-owned or state-supported companies benefit from market and non-market support mechanisms, allowing them to pursue strategies that would not be viable on purely commercial terms. Fourth, in some cases, EMNCs may deliberately deviate from orthodoxy by 'strategic intent' and pursue strategies that stretch beyond their resources and capabilities as part of their upgrading. The Chinese appliance manufacturer Haier is an illustrative case. The company pursued a deliberate strategy of 'hard first, easy later', aiming to maximize learning and brand-building through investments in developed economies before internationalizing more broadly (Xu et al., 2006). Fourth, EMNCs have been found to often rely heavily on networks in their internationalization. The international business literature, in general, has come to increasingly recognize the role of networks in internationalization (Johanson and Vahlne, 2003). With relatively weaker traditional firm-specific advantages and emerging from institutionally weaker environments, EMNCs are particularly reliant on various types of networks for access to complementary resources. For example, studies have analyzed intern-firm networks (Manolova et al., 2010), intra-firm networks (Elango and Pattnaik, 2007), networks with home-country government officials and MNE partners (Kotabe et al., 2010), and alliance networks (Thomas et al., 2007).

6. Enriching internationalization process theory with insights on emerging market multinationals: government, catch-up, and global value chain accelerators

Theorizing involves a balance between parsimony and comprehensiveness. The most authoritative and widely applied theories in international business are highly parsimonious and often distill the effects of one specific mechanism upon firm internationalization. Even though the same mechanisms are essential for emerging market firms, they may be less central in relative terms and result in less accurate depictions of internationalization. We argue that some parsimony should be sacrificed when theorizing about EMNCs: incorporating a set of characteristics of emerging economies and their firms can produce more useful multi-level and contextualized models, frameworks, and theories.

Specifically, we argue that three mechanisms, which we call accelerators, should be more explicitly integrated into studies of EMNC

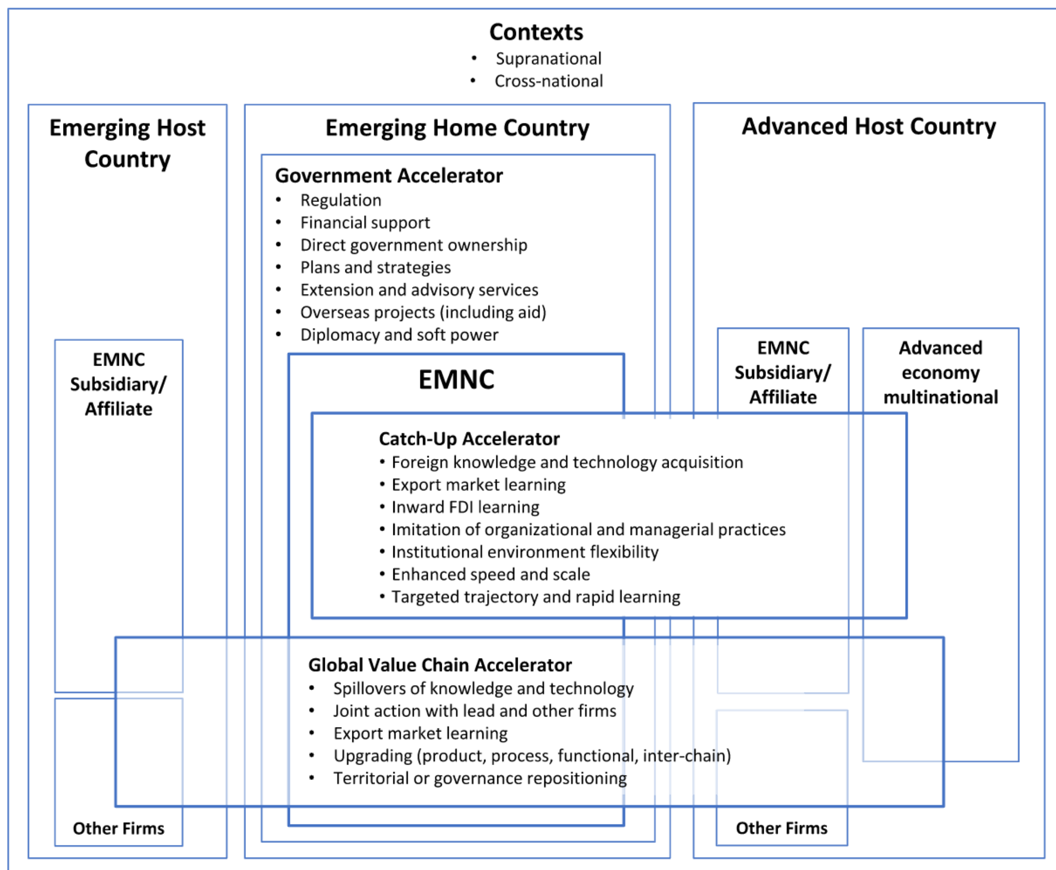

Fig. 1. A contextualized multi-level framework for the EMNC internationalization process: government, catch-up, and global value chain accelerators.

internationalization: government, catch-up processes, and global value chains. Fig. 1 illustrates how these mechanisms operate within a contextualized view of EMNCs, where the EMNC is embedded in multiple contextual dimensions that span several domestic and international levels.

In addition to providing a better understanding of the resources, transactions, and processes underlying theories of the multinational we discussed above, the study of EMNCs provides new insights on the dynamics of the internationalization process, specifically the existence of new accelerators. Internationalization process theory has been refined by incorporating what we could call a technological accelerator, i.e., how technological advances, especially in information and transportation technologies, have enabled companies to internationalize faster and wider than was expected from theory. This has given rise to the so-called born global firms, or companies that internationalize early on in their corporate life (McDougall et al., 1994). We complement this approach by discussing additional accelerators that the analysis of EMNCs reveals. Similar to how the technological accelerator relaxes the assumption of a challenging transfer of knowledge and products across countries, the government, catch-up, and global value chain accelerators relax assumptions regarding the risk and commitment in the internationalization process and the learning and knowledge difficulties. In so doing, we integrate previous models that have introduced some factors behind differences in the internationalization of EMNCs, e.g., learning, leverage, linkage (Mathews, 2006) and springboard (Luo and Tung, 2007), into a complete model of their the internationalization process.

6.1. Government accelerator

Governments support the economy in their territory, including the development of national firms. While all governments support and facilitate through regulatory, administrative, and financial means, the goals, techniques, and outcomes differ widely. Emerging market countries tend to be characterized by having more proactive and interventionist governments. This is driven in most by a desire to speed up economic development, and in some, also by a desire to establish control.

In emerging economies, government support for outward direct investment is a relatively recent phenomenon: emerging and developing economies have traditionally been scarce on capital and abundant on labor, and efforts have focused on attracting inward capital flows and the technology and knowledge they bring rather than encourage outward flows. In India, for example, foreign direct investment was severely restricted until 1992. Project proposals were evaluated by the government on a case-by-case basis, primarily based on their foreign exchange earning capacity, and unless the foreign government and foreign party desired otherwise, investments could only take the form of minority-owned joint ventures (Athukorala, 2009). However, with an increasingly liberalized world economy, progress in communication and transport technologies, and all the other changes we tend to refer to with the shorthand of globalization, orthodoxy has changed. Emerging economy governments have come to perceive firm internationalization as important to national development, not just through exports but also through foreign direct investment. To maintain competitiveness at home and abroad, national firms increasingly require market share, brands, technology, and distribution networks in global markets. Nevertheless, government support for foreign direct investment is fraught with controversies, including risks of crowding out domestic investments, and state ownership sometimes constrains internationalization (Cuervo-Cazurra and Li, 2021; Kalasin et al., 2020).

A common assumption of the incremental internationalization model is that managers are risk averse. This leads them to select countries that are similar to the country of origin, where they can understand better how to compete and operate. It also induces them to use low commitment entry modes at the beginning of the expansion within the country to limit exposure. In contrast, as a result of the government accelerator, EMNCs can choose countries that appear very different from the home country and thus risky, as well as countries that have conditions that will deter foreign investment. In the government accelerator, the direct and indirect government support of emerging market firms enables them to reduce risks of foreign expansion and thus speed up their entry into challenging countries and using large investments and commitments. The government's direct support enables EMNC managers to take risks that the private sector might not be able to finance. Indirect government support enables EMNC managers to defend their foreign investments when confronted with challenges in the host country. Although government support for foreign direct investment that accelerates internationalization is more likely to happen in state-owned companies (Benito et al., 2016; Cuervo-Cazurra and Ramamurti, 2014), it also happens in private companies (Driffield et al., 2021), sometimes via bank loans (Lazzarini et al., 2015). The government's portfolio of support techniques is highly idiosyncratic, as the literature on comparative institutionalism vividly demonstrates (e.g., Hall and Soskice, 2001; Whitley, 2014). Typical government instruments supporting internationalization include regulation, plans and strategies, extension and advisory services, financial support, direct government ownership, overseas projects (including aid), and diplomacy and soft power. These ideas integrate the literature that has discussed how some emerging-market governments provide support for their companies to become multinationals (Lazzarini et al., 2015; Musacchio and Lazzarini, 2014. Luo et al., 2010).

6.2. Catch-up accelerator

While being a laggard is not generally associated with an international competitive advantage, it does represent specific rent-creating opportunities. The ability to import knowledge and technology from more advanced nations enables accelerated industrial expansion through imitation and fast followership (Gerschenkron, 1962). Latecomers have access to the latest technologies and can apply them without incurring the costs and risks of their initial development. They are also unrestrained by sunk costs in legacy technology systems and the inertia of existing institutional arrangements and can shape new institutional systems specifically for the new technologies, which can be introduced rapidly and at a larger scale (Surdu et al., 2021, argue relatedly at the firm level that EMNCs may operate with less strategic and operational inertia). While Gerschenkron (1962) analyzed processes of late

industrialization of countries, the concept of latecomer advantages has been applied at the firm level in international business (e.g., Bonaglia et al., 2007; Mathews, 2002a; Ray et al., 2017), innovation management (e.g., Ernst et al., 2014; Hobday, 1995), and strategic management (e.g., Cho et al., 1998; Li and Kozhikode, 2008). As the latecomer firm is usually a follower, it benefits from less uncertainty in terms of its future development trajectory and from potentials for more clear strategic goals and metrics and benchmarks for approaching them. Latecomer advantages are also associated with contracting or licensing arrangements in global value chains. This includes downstream market access channels and export market learning, mechanisms not emphasized by Gerschenkron (1962) (as opposed to technological learning) but central in later analyses (Hobday, 1995; Mathews, 2002a).

The typical assumption of the incremental internationalization process theory is that companies expand abroad to sell, using resources and capabilities they have already developed in the home country. Some of the development of these resources and capabilities is facilitated by a supportive innovation system. After all, the incremental internationalization model and its subsequent refinements were commonly based on the analysis of companies from developed countries. Thus, the model tended to assume that companies already had developed the competitive capabilities that enabled them to achieve an advantage abroad.

The catch-up accelerator relaxes this assumption by discussing how some emerging market companies use internationalization to compensate for the deficiencies in the home country and their company's competitive capabilities. In the catch-up accelerator, an important driver is compensating for the limitations of the home country's technological and innovation systems by obtaining advanced technologies and marketing capabilities from more advanced countries (Luo and Tung, 2007, 2018; Madhok and Keyhani, 2012; Mathews, 2006). In the search for new technologies to compensate for the home country's technological weaknesses, EMNCs become local partners to multinationals from advanced economies in their home countries. They also enter many and highly diverse host countries, using acquisitions intensively. In this way, it integrates the notion of springboard internationalization (Luo and Tung, 2007; Enderwick and Buckley, 2021) within a set of alternative accelerators. Thus, companies will invest in countries that are very different from the home country because those nations have a sophisticated innovation system they lack at home (Luo et al., 2021). EMNCs will also engage in high-commitment entry modes because these enable firms to control the capabilities they need to upgrade home-country operations.

6.3. *Global value chain accelerator*

Positioning in established global value chains of leading multinational firms is a crucial upgrading strategy for EMNCs. Whether serving as a subcontractor in the international supply chains of lead firms abroad or engaging domestically with foreign subsidiaries to supply the home market, insertion into global value chains offers latecomer firms a range of essential advantages through both passive spillovers and deliberate joint activities (Pananond et al., 2020). Global value chains comprise all activities involved in the production of an end product and include an input-output value-adding structure, geographic territoriality, and a governance structure (Gereffi, 1994).

Global value chains assume different basic architectures, representing alternative opportunities for learning and upgrading for nodal firms. In the broad distinction between buyer-driven and producer-driven chains, the former tend to be perceived as offering more favorable conditions for upgrading. However, opportunities vary across the five types of value chain governance (Gereffi et al., 2005): market, modular, relational, captive, and hierarchy.

The extent and modality of participation in global value chains and the outcomes that they yield are typically taken to be strongly influenced by the local institutional context, including government policies (World Bank, 2020). Emerging markets are also characterized by lower levels of sophistication in the skills and capabilities of labor. Although the lower level of employees' skills is associated with lower costs, which help the companies export, it also constrains companies' ability to become multinationals and have highly competitive operations at home and transfer that knowledge to other countries. However, the global value chain accelerator reflects the idea that connections within global value chains enable emerging market firms to learn the nuances of foreign markets and internationalize indirectly through the global value chains of lead companies from advanced economies. As a result, emerging-market firms obtain knowledge about foreign countries and how to serve foreign customers to speed up their internationalization.

The traditional internationalization process argues that one of the constraints of internationalization is the lack of knowledge about other markets. Thus, managers will tend to select countries that are similar to their home country where they can use much of their existing expertise. Managers will also use low commitment entry modes because they can rely on local partners' knowledge to facilitate entry into the host country.

The global value chain accelerator enables emerging market companies to learn at home about how to serve customers in foreign countries and how to deal with competitors there. This indirect learning by being integrated within the global value chains of advanced economy companies brings them the knowledge that helps them internationalize faster and wider. Thus, emerging market companies can learn how to serve customers there indirectly by being part of global value chains. They can move quickly into high commitment entry modes because they have the knowledge of the needs and preferences of host country consumers and the characteristics of the products of competitors from their indirect learning in the global value chains. This global value chain accelerator brings the ideas from the linkage, leverage, learning model (Mathews, 2006) within the internationalization process by explaining how the integration of emerging market companies in global value chains accelerates their internationalization process.

7. Conclusion

Analyzing EMNCs is likely to continue challenging and enriching our understanding of the internationalization process. With all the requisite reservations towards advancing general claims at high levels of aggregation, the internationalization process of EMNCs

should be looked upon differently than that of advanced economy multinational firms and deviances stretch beyond what can be explained by differences in company lifetime, historical period of internationalization, and industry specializations. Differences in the institutional environment of EMNCs and their economic, political, and technological context induce different firm behavior. These differences encompass but are not confined to internationalization speed, risk-taking, and sequencing of commitment levels. With a few exceptions, existing theoretical approaches, whether resource, transaction, or process oriented, tend to not capture these dimensions very well; their strengths have traditionally resided more in their parsimony. However, for analyses of EMNCs, richer multilevel and contextualized models are advantageous, especially those that provide for enhanced analysis of government, global value chain, and catch-up dynamics.

At the same time, with the maturation of EMNCs, and the related scholarly literature along with them, the research agenda is likely to converge more with that on advanced economy multinational firms. Early work on EMNCs was particularly focused on identifying and analyzing the specific traits that set them apart from advanced economy multinational firms. While this work remains important, increasingly, studies on EMNCs can contribute to advancing the same research agendas as studies on advanced economy multinational firms with additional depth.

7.1. Contributions

The arguments presented in this paper contribute to two streams of literature: internationalization process theory, and the study of EMNCs. First, we contribute to a better understanding of internationalization process theory by identifying and discussing three ontological perspectives on how the process is perceived in extant international business theory: resource oriented, transaction oriented and process oriented. As ontologies, these perspectives condition what emerges for scholars as visible and relevant and assign relative significance to factors and mechanisms when observing firm internationalization. As new empirical phenomena arise, extant international business theories' underlying assumptions and delimitations may be more or less useful when applied in a new context.

We proceeded to use these three perspectives to distill characteristics of the EMNC internationalization process from prior literature. In this way, we identified a number of areas where EMNCs challenge extant theory and relate differently to resources, transactions, and processes, respectively. For resource-oriented approaches, these included frugal innovation, process efficiency, preferential factor access, institutional flexibility, and government support. For transaction-oriented approaches, they included corporate and international governance, governance discretion, M&A strategy, and technology-market bundling. Finally, for process-oriented approaches, they included home-country learning, competitive pressures, latecomer characteristics, government incentives, host country distances, learning-driven investments, home-host arbitrage, strategic intent, and network support.

We further discussed how to advance our understanding of the internationalization process by revealing some of the assumptions behind previous models and relaxing those assumptions in the face of the behavior of EMNCs. Based on insights from the analysis of EMNCs and by relaxing the assumption of risk aversion and learning, we extended the internationalization process models by proposing three mechanisms that accelerate the expansion of companies across markets: the government accelerator, the catch-up accelerator, and the global value chain accelerator.

The traditional explanations of the internationalization process tend to assume the importance of differences and frictions in cross-border transactions that lead firms towards incremental internationalization. A relaxation of assumptions is revealed by the study of the internationalization of EMNCs. Their study highlights the importance of the conditions of the home country in altering the role of risk and knowledge in the internationalization of companies. The proposed accelerators (government, catch-up, and global value chain) reflect how emerging market companies may enjoy lower risk and knowledge costs that lead them to have a faster and wider internationalization. In so doing, we integrate previous insights on the internationalization of emerging market firms such as the linkage, leverage, learning model (Mathews, 2006), and springboard model (Luo and Tung, 2007) within a single theoretical framework.

The analysis of the accelerators has additional implications beyond the study of EMNCs. First is the renewed activism of governments in the economy and their support for domestic firms to become multinationals. Through multiple mechanisms, from heavy-handed subsidies to subtle diplomacy, governments play a more important role in the internationalization of EMNCs than when advanced economy multinational firms were historically at a similar stage of development. Today, government as an institution is generally stronger and the social technologies it deploys more sophisticated. In emerging economies, government activism compensates for weak markets and institutions, and in some countries, ideologies and development strategies assign a more central role to the state (Gammmeltoft and Zedtwitz, 2021). Thus, the study of the role of government institutions, policies, and strategies should be even further accentuated in EMNC analyses. Moreover, advanced economies are also seeing increasingly active governments that have aimed to nudge or mandate firms to improve their competitiveness and counter foreign competitors. This opens the door for new studies on the role of government in internationalization in general and comparison across countries of government activism.

Second is how upgrading through internationalization points to new subtle insights. EMNCs are simultaneously privileged and challenged by an environment characterized by the concurrent presence of much more developed competitors, markets, and technologies. The drawbacks of being latecomers are numerous, including but by no means confined to deficiencies in financial systems and entrepreneurial base, as Gerschenkron emphasized. Nevertheless, there are also advantages, especially accelerated learning from modalities of technology acquisition and absorption, export market learning, and different forms of global value chain participation. Latecomer effects are not exclusive to but particularly distinctive for EMNCs, and EMNC-related analytical frameworks would benefit from more explicitly addressing these effects.

Third is the importance that global value chains have gained and the way in which they have altered how EMNCs and advanced economy firms operate. Reflective of the advanced state of the modern global economy, in terms especially of transport, information

and communication technologies, market-supporting institutions, and advanced organizational and managerial techniques, global value chains have become 'fine sliced' to a historically unprecedented extent. Despite the rhetoric of skepticism of globalization (Cuervo-Cazurra et al., 2020a), recent global challenges are not likely to revert this trend. In fact, they might propel it forward towards even more advanced configurations. For example, as Industry 4.0 technologies and institutions further mature and diffuse, even more fine-grained recombination of multinational firms' business areas, value chain functions, and geographic footprints will likely emerge. The integration into global value chains represents unique resources to EMNCs that were historically not a similar force for advanced economy multinational firms.

The second stream of literature to which this paper contributes is the study of EMNCs and their internationalization. EMNCs have been presented as challenging some of the previous arguments on theories of the multinational (Guillen and Garcia-Canal, 2009; Luo and Tung, 2007). We propose that EMNCs can be used to extend and refine previous theories by relaxing the assumptions upon which those theories were built. The reason is that although much of the theoretical arguments can be used to explain the behavior of multinationals as organizations, the same theoretical arguments in many cases have remained silent on the conditions of the home country and their role in international expansion. We revealed how the underdevelopment of emerging markets affects not only the decision to internationalize and the selection of countries and entry modes of EMNCs, but also helps explain better the internationalization process. The same underdevelopment drives EMNCs towards particular sequences of international expansion that companies coming from countries with more supportive conditions are less likely to follow. In this way, we complement the current focus of much of the literature on EMNCs on their sources of advantage and selection of countries and entry modes with a needed reflection on the particularities of their processes of internationalization and the role that the government, catch-up, and global value chain accelerators play in it.

7.2. Future research

There are promising potentials in expanding the focus of EMNC research both inwards and outwards to gain new theoretical insights. Inwards, even though it is often not explicitly addressed, internationalization is undergirded by entrepreneurship and entrepreneurial processes. Future research could better unravel the entrepreneurial microfoundations of EMNC internationalization and, specifically, address how entrepreneurial processes hinge on and are shaped by specificities of institutional contexts in emerging economies.

Outwards, the critical role of context in shaping EMNC strategies and processes can be understood and specified further. This can be achieved by taking the three ontological perspectives identified in this paper and bringing in the role of the context more explicitly as a driver of resources, transactions, and processes. This could even result in a fourth and as yet weakly developed class of international business theory particularly applicable to EMNCs, viz. theories that more explicitly theorize the institutional context and its interplay with EMNC evolution, including the role of politics and non-market activities more broadly. This requires not only more contextualized but also multilevel studies, consistent with recent calls in the international business literature (Buckley et al., 2017; Cheng, 2007; Meyer, 2006; Nielsen and Nielsen, 2010; Tsui, 2007). At the same time, theories are abstractions that serve to distinguish the essential from the incidental. They typically identify core entities and propose their relationships and serve as devices of complexity reduction. Hence, a high level of parsimony is preferable if it can be achieved without sacrificing expressive power.

Another way to bring better in the importance of context is by addressing grand challenges in the study of EMNCs (Buckley et al., 2017; George et al., 2016). Three examples come to mind: climate change and sustainability issues in general; the new emerging bi-, or perhaps tri-, polar world order and the repercussions of the balancing of commercial competition, partnering, and systemic rivalry; and rapid technological change in areas such as artificial intelligence, robotics, additive manufacturing, big data, and enhanced connectivity. In all these instances, addressing the causality chain from grand challenge to home country conditions to multinational behavior is likely to help yield new insights not considered in existing models of the multinational firm.

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