"THE END OF HISTORY" OF RESEARCH INTO INTERNATIONALIZATION STRATEGIES?

Is it still worth conducting research into internationalization strategies? This question may appear polemical, but seems legitimate when one considers the impressive number of theoretical and empirical studies which have been developed since the seminal work of Dunning (1988) and concern the definition and classification of different internationalization strategies. These contributions have enabled substantial advances in understanding of the central themes of the International Business field. First, the mechanisms underlying the choices involved in internationalization strategy are now far better understood. This is due to the use of theoretical frameworks (transactional, institutional, learning and cultural frameworks, in particular) that have enabled deeper analysis of firms’ behaviors. Second, studies focusing on the relationship between choice and performance in internationalization strategies have led to the development of managerial recommendations. Third, the progressive openness of many emerging economies to foreign direct investments (FDI) has increased opportunities to experiment and replicate research in different geographic contexts.

Paraphrasing the famous saying by Francis Fukuyama, are we at “the end of history” with research on internationalization strategies?

No, research into the international expansion of firms is not in decline. A large number of studies into these expansion strategies has traditionally focused on the investment flows of firms from developed to emerging economies. But today this logic is questioned by the significant increase of investment flows from emerging economy firms towards developed or other emerging countries. Using the terms of Aykut and Ratha (2004), besides “North-South” investment flows, we are witnessing an unprecedented rise of “South-North” and “South-South” flows. Spectacular acquisitions have been conducted by emerging economy firms in several industries in the European Union and the United States, such as IBM personal computers by Lenovo, Volvo by Zhejiang Geely, and Corus and Jaguar Land Rover by Tata. But even beyond these, South-North and more specifically South-South investment flows are growing rapidly, as can be observed with Chinese investments in Africa, Latin America and Asia. These investment flows are of numerous types, use a variety of expansion modes, and concern family-owned and State-owned firms, SMEs as well as “emerging multinationals” (Buckley, Clegg, Cross, Liu, Voss, & Ping, 2007; Fleury & Fleury, 2011; Vieu, Guieu, & Meschi, 2014).
These South-North and South-South investment flows have created a new global equality process in which several emerging economies, such as Brazil, Russia, India, China and South Africa (BRICS), and, more recently, Mexico, Indonesia, Nigeria, and Turkey (MINT), have become fully-fledged partners in the global economy. These emerging economies are proactive, not only as recipients of major investment projects, but also by initiating large outward investments in other countries. As described by Fleury and Fleury (2011) and Ramamurti and Singh (2009), emerging multinationals expand at a very fast pace both in developed and emerging economies. Investments in Africa by emerging multinationals, and by BRICS firms in particular, illustrate this new global equality process. These investments are currently booming. Among these emerging economy investors, Chinese firms, as well as Brazilian firms in Portuguese-speaking countries like Angola and Mozambique (Fleury & Fleury, 2011), have consolidated their position on the African continent, threatening the presence of former European colonial powers, particularly France and Great Britain, in exploiting natural resources and building infrastructure. However, natural resources and infrastructure do not represent the main BRICS investments in Africa. According to the United Nations Conference on Trade and Development (UNCTAD, 2013), 75 per cent of the value of BRICS FDI projects in Africa between 2003 and 2012 are market-seeking investments in manufacturing and services. Only 10 per cent and 26 per cent of the number and value of projects, respectively, are in natural resources and agricultural sectors.

The development of these new routes for international expansion opens unique windows for research, something that seldom happens. The last change as significant as this one was conducted in the early 1990s when half of the world that had been closed for business - China, India, the Soviet Union and Eastern Europe - opened up. This led to an unprecedented rise of North-South investments and investment flows towards emerging economies. That opening up of emerging and transition economies contributed to a large boost in research into international expansion strategies, FDI destinations, criteria of choice and management of foreign market entry modes (Beddi & Mayrhofer, 2013; Hadjikhani, Elg, & Ghauri, 2012; Luo & Tung, 2007; Mayrhofer, 2013; Meschi & Wassmer, 2013; Ramamurti & Singh, 2009; Wang, Hong, Kafouros, & Wright, 2012). With the acceleration of South-North and South-South investment flows, research into internationalization strategies is currently undergoing a second phase of growth in its life cycle.

INTERNATIONALIZATION STRATEGIES OF EMERGING ECONOMY FIRMS AND TRADITIONAL THEORETICAL FRAMEWORKS

The development of these new conditions and routes for investment flows renews the traditional questions and issues related to research into international expansion strategies, and simultaneously opens new directions for research.

First, the analysis of the expansion strategies of firms from emerging countries to developed countries or other emerging countries questions the relevance of the transactional, institutional, learning and cultural theoretical frameworks. Theoretical explanations about the internationalization strategies of emerging economy firms have been the subject of intense debate among scholars in the International Business field (Cuervo-Cazurra, 2012; Cuervo-Cazurra & Genc, 2008). Some scholars argue that existing theoretical frameworks are not able to explain the internationalization strategies of emerging multinationals and call for the development of new theories. For these scholars,
emerging multinationals behave differently from other multinationals because they are subject to specific barriers and negative perceptions, especially in developed economies, which can be defined as the “liability of emergingness” (Madhok & Keyhani, 2012; Ramachandran & Pant, 2010). As noted by Thite, Wilkinson, and Shah (2012, p. 253), “MNCs from emerging economies face a ‘double hurdle’ of liability of foreignness and liability of country of origin with perceived poor global image of their home country.” As a response to these specific constraints, emerging multinationals have to design and implement distinct internationalization strategies. Other scholars claim that traditional theories of the firm are capable of handling this phenomenon. The existing theoretical frameworks have empirically shown their validity, helping to identify determinants of internationalization strategies and showing that strategies chosen in coherence with these theoretical frameworks are more successful than other strategic choices. Several authors have suggested that existing theories remain relevant but need further specification (Cuervo-Cazurra, 2012). According to this third perspective, transactional, institutional, learning and cultural determinants can still explain the behavior and strategic choices of emerging multinationals but their relative influence on decision-making has to be weighted differently. Still, by this line of reasoning, the old strategic and organizational frameworks used by multinationals from developed economies in the 1960s and 1970s are rejuvenated. For instance, the strategy and associated organizational structure implemented by large family-owned multinationals, such as Tata group in India, or Koç group in Turkey, have generated a new academic interest in conglomerates and diversification strategies.

In this Special Issue of M@n@gement, we do not close the debate but instead leave it open for discussion: do these theoretical frameworks remain relevant for the understanding of the foreign investment behavior of emerging firms, such as Chinese, Indian, Brazilian, or Russian multinationals? Is this expansion similar to that of the 1950s and 1960s, when international trade expansion was fuelled by multilateral trade liberalization, and when FDI expansion was, to a large extent, prompted by the global abolition of capital controls?

Second, certain frameworks based on theories of the firm, but also on sociology, international relations and geopolitics, have hardly been explored in the context of internationalization strategies and could provide additional insights into understanding the strategic choices of emerging economy firms. For example, when an emerging economy firm chooses an internationalization strategy, is that strategy only motivated by the investors’ desire to protect their assets and to minimize the uncertainties linked to foreign market expansion? When multinationals from emerging countries choose their strategies, could the criteria of learning, knowledge transfer and the exploitation of their knowledge in other geographic contexts be more important than the minimization of transactional, institutional and cultural costs? Is it necessary to explore the influence of criteria for choice other than organizational learning and knowledge, transaction costs and the institutional environment? For instance, what are the impacts of State intervention and government policies or of geopolitical stakes and political risk on the choice of target markets and entry modes for firms from emerging countries?

Among the different non-market factors influencing the internationalization strategies of emerging economy firms, State intervention and government policies play a key role. Crisis episodes in emerging economies, such as Mexico, Russia, and Argentina, have hampered the changing of policy towards economic liberalism and deregulation, fostered the development of different types of capitalism, and prompted the State to intervene in the strategic choices of local firms (Rodrik, 2009). The development of “State capitalism” epitomizes this. State capitalism seeks to influence the market and the strategic choices of local firms in
order to achieve geopolitical goals. To this end, nurturing national champions is one of the main features of State capitalism in emerging economies. These champions are either State-owned or privately-held firms that enjoy a strong competitive position in the domestic market and are intended to represent the country abroad. They benefit greatly from favorable competitive policies at home and from government subsidies such as heavy funding from State-owned banks or preferential treatment in procuring low-cost raw materials (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014; Lazzarini, Musachio, Bandeira-de-Mello, & Marcon, 2014). The role of government policies has to be taken into account in order to properly understand the magnitude of outward FDI from emerging economies as well as the destination of these investment flows.

Finally, traditional research has analyzed, in a quasi-systematic way, internationalization processes and foreign market entry modes by comparing and contrasting them. Thus, joint ventures with a local partner, acquisitions of local firms and local wholly-owned subsidiaries have been studied by emphasizing their unique profiles (criteria of choice, advantages and disadvantages). In the same way, the Uppsala model and its associated incremental and continuous internationalization process (Johanson & Vahlne, 1977, 1990, 2009) have been opposed to the international new ventures (or INV) approach and its associated accelerated and discontinuous process (Oviatt & McDougall, 1994, 2005). However, as noted by Kumar (2009), emerging multinationals do not seem to favor one internationalization process or one entry mode in particular. In a pragmatic way, they combine and recombine different processes and entry modes over time. The internationalization processes and entry modes used by emerging multinationals are not mutually exclusive. When it comes to selecting entry modes, to follow internationalization paths or to manage foreign subsidiaries, emerging multinationals proceed in a non-exclusive and combinatory manner.

**CONTRIBUTIONS TO THIS SPECIAL ISSUE OF M@N@GEMENT**

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The special issue starts with an article written by Olivier Lamotte and Ana Colovic, entitled “Early internationalization of new ventures from emerging countries: The case of transition economies”. The objective of their contribution is to determine environment-, industry- and firm-related factors that are likely to enhance or constrain the rapid internationalization of new ventures located in emerging economies. Their empirical study is based on a sample of more than 23,000 firms from 27 transition countries in Central and Eastern Europe and Central Asia. The obtained results indicate that several factors are positively related to early internationalization: access to ICT infrastructure, being located in an EU country, industry competition, a better-educated workforce, networks in the
home country and international networks. Conversely, insecurity and the firm's knowledge intensity appear to have a negative impact on early internationalization. These findings highlight that new ventures from emerging economies follow different internationalization strategies from those located in mature economies.

Morgan Marchand, in an article entitled “When the South takes over the North: dynamics of up-market integrations by emerging multinationals”, attempts to contribute to a better understanding of post-acquisition integration approaches developed by emerging multinational enterprises (EMNEs) in mature economies. The author examines four cases of French industrial companies acquired by EMNEs from China, Brazil and Mexico. The analysis shows that EMNEs prefer a cooperative integration approach following these up-market acquisitions. However, the adopted approach is likely to evolve over time, depending on the first results associated with the coordination of activities. The findings also indicate that EMNEs who are experienced in up-market acquisitions tend to choose a more interventionist approach. The author discusses several implications: the complexity of the determinants of the integration mode choice, the robustness and definition of the “emerging multinationals” concept and the role played by the target concerning the relationships with the acquirer in a cooperative integration approach.

Antonin Ricard and Abrar Ali Saiyed propose an article entitled “Attitude toward internationalization and early internationalization: comparison of Indian and French SME decision makers”. They aim to study the relationship between the attitude towards international expansion and early internationalization in the context of French and Indian SMEs. Their empirical study is based on a sample of 149 French and 98 Indian SME managers. Their findings show that whatever their country origin, SME managers having a very favorable attitude towards internationalization are more likely to prefer early internationalization. Moreover, when distinguishing SME managers according to their country origin, the article indicates that French managers share a more favorable attitude towards internationalization than Indian managers. Finally, Indian managers tend to choose more often an early internationalization than their French counterparts. The presented results contribute to a better knowledge of the factors that influence internationalization strategies in the context of mature and emerging economies.

Mohamed Amal and Bruno Thiago Tomio address the topic of the outward foreign direct investments (OFDI) of Brazilian companies. They focus on the impact of cultural and institutional distance on OFDI and the moderating effects of the economic performance of the host country. Panel data on Brazilian OFDI in 28 countries are used, covering the 2002-2012 period. The results show a positive effect of institutional distance on OFDI, but the relationship between cultural distance and OFDI is not significant. The statistical analysis also indicates that the positive effect of institutional distance on OFDI may be constrained by bilateral trade flows between home and host countries. Finally, the study demonstrates that Brazilian companies are more likely to invest in culturally distant countries with better institutional performance, suggesting a complementary relationship between cultural and institutional distance.

The four articles selected for this special issue improve our knowledge of the internationalization strategies initiated by companies from emerging economies. They highlight important theoretical and empirical implications associated with these new expansion moves. Consequently, we hope that the contributions will retain the attention of researchers interested in this challenging topic. We wish you excellent reading!
REFERENCES


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