

THEORETICAL AND EMPIRICAL RESEARCH ON EMERGING MARKET MULTINATIONALS: CURRENT STATE AND FUTURE DIRECTIONS

Abstract

During the last decade the phenomenon of rapid international expansion of EMNEs has increasingly attracted scholarly attention. Yet, an attempt to conduct a systematic review that can provide a comprehensive understanding about the accumulated findings and inform further research avenues has not been implemented. The main objective of this article is to address this gap by providing an overview of EM MNE publications in top academic journals in the field of international business, management and development between 2000 and 2009. In total, 49 articles were included into the review. The publications were analyzed in terms of their geographic focus, methodology and main themes, such as theoretical perspectives on EMNEs' internationalization, their location choices, internationalization drivers, operation modes, competitiveness, performance implications and the influence of institutional factors. The analysis suggests that the phenomenon of EM MNE is relatively scarcely covered by top journals and lacks clarity and generalization. The results indicate that the research on EMNEs is biased towards China and Chinese national champions and has a number of methodological weaknesses. By large, EMNEs expand (a) on the regional basis and to less developed countries, (b) to escape 'institutional voids' of their home countries, and (c) using their capabilities to operate in countries with weak institutions as well as their networking capabilities.

Keywords: emerging market multinationals, developing countries, internationalization theories, review, leading journals

Proposed abbreviated heading: "Review of the EM MNE research"

Introduction

The phenomenon of emerging market multinationals (EM MNE) has been already discussed in the literature in the early 80s when scholars attempted to understand the “first wave” of international expansion of firms from such emerging markets as Brazil, South Africa and India (Lecraw, 1977; Lall, 1983). However, in the beginning of 2000s the activities of EMNEs have regained scholarly attention due to several reasons. First, a number of new players from other emerging economies have entered the global business arena and such previously unfamiliar names as China’s Lenovo, Huawei and Haier; India’s Infosys and Tata Group; Russia’s Severstal; Brazil’s Embraer gained a lot of attention in business and academic communities. Second, in addition to the emergence of these champions, the scale of OFDI from emerging markets has increased significantly (UNCTAD 2006). It has been assumed that this expansion will have important consequences for the economic development of both host and home countries as well as the nature of competition in developed and developing countries (see OECD, 2006; UNCTAD, 2006). Altogether, it led to currently increasing interest in trying to understand better the nature and motives of EMNEs activities.

Indeed, due to the novelty of the phenomenon, the body of the literature to date focusing on EMNEs is still significantly smaller than that concentrating on developed countries MNEs. Although a number of books has been written (e.g., Mathews, 2006; Sauvant, 2008; Ramamurti and Singh, 2009), this field is still relatively poorly covered by top level academic journals and articles are highly scattered in terms of its geographic focus, methodological approaches and addressed themes. Hence, this paper aims at providing both scholars and practitioners with more focused discussion about internationalization and competitiveness of EMNEs. To do that, we looked back at what has been written about EMNEs in the leading international business (IB), management and development journals during last 10 years and analyzed the content of those publications in order to answer two interrelated questions: *What do we know about EMNEs at the moment?* and *What should be our future research directions?* Our objective was to make a comprehensive review of the articles by focusing on its key themes, methodology and geographic focus to identify gaps in the extant literature that need to be addressed in the future research.

The paper is organized as follows. Next we describe the methodology that was followed in selecting and analyzing articles. Section 3 and section 4 discuss the distribution of articles in terms of geographic scope and employed methodologies. Section 5 presents the results of the

analysis according to the key themes. Last three sections summarize important findings revealed in the analysis, provide some future research directions, and conclude.

2. Methodology

Journal selection

Our first step consisted of identifying journals to be included in the review. We aimed at including only high-impact international journals. We also deliberately decided to include three types of journals: (a) specific journals dedicated to international business (IB), (b) generic journals about business and management, and (c) development journals. Following several earlier studies of similar kind within the IB field (Acedo and Casillas, 2005; Lahiri, forthcoming; Quer, Claver and Rienda, 2007; Griffith, Cavusgil and Xu, 2008), the following specific IB journals were included: Journal of International Business Studies (JIBS), Management International Review (MIR), International Business Review (IBR), Journal of World Business (JWB), Journal of International Management (JIM), and Asia Pacific Management Journal (APMJ). The group of generic journals about business and management consisted of eight titles: Academy of Management Review (AMR), Academy of Management Journal (AMJ), Academy of Management Perspective (AMP) (previously known as Academy of Management Executive (AME)), Strategic Management Journal (SMJ), Organization Science (OS), European Management Journal (EMJ), Management and Organization Review (MOR), and Long Range Planning (LRP). Such selection of generic journals was mostly in line with previous research as well (see Quer et al., 2007). We decided to include EMJ and LRP to provide a more comprehensive overview of the field since EMNEs is such a novel phenomenon. MOR was included because it specializes on China. Finally, we included the following development journals: Industrial Corporate Change (ICC), World Development (WD), and Research Policy (RP).

Articles selection and analysis

After identifying the journals, our next step was to select the articles to be reviewed. The period analyzed was between 2000 and 2009 (inclusive). Such a time period was chosen due to the reason that, although the phenomenon of EMNEs is not new, it is generally acknowledged that the “second wave” of the EM MNE internationalization started in the beginning of 2000s (e.g.,

Guillen and Garcia-Canal, 2009). We strived at providing as comprehensive overview of the literature as possible and therefore we went back 10 years in the literature to make sure that we do not miss important contributions to the area.

To select articles to be reviewed, we went through all issues of the selected journals and looked through abstracts and key words searching for specific themes concerning or references to ‘emerging market multinationals’, ‘latecomer firms’, or ‘Third World multinationals’, as well as to international activities of Chinese, Indian, Russian, Brazilian, Central and Eastern European, South African, Latin American, and Turkish companies. We have focused on these emerging markets following the definition suggested by Luo and Tung (2007, p. 482) who refer to emerging markets as to ‘national economies which have grown rapidly, where industries have undergone and are continuing to undergo dramatic structural changes, and whose markets hold promise despite volatile and weak legal systems’. We deliberately left out articles that focused on newly industrialized countries (NIC) as well as on Taiwan and Singapore (even though the corresponding authors labeled them as ‘emerging markets’), because these two countries are often considered to be Asian Tigers. Both empirical and conceptual articles were selected for the review.

A total of 49 articles were selected through this process. An annual distribution and a journal distribution of published articles are shown in Figure 1 and Figure 2 respectively. The annual distribution graph reflects the fact that the EM MNE is a very novel phenomenon. The majority of publications on this topic have been published within last 3 years. 2007 and 2009 were the years that saw the highest number of publications (17 and 18 respectively). Altogether these two years accumulated 71% from the total number of publications up to now. Such an upsurge within last 3 years indicates the growing interest of scholars in the phenomenon of EMNEs as a very fast developing research area.

Insert Figure 1 and Figure 2 about here

In terms of journal distribution, the majority of articles appeared in journals specifically dedicated to IB. As Figure 2 shows the highest amount of articles of all journals was published in JIBS (9) closely followed by JIM (7). Altogether, IB journals published 33 articles comprising 67% of all publications. Among generic business and management journals only EMJ (5 articles),

MOR (3) and AMP (2) have published in this area. No relevant publications were found in other journals. The review of development journals revealed similar situation: only ICC has published on the topic (a special issue in 2009 which included 6 articles) but not WD or RP.

The fact that the vast majority of articles is concentrated in IB journals while generic management journals are clearly lagging behind indicates that the phenomenon of EMNEs is currently IB bound. However, it is somewhat surprising that development journals have been so inactive in publishing EM MNE-related articles considering that EMNEs spring up from within emerging markets and inevitably have profound implications on these markets' economic development. Another interesting observation is that nearly half of the reviewed articles was included into special issues. Three special issues have been published so far: JIBS (2007), JIM (2007) and ICC (2009). Altogether they included 18 articles (37% of all publications). Overall, it can be concluded that the phenomenon of EMNEs is not yet broadly discussed in top academic journals.

In analyzing the selected articles we were focusing on several issues. First, we examined each article in terms of its geographic focus and the methodology that was used for data analysis. Second, we sorted out the articles in terms of key themes that they discussed. Seven key themes were identified: (1) theoretical perspectives on internationalization; (2) entry location; (3) internationalization drivers; (4) operation modes; (5) competitiveness; (6) performance; and (7) institutions. In cases if an article discussed more than one theme, it was classified into several themes simultaneously. Table 1 illustrates the distribution of articles according to these themes. Next we present the results of our analysis.

Insert Table 1 about here

3. Geographic focus

An important part of our critical analysis was to assess the geographic focus of previous studies as it has an important impact on research findings and conclusions. Table 2 presents the distribution of studies according to their geographic focus.

Insert Table 2 about here

It clearly shows that China and Chinese EMNEs were the dominant geographic focus in the selected articles. Altogether 20 out of 49 articles focused solely on China (41%). Besides, China was also included together with other EMs into 11 articles (23%). Other 36% of articles were focused on different combinations of EMs and the closest to China EM solely chosen as the geographic focus was India. Still, only 3 papers were focused solely on India (6%) and India was included into other 7 articles (14%) either together with China (6 articles) or as one of the BRIC countries (1 article). International activities of MNEs from other emerging economies have been analyzed on a much smaller scale and, as Table 2 shows, some important emerging markets such as Russia and Brazil have not been analyzed in single-country studies. Moreover, the majority of studies have had single countries as its focus and only few studies concentrated on data from several emerging markets. Also, there is a limited number of comparative studies which include several emerging markets.

These results might have several explanations. First, the number of MNEs in China is large which makes it easier to examine. Second, a large number of successful EMNEs which entered the global market attracting a lot of attention are in fact Chinese. Finally, it might be so that Chinese scholars located both in China and abroad are more active in investigating the phenomenon of Chinese EMNEs than scholars from other EMs, like Russia or Brazil.

4. Methods and data

The analysis of methodological approaches adopted in EMNEs studies is of particular importance as it allows comprehending how rigorous and generalizable are the conclusions that have been made in these studies. Table 3 shows the types of methods and data used in the studies.

Insert Table 3 about here

It illustrates that among empirical articles 23 were quantitative (47%), 16 were purely qualitative (33%), and 2 articles used both qualitative and quantitative data (4%). Altogether 8 articles were conceptual (16%). Further, Table 3 shows that the majority of quantitative studies have been conducted in Chinese and Indian contexts whereas Latin American EMNEs were studied mainly on the basis of case evidence. Further, there are only 2 studies using longitudinal design and only one case study compares the internationalization of one EMNEs (e.g., China's

Haier) with another from developed market (e.g., Japan's Matsushita) (Yang et al, 2009). Similarly, only one multiple-case study (e.g., Bonaglia et al., 2007) examines and compares EMNEs from three different EMs, while the majority of such studies concentrate on multiple cases from the same EM (e.g., China). In terms of units of analysis, the majority of studies focused on a group and firm level while only 7 articles out of 49 used aggregated economic data. Finally, half of all the empirical studies (i.e. 21 out of 41 articles) were based on secondary data. Notwithstanding the importance of such studies, it underlines the relative lack of studies using 'first hand' data obtained directly from companies.

5. Main themes in the literature

Theoretical perspectives on internationalization of EMNEs

Although the early works on EMNEs (e.g. Lecraw, 1977; Lall, 1983; Wells, 1983) were based on the assumption that traditional IB theories could be applied to such firms, the review of recent studies indicates that there is an ongoing debate whether this phenomenon can be explained by traditional internationalization theories or there is a need to develop a new theoretical approach. Indeed, 24 of 49 reviewed articles addressed this issue trying to improve our understanding of whether *a new theory of EM MNE internationalization is justified?* In this attempt, scholars refer to two main conventional approaches to internationalization which are economic and behavioral. The economic approach includes (a) the eclectic paradigm developed by Dunning (1977; 2001); (b) the investment development path (IDP) theory (Vernon, 1969); and (c) the Buckley and Casson's (1976) approach. The Uppsala model of internationalization is amongst the most popular behavioral approaches (Johanson and Valhne, 1977).

The conclusions of the studies reviewed concerning the applicability of conventional IB theories to explain EMNEs' activities do not converge and can be put on a continuum ranging from highly relevant to not applicable. Amongst works recognizing that conventional internationalization theories can fully explain EMNEs are those conducted in the context of Asian MNEs. They argue that irrespective of the impact of Chinese home institutions EMNEs follow the normal internationalization pattern with relatively few exceptions (Liu et al., 2005; Collinson and Rugman; 2007; Rugman and Li, 2007). However, it is important to note that these studies used either secondary, aggregated or archival data and analyzed quantitatively a large number of EMNEs.

Yet, the majority of studies in our review concluded that although conventional IB theories are still relevant for understanding EMNEs' activities, they offer only partial explanation and there is a need to enrich them with new elements (Child and Rodrigues, 2005; Buckley et al., 2007; Li, 2007; Luo and Tung, 2007; Yiu et al., 2007; Cuervo-Cazurra, 2008; Liu et al., 2008; Fortanier and van Tulder, 2009). Scholars point to several aspects to be included into conventional theoretical models in order for them to be applicable to the EM context: (1) home country institutional push and pull factors (Buckley et al., 2007; Liu et al., 2008.); (2) specific factors affecting the internationalization of EMNEs such as e.g. latecomer position, strong presence of global rivals, quick changes in technological and product development; (3) the type and origin of competitive advantages of EM (Luo and Tung, 2007; Deng, 2009). These elements are argued to be of help explaining the non-path dependent expansion of EMNEs often implemented by aggressive M&A. The majority of these studies used primarily qualitative approach and primary data sources.

Finally, at the other end, there are studies suggesting that the existing individual theories cannot explain effectively internationalization processes and competitive positions of EMNEs and new theories are needed (Mathews, 2006; Bonaglia et al., 2007; Guilen and Garcia-Canal, 2009). One of the new theories is the Mathews' (2006) linkage, leverage and learning model (LLL), which provides a framework for explaining how latecomers' international expansion is driven by resource linkage, leverage and learning. Along the same lines, Bonaglia et al. (2007) argue that EMNEs internationalize differently to achieve growth, to integrate into the global economy, to build global brands, and to implement strategic and organizational innovations, thus, treating global competition as an opportunity to build capabilities instead of exploiting the existing ones. Further, Luo and Rui (2009) argued for the importance of EMNEs to build and leverage so called ambidexterity to compensate for latecomer disadvantages. The studies in this group mainly rely on case evidence.

Based on this analysis two important conclusions can be made. First, there is a lack of understanding regarding the explanatory power of conventional internationalization theories and concepts in the context of emerging markets. Second, the studies in this area have drawn conclusions by examining different types of EMNEs and using different methodologies. Overall, it makes it difficult to generalize and to compare results across different settings. Next we

provide an overview of findings in respect to specific aspects of EMNEs internationalization process.

Location choices of EMNEs

The location choice is one of the important decisions firms need to make when expanding abroad. This issue has been relatively well covered in the literature by 8 out of 49 articles included in our review. The central question in respect of location choice raised by the scholars was *whether EMNEs expand on the global or regional scale?* In other words: “*Are EMNEs truly multinational?*”

Although there is an assumption amongst academics and practitioners alike that EMNEs are expanding globally, a number of studies argue that the majority of firms invest on regional basis (Collinson and Rugman, 2007; Rugman and Li, 2007). For instance, Morck et al. (2008) analyzed the investment patterns using aggregated economic data and showed that China's OFDI is biased towards tax havens and Southeast Asian countries. It was emphasized that the belief held by scholars, practitioners and policy makers about the ‘Dragon Multinationals’, first introduced by Mathews (2001), which expand aggressively to developed countries was based on the unrepresentative case studies which do not reflect the real picture (Collinson and Rugman, 2007). Hence, several studies concluded that the regional orientation of Asian MNEs is similar to that of European and North American firms, and EMNEs are not different in their behavior (Banalieva and Santoro, 2009; Sethi, 2009).

Also, the majority of studies find that EMNEs mainly expand to less developed countries and especially to those countries where regulatory quality is poorer and control of corruption is lower (Cuervo-Cazurra and Genc, 2008). The rationale for this is that EMNEs have a competitive advantage in countries with “difficult” governance conditions because they are used to operating in such conditions. However, this was found to be not the case in the banking industry where EM multinational banks follow their clients when making a location choice and expand mostly to developed countries (Petrou, 2007).

To conclude, it appears that by large the empirical evidence does not support the assumption that EMNEs expand on a large scale globally and to developed countries. The major part of investment undertaken by EMNEs goes to their home regions and primarily to less developed countries. Only few successful cases, such as e.g. Chinese Lenovo and Haier, have

been able to establish strong positions in developed countries as suggested by several studies (e.g. Liu and Li, 2002; Liu, 2007; Deng, 2009).

Drivers for EMNEs internationalization

The discussion regarding drivers for the internationalization is in focus of 11 articles and takes place at two levels of analysis: at the economy level and at the firm level. The majority of studies concentrated at the firm level and only few studies investigated macro-level drivers. Morck et al. (2008) examined economic reasons for OFDI in the Chinese context at the economy level and showed that such factors as high savings, inefficient corporate ownership structure and capital market distortions represent strong incentives for EMNEs to invest abroad and primarily to tax havens. Cuervo-Cazurra (2008) illustrated that the move from import substitution to export orientation in Latin American countries pushed firms to develop ownership advantages which enabled them to face foreign competitors in their home countries and abroad becoming MNEs.

At the firm level, the scholars find that there are both push and pull factors for international expansion which can be explained from strategy, institutional, cognitive and organizational learning perspectives. On the push side is the desire of EMNEs to overcome their home market's competitive disadvantages associated with inefficient institutions and the hazard of relying on a highly competitive market with low margins (Child and Rodrigues, 2005). On the pull side there are such drivers as existence of capabilities to manage external and internal relationships; experience in managing complex markets and dealing with underdeveloped institutions; motivation to exploit country specific advantage in cheap, unskilled, and skilled labor; availability of strong state support and desire to gain entrepreneurial and managerial freedom; willingness of global players in advanced countries to sell or share strategic resources; and increasing integration of the world economy and global production (Child and Rodrigues, 2005; Luo and Tung, 2007; Rugman and Li, 2007; Morck et al., 2008; Deng, 2009). Thomas et al. (2007) examined Latin American EMNEs and concluded that positive alliance experience and presence of previous experience of operating in developed countries increases the likelihood of entry into developed markets whereas failure experience reduces the likelihood of next entry. Fabian et al. (2009) comparing managerial perceptions of competitive, macro-environmental and neo-institutional factors influencing decisions to either internationalize or remain domestic in the context of Colombian firms found that only pull factors, such as the anticipated product

acceptance, are significant. Klein and Wöcke (2007) argued that South African MNEs are motivated by both defensive and offensive considerations. They start building their global positions driven by asset exploitation motives, but soon follow on with asset seeking behavior. Also, they find that leadership and domestic dominance are important internationalization drivers. As in the previous section, the evidence for EMNEs from service industries is limited. The only exception is Petrou (2007) who found that following clients is an important driver for EM multinational banks.

Modes of international operations

The discussion about the mode of foreign operations was covered by only 6 articles. The findings of these articles differ in focus and theoretical perspectives making it difficult to draw conclusions. The previous research examined such topics as the preference of EMNEs to internationalize through joint ventures (JVs) versus wholly-owned subsidiaries (WOS), wholly-owned versus greenfield subsidiaries, and the rationales for M&As (Child and Rodrigues, 2005; Petrou, 2007; Cui and Jiang, 2009). Further, scholars like Ang and Michailova (2008) and Demirbag et al. (2009) provided explanations for the choice of equity ownership mode from the institutional perspective. For instance, Demirbag et al., (2009) concluded that such institutional factors as political constraints, linguistic distance, and knowledge infrastructure together with the extent of parent diversity strongly influence the choice of equity ownership mode. Moreover, Cuervo-Cazurra (2007) considered the choice of operation mode from the process –based perspective and analyzed the sequence of value-added activities and types of subsidiaries for international expansion. He found that EMNEs that possess location advantages in their country of origin, not only in terms of factors of production but also due to the image of the country of origin, are more likely to begin their internationalization with marketing subsidiaries abroad. Further, those EMNEs that seek access to location advantages, such as access to natural resource and market or technological knowledge in the host country, or face difficulties in the transfer of their products across countries are more likely to begin their internationalization with production subsidiaries.

Competitiveness of EMNEs

The issues related to competitive advantages of EMNEs and strategies for their acquisition attracted a lot of attention in the literature. Our review indicates that scholars associate competitive firm-specific advantages (FSA) of EMNEs with several aspects. First, they are closely interlinked with EMNEs' home country-specific advantages (CSA). It has been argued that the ownership advantages possessed by EMNEs stem from their resource endowments of lower-cost inputs, affiliation with a business group, ethnic connections in the host country, and technology and management that are adapted to the host country conditions (Yiu et al., 2007; Rugman and Li, 2007; Luo and Rui, 2009). Rugman and Li (2007) also added another advantage of a large number of EMNEs - their solid relations with both home and host governments.

Second, it is well acknowledged that ownership advantages of EMNEs differ from that of developed countries MNE as they do not possess same resources to internationalize and the institutional environment in their home countries is characterized by absence of stability and support. Specifically, the ownership advantages and competitive assets of EMNES are argued to be the knowledge about how to operate in countries with weak institutions and networking capabilities (Cuervo-Cazurra and Genc, 2008). Del Sol and Kogan (2007) found that managers in Chilean EMNEs know more about business in recently deregulated and liberalized environments than their counterparts in other Latin American countries because they have been through deregulation in their home environment. Elango and Pattnaik (2007) used organizational learning theory to show that learning within the network from other network members in the home country is a viable option for EMNEs to build capabilities for international operations. Similarly, Thomas et al. (2007) argued that network membership, alliance experience in home countries and previous international experience increases the survival and thus competitiveness of EMNEs. Pananond (2007) showed that the pre-crisis (i.e. before the 1998 Asian crisis) international expansion of Thai EMNEs relied largely on their networking capabilities rather than industry-specific technological skills. Only after the post-crisis adjustments Thai EMNEs displayed a different strategy that placed much more emphasis on strengthening their industry-specific technological capabilities.

Third, some of the competitive capabilities are acquired during the internationalization. Indeed, several studies suggested that expansion of some EMNEs is driven by strategic asset-seeking and market-seeking motives. For instance, such companies as Lenovo, Haier and Huawei

strategically used cross-border M&As to achieve specific goals, such as acquiring strategic capabilities to offset their competitive weaknesses and leveraging their unique ownership advantages, while making use of institutional incentives and minimizing institutional constraints (Liu and Li, 2002; Liu, 2007; Rui and Yip, 2008). Other EMNEs start cooperating with international competitors in order to catch up, co-evolve with partners, to strengthen and improve their cooperation, and to leverage their relational competences to offset their weaknesses in transactional capabilities. Bonaglia et al. (2007) argued that competitiveness of EMNEs lies in their ability to treat global competition as an opportunity to build capabilities, move into more profitable industry segments, and adopt strategies that turn their latecomer status into a source of competitive advantage.

One of the important findings in the literature is that only a few EMNEs are globally competitive and are capable of posing stiff competition to the established MNEs from developed economies. These are firms that managed to convert their CSAs grounded in their home environment into sustainable and competitive FSAs. To do that, these EMNEs adopt various strategies such as overseas acquisitions, import of know-how, equipment, financial capital and so on, taking advantage of increasingly liberalized economies. However, the majority of EMNEs seems to be less fortunate in becoming globally competitive EMNEs. These firms employ their networking capabilities to expand mainly regionally where they continue relying and often successfully on their CSAs.

Performance

Our review of the EM MNE literature revealed that so far the topic of EMNEs' performance has been of limited interest to scholars and remains under-researched. Altogether we have identified only 6 articles out of the total 49 focusing on this topic. Examining a large sample of EMNEs' cross-border acquisitions, Aybar and Ficici (2009) found that on average such cross-border expansions do not create value. Instead, in half of the cases it led to value destruction. Contractor et al. (2007) have studied the internationalization-financial performance curve for firms from India differentiating between manufacturing and service firms. They found that there is a U-shape curve that depicts the internationalization-performance relationship in the case of Indian firms with most of the companies occupying either the first (negative slope) stage or the second (positive slope) stage of this curve. The designated negative affect on performance in the early

stage of internationalization is mainly caused by significant costs required to initiate the internationalization process before the benefits of international expansion in the form of scale, learning, and geographic diversification result in enhanced firm performance. Also, they found that there is a more positive effect on performance for larger firms, and that service firms tend to gain the positive benefits of internationalization sooner than manufacturing firms mainly due to lower initial capital requirements. At the same time, Chittoor and Ray (2007) found that while EMNEs' distinct internationalization strategies carry differential value addition potential they also lead to similar levels of performance as measured by returns on assets (ROA), thus indicating the existence of equifinality of different paths to multinationality.

Two other articles focused on relationship between the geographic nature of EMNEs' expansion and performance. Discussing the performance of the world's largest 500 MNEs, Rugman and Li (2007) argued that there is no evidence showing that global and bi-regional firms are more profitable than home region MNEs. Testing this claim Banalieva and Santoro (2009) examined the relationship between geographic orientation and relative performance of EMNEs differentiating between local, regional and global geographic orientations (Rugman and Verbeke, 2008). The authors concluded that from the performance point of view a combination of local and global orientations enhances the relative financial performance of EMNEs. They suggest that EM firms that leapfrog to a high global orientation while maintaining their local orientation within their home country and keeping their regional orientation low, experience superior relative financial performance relative to firms that internationalize both regionally and globally simultaneously. They also found that a regional orientation of the EMNEs increases their relative performance only when global orientation is low. When the company is already regionally oriented, having a higher global orientation decreases performance because the EM MNE is exposed to two different liabilities of foreignness simultaneously. Providing an example of how EMNEs benefit from their regional orientation, Del Sol and Kogan (2007) analyzed two Chilean EMNEs operating in Latin America and concluded that one source of their competitive advantage and superior performance is their know-how of business strategy during economic liberalization that they leverage into other Latin American countries thus expanding regionally.

In general, all papers concur with the idea that more research on performance of EMNEs is in order. Altogether, there are certain costs involved in the internationalization process that lower the performance of EMNEs in the beginning (Contractor et al., 2007) and it makes more

sense for EMNEs in terms of performance to stay close to their home markets expanding regionally where they possess certain ownership advantages (see Del Sol and Kogan, 2007) and not pursuing the regional and global orientations simultaneously.

Institutions

The fundamental role of both home and host countries' institutional environments is discussed from various angles in the literature. Several studies have focused on the effects of the home environment on the internationalization of EMNEs. It was argued that the rationale for aggressive strategic-asset seeking M&As conducted by Chinese EMNEs reflects the logic of Chinese unique institutional environment (Deng, 2009). Chinese EMNEs engage in aggressive cross-border M&As to respond to the government's national development strategy, to take advantage of political and financial support provided by the government (see also Child & Rodrigues, 2005), and to avoid 'institutional voids' of their home environment, such as lack of legal protection for property rights, poor enforcement of laws, underdeveloped factor markets, and insufficient market intermediaries, as well as intensifying domestic competition from powerful global rivals expanding into China (Yiu et al., 2007; Boisot and Meyer, 2008). Also, it was suggested that the high level of accumulated inward internationalization of Chinese firms and China's early inbound policies played an important role in the rise of Chinese EMNEs (Deng, 2009; Yang et al., 2009).

However, at macro-level, Liu et al. (2005) challenged the decisive role that other researchers assign to the Chinese institutional context in the rise of Chinese EMNEs. They concluded that most of the current level of Chinese OFDI can be explained by the level of economic development and gradually liberal attitude towards inward investment that led to GDP growth and exporting. They also concluded that "it is possible to explain nearly half of the variance in Chinese OFDI flows without recourse to...unique features of Chinese institutions...[hence] there is no apparent need to cite China's institutions and unique path to economic reform as having a direct influence on OFDI" (Liu et al., 2005, p. 112).

Still, the impact of domestic institutions on the emergence of EMNEs was confirmed in other than Chinese contexts. Cuervo-Cazurra (2008) noted that the Latin American EMNEs started to internationalize only after the governmental regulations aimed at reducing domestic competition were lifted in 1990s in Latin America as a result of several economic crises of 1980s.

To survive EMNEs had to abandon their location advantages and develop new ownership advantages that ultimately enabled them to face foreign competition and become MNEs.

In one of the few studies focusing on the interaction of home and host environments and examining the influence of external networks' members on EMNEs' internationalization, Elango and Pattnaik (2007) found that firms draw on the international experience of their parental and foreign networks to build capabilities to operate internationally as well as to access scarce resources (e.g. financial capital, human capital, reputation).

Several other studies have highlighted the influence of the host environment on EMNEs' internationalization. Ang and Michailova (2008) found support of institutional explanations for the adoption of equity alliance mode by EMNEs and suggested that institutional effects are contingent on the alliance location: when emerging economies firms establish alliances in developed host countries, their governance choice is most influenced by the normative pillar, followed by the cognitive pillar, with the regulatory pillar having a negligible effect; and when the host countries are emerging economies, the regulatory pillar has the strongest influence followed by the cognitive pillar, with the normative pillar having an insignificant effect. Cuervo-Cazurra and Genc (2008) argued that the tendency of EMNEs to prevail among the largest foreign firms in the least developed countries, especially the ones with poorer regulatory quality and lower control of corruption, rather than in the developed countries can be explained by their advantageous capability to operate in countries with underdeveloped institutions and 'difficult' governance conditions. Demirbag et al. (2009) found that such institutional factors as political constraints, linguistic distance, and knowledge infrastructure in the form of the national innovation system of a host country, but not cultural distance, are relevant in explaining the equity composition between JV and WOS of Turkish MNEs. Political constraints were the only factor that varied between emerging and developed host country markets so that in emerging markets it had a negative and in developed markets a positive impact.

Hence, while the roles of the home and host environments are acknowledged in the research, the question remains whether institutional factors have had more profound impact on the rise of EMNEs than in case of developed countries MNEs' international expansion.

6. Discussion

The review has attempted to answer two interrelated questions concerning the research field of EMNEs. The first of them is ‘*What do we know about EMNEs at the moment?*’ and in order to be able to provide a systematic answer to this question we reviewed the leading journals in the areas of IB, generic management and development and analyzed 49 articles along several dimensions: key themes, methods and data, and geographic focus.

Our analysis shows that EMNEs is a relatively novel topic in the academic community. Most of the articles that we identified were published within last 3 years and mostly in special issues dedicated to EMNEs. The majority of articles included in this review were published in IB journals. Also, we found that EMNEs research is biased towards Chinese EMNEs in terms of its geographic focus. While other EMs are represented on a much smaller scale, there are no publications in the reviewed journals focusing solely on such BRIC countries as Russia or Brazil. Roughly half of all the studies are based on secondary data sources indicating the shortage of ‘first hand’ data studies.

In terms of key themes we found that topics of EMNEs’ competitiveness and their internationalization strategies are the most popular amongst the reviewed articles followed by the role of institutions and the choice of entry location. The topics of internationalization drivers, operation modes and EMNEs’ performance were examined the least. There are several important findings that our analysis revealed in relation to these themes.

First, there is still a general lack of understanding behind different aspects of EMNEs’ internationalization processes and mixed findings regarding whether *conventional IB theories are sufficient to explain the behavior of EMNEs or not*. We argue that it is partly attributable to the methodological issues which do not allow grasping the underlying traits of the entire phenomenon and partly to misleading beliefs among academics in the importance of the specificity of context-based factors. In relation to the former point, most of the proponents of the potency of the existing theories have built their conclusions based on secondary data sources (see Liu et al., 2005; Collinson and Rugman; 2007; Rugman and Li, 2007), while those who argued in favor of theoretical extensions have built their arguments based on examining the internationalization of EMNEs which aim to establish global presence and aggressively expand their operations abroad through strategic assets-seeking FDIIs (see Child and Rodrigues, 2005, Li, 2007; Luo and Tung, 2007; Rui and Yip, 2008). The latter often leads to underestimation of the explanatory power of the existing theoretical tools and their applicability to a new context.

Second, most of the EMNEs are not global but regional with strong home base (Rugman and Li, 2007; Sethi, 2009). Most of the EMNEs choose to be regional because it is easier for them to leverage their competitive advantages regionally than globally and to capitalize on their networking capabilities. Often, global orientation requires EMNEs to develop other strategic competitive advantages, which is not always viable for EMNEs due to their latecomer positions. However, there are several truly global EMNEs, mainly originated in China, which were able to establish strong and competitive foothold globally. These firms are quite few (e.g. Lenovo, Haier, Huawei, Galanz and some others) but they entered the global scene very aggressively and attracted a lot of interest from academics. Still, as Collinson and Rugman (2007) argued these firms are ‘outliers’ as compared to the majority of other EMNEs. The fact that these firms attracted so much attention created the situation when “current Asian management and business studies are repeating the mistakes of the past by focusing on more international and unrepresentative firms from China” (Collinson and Rugman, 2007, p. 440).

Third, for the majority of EMNEs their FSA are closely interlinked or even determined by their CSA, which is not the case for developed market EMNEs. Often, home environment and institutions play a crucial role in enabling the internationalization of EMNEs by providing them with governmental incentives and home-market based advantages, such as cheap and skilled labor (Rugman and Li, 2007; Deng, 2009). Together with macro-level factors, such as the level of inward FDI (Liu et al., 2005), these factors serve as push internationalization drivers. On the other hand, EMNEs often start to internationalize to avoid various shortcomings of their institutional environments (see Child and Rodrigues, 2005) or to benefit on particular institutional ‘voids’, such as weak governance structure, in the host environment (see Cuervo-Cazurra and Genc, 2008). Hence, institutions in home and host environments are very important in case of EMNEs because to a large extent they determine who (in terms of providing incentives and governmental support), when (in terms of timing), how (in terms of operation modes), and where (in terms of favorable host market conditions) will internationalize. Because an institutional environment of a particular EM is very idiosyncratic and different from other EMs, it might make more sense then to speak of individual EMs, such as China, Russia, India, etc. separately rather than grouping them all together under the umbrella concept of ‘EMs’.

Finally, it is important to note that EMNEs’ performance is in fact a topic which has been studied very little so far. Our review showed that often it is negative because EMNEs suffer from

their disadvantageous latecomer positions and ought to engage in very radical and aggressive strategic moves and it takes time before the benefits of the internationalization start to outweigh the initial costs associated with it (Contractor et al., 2007). Therefore, even though many of EMNEs have entered already the global competition and in fact have changed the global competitive landscape, our review shows that these companies face enormous challenges on their path of becoming globally competitive MNEs.

7. Future research

The second research question we attempted to answer was: *‘What should be our future research directions?’* Our review of the EMNEs literature indicates that there are several important avenues for future research. Probably the most urgent one is the need to diversify the empirical and methodological foundation of the EMNEs’ research which so far has been clearly biased towards China and relied on secondary data sources. We need more studies of other EMs, such as India, and especially Russia and Brazil, as well as comparative research. Also, scholars may attempt to conduct in-depth case studies of other non-Chinese EMNEs’ as Chinese EMNEs may be ‘outliers’ among EMNEs and do not fully represent the majority. Further, we clearly need more longitudinal studies with longer time horizons and more studies based on ‘firsthand’ primary data. As the majority of papers at the moment are based on either secondary data or case evidence, it would be useful to conduct more quantitative studies based on larger datasets. Furthermore, as most of the studies on EMNEs tend to focus on manufacturing industries (with a few exceptions, such as Pertou, 2007; Ang and Michailova, 2008), we see it as important to pay more attention in future research to EMNEs in service industries and to compare the internationalization of service and manufacturing EMNEs.

Also, to tackle the important question of whether we need an extension to the traditional IB theories to explain peculiarities of EMNEs, more studies comparing EMNEs and contemporary developed market MNEs are called for. It might yield useful insights into whether EMNEs is indeed a new phenomenon which requires new theories to be accounted for or EMNEs, as well as traditional MNEs, behave in a similar way in today’s global world. It might also make sense to compare latecomers, newcomers and early movers among EMNEs in certain industries. Such research design might help researchers to delve into the dynamics and different phases of EMNEs’ internationalization process.

Another interesting direction would be to conduct studies that would compare various aspects of internationalization behavior and performance of state-owned and private-owned EMNEs. As suggested by Rugman and Li (2007), private-owned EMNEs may be better fit for succeeding in the global competition than state-owned enterprises. Overall, there is the need to focus more on the actual performance of EMNEs' internationalization activities which clearly constitutes one of the least researched topics in the EM MNE research. Similarly, internationalization drivers and patterns of state-owned and private-owned EMNEs' may be differently affected by different institutional factors and economy transformations.

Finally, one of the potential research avenue is the role of the EMNEs' owners' and managers' experiences and attitudes and their cognitive biases / beliefs in deciding when, where and how to internationalize. Also, the impact of organizational and national cultures and values on internationalization decision-making has been a mostly neglected area of research up to now. Additionally, future research needs to examine in more detail different strategies that EMNEs' use to overcome their liability of foreignness especially when entering developed markets. The EMNEs' political behavior and their use of formal and informal networks both in home and host environments are topics that need to be addressed as well.

8. Conclusion

This article is one of the first attempts to provide a comprehensive analysis of the research findings in the field of EMNEs, which has significantly grown in size during the last decade. By addressing two main research questions, namely: "What do we know about EMNEs at the moment?" and "What should be our future research directions?", it yields interesting results summarized according to geographic focus, methodology approach, and key themes related to the internationalization process of EMNEs. Hence, the analysis contributes to our understanding of the current state of the EM MNE research field and encourages scholars to engage further in investigating this interesting and important phenomenon.

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Appendix

Figure 1 Annual distribution of publications

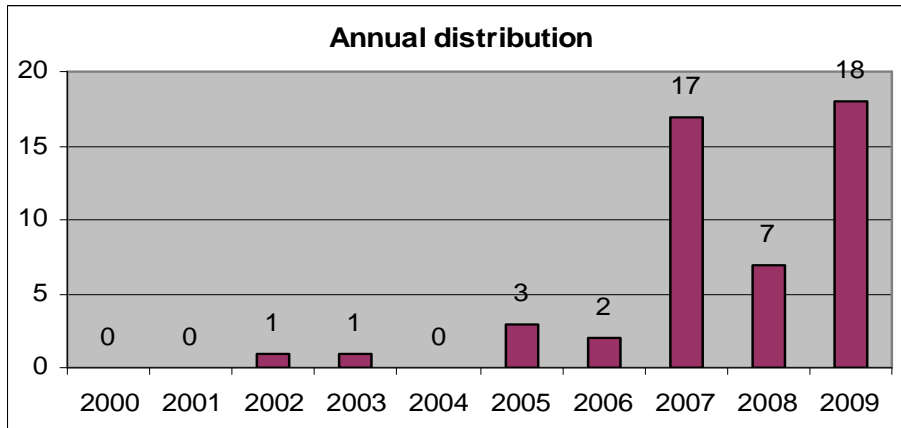


Figure 2 Journal distribution of publications

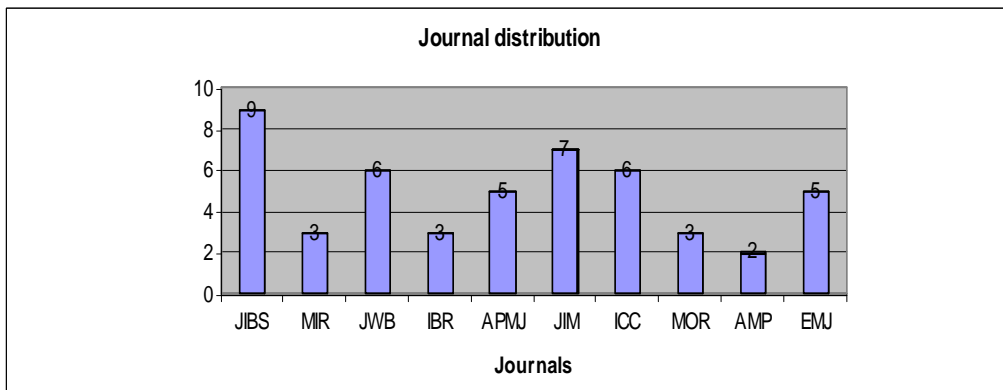


Table 1: Distribution of articles by key themes

Themes	Studies in journals									
	JIBS	MIR	JWB	JIM	ICC	IBR	EMJ	AMP	MOR	APMJ
Internationalization process (24)	Luo & Tung (2007) Buckley et al. (2007) Yiu et al., (2007)		Bonaglia et al. (2007)	Cuervo-Cazurra (2008) Cuervo-Cazurra (2007) Li (2007) Pananond (2007)	Fortanier & van Tulder (2009) Niosi et al. (2009) Athreye & Godley (2009) Duysters et al. (2009)	Liu et al. (2005) Liu et al. (2008)	Rugman & Li (2007)	Guillen & Garcia-Canal (2009)	Child & Rodrigues (2005) Erdener & Shapiro (2005); Boisot & Meyer (2008)	Ge & Ding (2008) Mathews (2006) Yang et al. (2009) Collinson & Rugman (2007)
Entry location (8)	Morck et al. (2008) Cuervo-Cazurra & Genc (2008)			Pertou (2007)	Fortanier & van Tulder (2009)		Rugman & Li (2007) Sethi (2009) Banalieva & Santoro (2009)			Collinson & Rugman (2007)
Internationalization drivers (11)	Morck et al. (2008) Luo & Tung (2007)	Fabian et al. (2009) Thomas et al. (2007)	Deng (2009)	Pertou (2007) Cuervo-Cazurra (2008) Klein & Wöcke (2007)	Athreye & Kapur (2009)		Rugman & Li (2007)		Child & Rodrigues (2005)	
Entry mode (6)		Ang & Michailova (2008)	Cui & Jiang (2009) Demirbag et al. (2009)	Pertou (2007) Cuervo-Cazurra (2008)						Globerman & Shapiro (2009)
Competitiveness (25)	Cuervo-Cazurra & Genc (2008) Yiu et al. (2007) Elango & Pattnaik (2007) Liu (2007) Del Sol & Kogan (2007)	Thomas et al. (2007)	Deng (2009) Rui & Yip (2008) Bonaglia et al. (2007)	Chittoor & Ray (2007) Klein & Wöcke (2007) Pananond (2007) Pertou (2007)	Kumar & Chadha (2009) Niosi et al. (2009)	Nguyen et al. (2006)	Liu & Li (2002) Nolan & Zhang (2003) Rugman & Li (2007)	Luo & Rui (2009)	Child & Rodrigues (2005)	Ge & Ding (2008) Mathews (2006) Yang et al. (2009)
Performance (6)	Aybar & Ficici (2009) Del Sol & Kogan (2007)		Contractor et al. (2007)	Chittoor & Ray (2007)			Banalieva & Santoro (2009) Rugman & Li (2007)			
Institutions (12)	Yiu et al., (2007) Fabian et al. (2009) Cuervo-Cazurra & Genc (2008)	Fabian et al. (2009) Ang & Michailova (2008)	Deng (2009) Demirbag et al. (2009)	Cuervo-Cazurra (2008)		Liu et al. (2005)			Child & Rodrigues (2005) Boisot & Meyer (2008)	Yang et al. (2009)

Table 2: Distribution of articles by geographical focus

Articles	Geographic focus
Liu & Li (2002); Nolan & Zhang (2003); Child & Rodrigues (2005); Erdener & Shapiro (2005); Liu et al. (2005); Buckley et al. (2007); Li (2007); Liu (2007); Rugman & Li (2007); Yiu et al. (2007); Boisot & Meyer (2008); Ge & Ding (2008); Liu et al. (2008); Morck et al., (2008); Rui & Yip (2008); Cui & Jiang (2009); Deng (2009); Globerman & Shapiro (2009); Luo & Rui (2009); Yang et al. (2009)	China (20 articles)
Athreye & Kapur (2009); Fontanier & van Tulder (2009); Kumar & Chadha (2009); Niosi & Tschang (2009); Athreye & Godley (2009); Duyesters et al. (2009)	China and India (6)
Elango & Pattnai (2007); Chittoor & Ray (2007); Contractor et al. (2007)	India (3)
Ang & Michailova (2008); Sethi (2009)	BRIC countries (2)
Del Sol & Kogan (2007); Cuervo-Cazurra (2007); Cuervo-Cazurra (2008); Thomas et al. (2007); Fabian et al. (2009)	Latin American countries (5) Chile Latin America (Mexico, Brazil, Argentina) Latin America (Mexico, Brazil, Argentina) Latin America Colombia
Bonaglia et al.(2007); Nguyen et al. (2006); Klein & Wöcke (2007); Demirbag et al. (2009); Banalieva & Santoro (2009); Pananond (2007); Collinson & Rugman (2007); Cuervo-Cazurra & Genc (2008); Mathews (2006); Pertou (2007); Aybar & Ficici (2009); Guillen & Garcia-Canal (2009); Luo & Tung (2007)	Others EM (13) China, Mexico and Turkey Vietnam South Africa Turkey 28 EM Thailand Asia Pacific Asia Pacific LCD EM EM EM EM

Table 3 Distribution of articles by type of data and methods of analysis

Types of data	Articles	Type of analysis
Analysis of secondary data		
Aggregated economic data (7)	Morck et al., (2008); Buckley et al. (2007); Liu et al. (2005); Rugman & Li (2007); Sethi (2009); Kumar & Chadha (2009) Athreye & Godley (2009)	Quantitative
Database / archival data (14)	Aybar & Ficici (2009); Del Sol & Kogan (2007); Cuervo-Cazurra & Genc (2008); Elango & Pattnai (2007); Ang & Michailova (2008); Thomas et al. (2007); Banalieva & Santoro (2009); Collinson & Rugman (2007)	Quantitative
	Cuervo-Cazurra (2008); Cuervo-Cazurra (2007); Chittoor & Ray (2007); Klein & Wöcke (2007) Nolan & Zhang (2003); Duyesters et al. (2009)	Qualitative
Analysis of primary data		
Survey (7)	Yiu et al. (2007); Fabian et al. (2009); Cui & Jiang (2009); Demirbag et al. (2009); Contractor et al. (2007); Pertou (2007); Nguyen et al. (2006)	Quantitative
Single case study (3)	Liu (2007) (Lenovo); Liu & Li (2002) (Hair); Ge & Ding (2008) (Galanz)	Qualitative
Multiple case study (6)	Deng (2009) (Lenovo, TCL, BOE); Rui & Yip (2008) (Lenovo, Nanjing, Huawei); Bonaglia et al.(2007) (Hair, Mabe, Arcelik); Liu et al. (2008) (16 cases); Luo & Rui (2009) (Sinohydro, Huawei, HPEC and CNPC); Yang et al. (2009) (Haier and Matsushita)	Qualitative
Longitudinal design (2)	Li (2007) (Haier, Lenovo, TCL); Fortanier and van Tulder (2009)	Qualitative Quantitative
Multiple data sources (2)	Pananond (2007); Niosi & Tschang (2009)	Quantitative and qualitative analysis of secondary data Qualitative interviews and secondary data
Conceptual studies (8)	Child & Rodrigues (2005); Erdener & Shapiro (2005); Mathews (2006); Luo & Tung (2007); Boisot & Meyer (2008); Athreye and Karpur (2009); Globerman & Shapiro (2009); Guillen & Garcia-Canal (2009)	NA