Competing in the Global Economy: The Globalisation of Business Firms From Emerging Economies

An Introductory Chapter by

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The internationalisation of business firms from emerging economies[1] has deep historical roots which can be traced back to the late 19th century. In Asia and Latin America, some indigenous entrepreneurs were engaged in transnational trading, banking and other businesses as early as the mid-19th century. These enterprises were the progenitors of modern transnational corporations (TNCs) from emerging economies as we know of them today.[2] Although this early phenomenon of internationalisation by firms from currently emerging economies by no means matched the geographical scope and organisational

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[1] By "emerging economies", I refer to today's emerging and newly industrialised economies in Asia, Africa, Eastern Europe and Central and South America. While I am critical of the term "emerging economies" which tends to imply the superiority of "advanced industrialised economies", it is used in this collection for two reasons. First, to a certain extent, terms describing these economies as "developing", "emerging", "less developed" and so on are often western-centric and value-laden. In this paper, I refer "emerging economies" to those economies experiencing rapid internal transformations which enable them to make increasingly important contributions to the global economy. Second, the term "emerging economies" is well-received and understood in the business, economics and development studies literature for which this collection is intended.

[2] A recent paper by Moore and Lewis (1998) has identified the first recorded TNC which appeared in the old Assyrian kingdom shortly after 2000 B.C. These ancient firms possessed a hierarchical organisation, foreign employees, common stock ownership, resource and market-seeking behaviour. During this period - known as the "Middle Bronze Age", Assyria was located in what we know of as the Middle East today. If we accept this historical account, the internationalisation of business firms from today's emerging economies can be even dated back to these ancient Assyrian firms just after 2000 B.C.

complexity of those colonial trading firms established in the 16th and 17th centuries and other early TNCs (see Dunning, 1993; Jones, 1996), this former group of business firms is clearly not "new". Indeed, I would argue that it is their global reach in the late 20th century which marks a drastic and qualitative change in their internationalisation processes. In the words of Peter Dicken (1998: 5; original italics), whereas internationalisation refers to "the simple extension of economic activities across national boundaries", globalisation involves "not merely the geographical extension of economic activity across national boundaries but also - and more importantly - the *functional integration* of such internationally dispersed activities". To begin with, the early phase of the internationalisation of business firms from emerging economies in Asia and Latin America was largely confined to intra-regional operations. This geographical pattern was so pronounced that it led Peter O'Brien (1980: 304) to comment that "the Asian countries invest in Asia and the Latin Americans in Latin America". International operations by these early TNCs from emerging economies were less driven by competitive pressures than by the search for alternative markets in the respective home regions. In other words, they were neither competing globally nor globalising their operations to become a formidable force in the global economy.

With the advent of "space-shrinking" technologies and more liberal international economic climate in the post-World War Two era, we begin to witness a rapid growth of TNC activities via foreign direct investments (FDI) (Dunning, 1993; Dicken, 1998). The globalisation of economic activities through the cross-border integration of TNC operations has occurred since the late 1960s (cf. Hirst and Thompson, 1996). Increasing transnational operations and organisational restructuring have created a global economy spearheaded by these major TNCs. Meanwhile, the globalisation of TNCs is as much an outcome as a cause of growing global competition. By the 1980s, competition had already become a defining characteristic of the global economy. Product life cycles were increasingly shortened; technological innovations were getting very costly; financial manipulations and leveraged buy-outs were more common; and managing cross-border operations became much more complex. This rivalry involved not only TNCs, but also nation states in competing for world market shares (Porter, 1986; Stopford and Strange, 1991; Sally, 1995). Against this backdrop of a

global economy increasingly dominated by giant corporations (see Harrison, 1997), one may argue that there is little room for business firms from emerging economies to become serious global competitors. I believe, however, that this systematic privileging of global corporations in the literature is both ideologically and theoretically flawed because of misleading stereotypes and biased interpretations of business firms from emerging economies (see Chapter 15 by Yeung in this volume). Indeed, some early writers have already warned us that:

> The multinational corporation, long regarded by its opponents as the unique instrument of capitalist oppression against the impoverished world, could prove to be the tool by which the impoverished world builds prosperity... Third world multinationalism, only yesterday an apparent contradiction in terms, is now a serious force in the development process (Heenan and Keegan, 1979: 109).

At their time of writing what has subsequently become a classic paper, Heenan and Keegan (1979) did not identify the possible role of TNCs from emerging economies as a formidable global competitor. Today, it is clear from the articles reproduced in this collection that TNCs from emerging economies have made a significant presence in the global market. Table 1 lists the top 50 TNCs from emerging economies ranked by their foreign assets. It must be noted that many of them have made it to the *Fortune 500* top companies in the world (see also Hamlin, 1998). The point here is that many TNCs from emerging economies had a humble origin as regional trading and commercial ventures; they had internationalised across national boundaries as early as the late 19th century. Their participation in globalisation, however, did not occur until much later in the 1980s when the global economy was increasingly competitive, their organisational capabilities were much more consolidated and their home governments were serious about growing "national champions". Viewed in this context, the globalisation of business firms from emerging economies should be seen as an incremental process through which these firms are becoming a significant competitor in the global economy.

TABLE 1. The Top 50 TNCs from Emerging Markets Ranked by Foreign Assets, 1995
(in US$million and number of employees)

Ranking (For Assets)	Name of TNC	Economy	Industry	Assets		Sales		Employment		Index[a]
				Foreign	Total	Foreign	Total	Foreign	Total	
1/52[b]	Daewoo	South Korea	Diversified	11946	28898	8202	26044	28140	38920	48.4
2/88[b]	Petroleos de Venezuela SA	Venezuela	Oil, Gas and Coal	6796	40502	24488	26041	13420	60007	44.4
3	Cemex SA	Mexico	Construction	4227	8408	1435	2576	7300	17212	49.5
4	First Pacific Co Ltd	Hong Kong	Diversified	3779	6821	4694	5250	33467	45911	72.6
5	LG Group	South Korea	Electronics	-	15085	7100	12200	14113	34961	40.4
6	Jardine Matheson	Hong Kong	Diversified	3093	11583	7417	10636	140000	200000	55.5
7	Hutchison Whampoa	Hong Kong	Diversified	2900	11699	1632	4531	16115	29137	38.7
8	YPF Sociedad Anonima	Argentina	Oil, Gas and Coal	2551	11572	1960	4970	2275	9256	28.7
9	China State Construction Engin Corp	China	Construction	2379	-	1104	-	-	-	0.0
10	Sunkyong Group	South Korea	Energy, Chemicals	2258	27729	8635	36085	2083	25298	13.4
11	Cathay Pacific	Hong Kong	Transportation	2133	6267	1898	3904	9877	14744	36.3
12	Samsung Co Ltd	South Korea	Electronics	-	21895	4807	24083	9177	71440	14.2
13	China Chemicals	China	Diversified	2016	8318	-	-	-	-	0.0
14	Petroleo Brasileiro	Brazil	Oil, Gas and Coal	1882	31700	1274	23457	23	46226	3.8
15	Singapore Telecom Ltd	Singapore	Telecom	1546	5662	66.2	2840	1625	10966	14.8
16	Hyundai	South Korea	Machinery	1485	11480	2433	15131	923	44736	10.4
17	Companhia Vale Do Rio Doce	Brazil	Mining	1471	14564	1407	5214	90	15573	12.6
18	Grupo Televisa SA	Mexico	Media	1385	3215	280	1149	6981	20700	33.7
19	New World Development Co Ltd	Hong Kong	Diversified	1161	12396	471	2159	33550	45000	35.2
20	Citic Pacific	Hong Kong	Diversified	1070	5094	694	1401	7900	11500	46.4
21	Panamerican Beverages Inc	Mexico	Beverages	1004	1372	1236	1608	21001	28000	75.0
22	Gruma SA	Mexico	Food	993	1096	538	995	9834	13598	72.3
23	Dairy Farm Intl Ltd	Hong Kong	Retailing	966	2935	3980	6236	24956	51600	48.4
24	Companhia Cervejaria Brahma	Brazil	Beverages	963	3310	173	2305	541	8467	14.3
25	Fraser & Neave Ltd	Singapore	Beverages	957	3199	1066	1809	8190	10064	56.7
26	Acer Group	Taiwan	Electronics	665[c]	3645	2494	5825	4324	15352	31.7
27	Keppel Corp	Singapore	Diversified	817[c]	9118	248	1377	2847	12113	16.8
28	San Miguel Corporation	Philippines	Beverages	841	3328	325	2953	3536	31485	15.9
29	Guangdong Investment Ltd	Hong Kong	Investment	840	1520	642	1059	6008	7434	65.6
30	South Africa Brewery Ltd	South Africa	Beverages	819	5062	1127	7663	12983	110100	14.2
31	Tatung Co Ltd	Taiwan	Electrical equipment	813	2929	1083	3100	9543	27254	32.6
32	Sime Darby Berhad	Malaysia	Diversified	756	10632	2170	4321	6900	28635	27.1
33	China Metals and Minerals	China	Diversified	754	-	2390	-	-	-	0.0
34	Dong Ah Construction Industrial Co	South Korea	Construction	738	4256	1065	2850	8425	14619	37.4
35	Genting Bhd	Malaysia	Properties	692	2283	62	982	-	-	18.3
36	China Harbours Eng Group	China	Diversified	596	-	443	-	-	-	0.0
37	Wing On Intl Ltd	Hong Kong	Retailing	576	1344	40	366	1435	4006	29.9
38	Barlow Ltd	South Africa	Diversified	567	2321	1525	4369	7711	30660	29.9
39	China Shougang Group	China	Diversified	469	-	1127	-	-	-	0.0

TABLE 1 (cont'd). The Top 50 TNCs from Emerging Markets Ranked by Foreign Assets, 1995
(in US$million and number of employees)

Ranking (For Assets)	Name of TNC	Economy	Industry	Assets		Sales		Employment		Index[a]
				Foreign	Total	Foreign	Total	Foreign	Total	
40	China Cereals, Oils, Food I/E	China	Diversified	467	-	6230	-	-	-	0.0
41	Sadia Concordia SA	Brazil	Food	445	1784	397	2904	135	32767	13.0
42	Creative Technology	Singapore	Electronics	405	661	1175	1202	2048	4185	69.3
43	Vitro Sociedad Anonima	Mexico	Mscellaneous	385	3129	393	1878	3703	31001	-
44	Empresas CMPC	Chile	Pulp and paper	384	3110	260	1292	1919	10731	16.8
45	Chinese Petroleum	Taiwan	Petroleum	349[c]	15406	248	11766	-	3651	2.1
46	Grupo Celanese SA	Mexico	Chemicals	344	1056	559	1369	2607	7104	36.7
47	Formasa Plastics	Taiwan	Chemicals	327[c]	2326	241	1650	-	3449	10.4
48	Hong Kong and Shanghai Hotels Ltd	Hong Kong	Hotel	319	2712	55	297	3014	5772	27.5
49	China Foreign Trade Transport Co	China	Transportation	313	-	319	-	-	-	0.0
50	Ssangyong Cement Co	South korea	Construction	307	4001	208	4170	658	4488	9.1

[a] The index of transnationality is calculated as the average of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.
[b] Data refer to the ranking among the world's top 100 TNCs.
[c] Data refer to 1994.
Source: UNCTAD (1996a: Table I.13; 1997: Table I.8).

The purpose of compiling this collection of journal articles published between 1973 and 1998 on the globalisation of business firms from emerging economies is two-fold. First, since Scheman's (1973; reproduced as Chapter 1 in this volume) early work on the emergence of "multinationals" from the developing countries, there have been over one hundred articles and books published on the topic. Many of these articles, however, were published in relatively obscure journals. To researchers and students of this topic, it would be very useful to put together as many of these articles as possible into a single collection. Second, the present collection serves to complement almost two dozen books already published over the past two decades on the so-called "Third World multinationals" (e.g. Agmon and Kindleberger, 1977; Raju, 1980; Raju and Prahalad, 1980; Kumar and McLeod, 1981; E.K.Y. Chen, 1983a; S. Lall, 1983; Wells, 1983; Agarwal, 1985; ESCAP/UNCTC, 1985; 1988; Khan, 1986a; R. Lall, 1986; Riemens, 1989; Thoburn et al., 1990; Tolentino, 1993; Lee, 1994; Tan,

1995; ESCAP/UNCTAD, 1997; T.J. Chen, 1998; Hsing, 1998; Yeung, 1998a; Olds, 1999) and "Second World multinationals" (e.g. Hamilton, 1986; McMillan, 1987).

In my selection of the journal articles for reproduction in this collection, I have followed several key guiding principles. First, I have included some of the earliest work under each theme to give a fair representation of the historical origin of research in this field. As a result, articles in each Part are arranged chronologically to incorporate both the earliest and the latest papers. Second, I have tried to select a set of journals from different disciplines to reflect the inter-disciplinary nature of the research. Invariably business and economics journals dominate the study of TNCs from emerging economies. There are also very important contributions to our understanding of these TNCs from such disciplines as business history, development studies, geography, political science, regional studies and others. Third, while I have tried to offer a balanced selection of papers on business firms from emerging and newly industrialised economies in Asia, Africa, Eastern Europe and Central and South America, it is clear that most articles recently published in English journals have focused on Asian firms. My selection therefore mirrors the preoccupation of the English literature with business firms from emerging economies in Asia.[3] As far as possible, I have included all articles written in English on the globalisation of business firms from emerging economies outside Asia.

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[3] Much of the literature on Latin American firms is preoccupied with their internationalisation through international trade. For example, a recent special issue in the *Journal of Business Research* (1997) has presented 9 case studies of new international enterprises in Latin America. As evident in an overview paper by Dominguez and Brenes (1997), while the special issue is concerned with the internationalisation of Latin American enterprises, all of these case studies focus specifically on how Latin American enterprises have gained access to international markets. Internationalisation is thus seen as a process through which these enterprises enter into the global markets through international trade, rather than international direct investments.

This introductory chapter is written specifically for this collection because of three reasons. First, while I cannot include materials from some journals, all books and other publications because of copyright constraints, I hope to introduce them in this chapter. This explains why this introductory chapter gives as much attention to materials outside the two volumes. Second, I aim to offer a state-of-the-art review of both discursive and material realities of business firms from emerging economies. In a discursive sense, I discuss the various perspectives on the topic. In a material sense, I present some key findings on the state of the globalisation of business firms from emerging economies. Third and most importantly, I want to establish a critical agenda for readers and future researchers. To a certain extent, I have done so in an earlier article which is reproduced as Chapter 15 in this volume and I will not repeat the same critique of the literature. In this chapter, however, I intend to take one step further and argue for the *re-integration* of the study of the globalisation of business firms from emerging economies into mainstream international business studies. This is a necessary step for the field because we can no longer hold a static view of these TNCs as "deviants" from our conventional conceptions of global corporations from the West. I believe it is important for us to study these business firms from emerging economies in the context of continuous tensions between globalisation tendencies and enduring national differences.

In doing so, the chapter is organised according to the main themes of this collection: (1) the origins and characteristics of transnational business firms from emerging economies; (2) theoretical perspectives on the globalisation of business firms from emerging economies; (3) the influence of social and institutional contexts on the globalisation of business firms from emerging economies; (4) the strategies of transnational corporations from emerging economies; (5) the organisation of transnational corporations from emerging economies and (6) the impact of the globalisation of business firms from emerging economies. I do not give a separate introduction to sectoral studies in Part III of Volume Two which are included throughout this chapter. My rationale here is to provide a critical introduction to the wealth of knowledge created by these studies on each theme and to discuss some possible avenues for a future research agenda in the concluding section.

THE ORIGINS AND CHARACTERISTICS OF TRANSNATIONAL BUSINESS FIRMS FROM EMERGING ECONOMIES

As mentioned above, business firms from emerging economies had started their transnational operations since the 19th century. In those days, cross-border operations by indigenous firms from these economies were primarily organised through social and family networks. They often started off as small firms and their internationalisation process was rather *ad hoc*, unlike their contemporary counterparts which may have a clearly defined globalisation strategy and strong organisational capabilities. In fact, after the initial investment and technology/knowledge transfer, many of these early TNCs from emerging economies left their foreign affiliates on their own. They hardly installed any systematic intra-firm control and coordination mechanisms compared to modern corporations (see Chandler, 1977; 1990). According to Lall (Chapter 5 in this volume), the first recorded instance of a TNC from today's emerging economies can be dated back to 1890 when an Argentine textile manufacturer, Alpargatas, set up an affiliate in Uruguay and followed it up with a similar plant in Brazil in 1907. Lall considers this early example as an unusual case from an unusual country because at the turn of the 20th century, it was one of the few highly industrialised developing countries in the world.

To give another example from Asia (see also Lecraw's chapter in Part I), the Wing On Company, an ethnic Chinese transnational conglomerate now headquartered in Hong Kong, originated from the entrepreneurial visions of two founding Guo brothers who emigrated from China to Sydney, Australia in 1890 (Chan, 1995). In August 1897, one of the brothers bought over a failing fruit wholesaler which was renamed Wing On Fruit Store and transformed into a highly competitive enterprise and the first in the Wing On group of companies. The Wing On Company subsequently expanded rapidly through backward integration and diversification in Australia. The return of the Guo brothers to Hong Kong and Shanghai was prompted by revolutionary ideas in the 1900s. They wanted to bring in modern management practices to revolutionise traditional Chinese business practices in China. They decided to establish firstly a modern department store in Hong Kong in August 1907, supported by a well-planned internal organisation headed by family members. By the early 1920s, the Guo brothers "had

fashioned out a complex multi-unit organisation that bound its [local and foreign] subsidiaries and affiliates together through the use of interlocking directorships and inter-company loans whenever they were needed" (Chan, 1995: 89).

During the inter-war period, the internationalisation of business firms from emerging economies was halted as the global economy was experiencing a major depression. Many of these developing countries continued to be ruled by their colonial masters. It was only after the Second World War that these emerging economies gained their national independence. By and large, national firms in these economies were focusing their attention on rebuilding domestic economies. They lacked either the capital or the organisational capabilities to operate across national boundaries in a competent and coherent manner. After all, their traditional markets were either their home countries or regional economies. It was not until the 1960s when the first major wave of FDI by business firms from emerging economies began to surface. A few emerging economies led this early wave of FDI: Hong Kong and South Korea from Asia, and Brazil, Mexico and Argentina from Latin America. Whereas TNCs from Hong Kong were primarily controlled by private capital, Korean, Brazilian, Mexican and Argentine TNCs were largely state-owned or government-related enterprises (see Yeung's chapter in Part I and Table 1). The two groups therefore exhibited rather different patterns and processes of transnational operations. As Table 2 shows, most of these early TNCs from emerging economies in 1977 were oriented towards the natural resource sector and were state-owned enterprises. For example, virtually all petroleum TNCs from emerging economies were nationalised corporations formerly owned by major global oil companies.

TABLE 2. A Partial List of Top TNCs from Emerging Markets Ranked by Sales, 1977

Ranking (Sales)	Name of TNC	Economy	Industry	Sales (US$mil)
1	National Iranian Oil	Iran	Petroleum	22315
2	Petroleos de Venezuela	Venezuela	Petroleum	9268
3	Petrobas	Brazil	Petroleum	8284
4	Pemex	Mexico	Petroleum	3395
5	Haci Omer Sabanci Holding	Turkey	Textiles	2903
6	Hyundai Group	South Korea	Shipbuilding, transportation	2591
7	Indian Oil	India	Petroleum	2316
8	Schlumberger	Neth. Antilles	Scientific equipment	2160
9	Chinese Petroleum	Taiwan	Petroleum	1920
10	Zambia Industrial & Mining	Zambia	Mining and metal refining	1862
11	Lucky Group	South Korea	Petroleum, electronics	1744
12	Steel Authority of India	India	Metal refining	1448
13	Turkiye Petrolleri	Turkey	Petroleum	1377
14	Kuwait National Petroleum	Kuwait	Petroleum	1376
15	Korea Oil	South Korea	Petroleum	1341
16	Samsung Group	South Korea	Industrial equipment	1305
17	Thyssen-Bornemisza	Neth. Antilles	Shipbuilding, farm equipment	1259
18	CODELCO-CHILE	Chile	Mining and metal refining	1231
19	Koc Holding	Turkey	Motor vehicles	1208
20	Philippine National Oil	Philippines	Petroleum	986
21	Daewoo Industrial South	South Korea	Textiles	852
22	Siderurgica Nacional	Brazil	Metal refining	848
23	USIMINAS	Brazil	Metal refining	826
24	General Motors do Brasil	Brazil	Motor vehicles	824
25	Vale do Rio Doce	Brazil	Mining	824
26	Ford Brasil	Brazil	Motor vehicles	759
27	SANBRA	Brazil	Food products	707
28	Industrias Reunidas F. Matarazzo	Brazil	Chemicals, food products, textiles	675
29	Grupo Industrial Alfa	Mexico	Metal refining	603
30	ICC	South Korea	Metal products	581
31	Bharat Heavy Electricals	India	Industrial equipment	525
32	Ssangyong Cement Industrial	South Korea	Chemicals	598
33	Sunkyong	South Korea	Textiles	468

Source: Collated from Exhibit in Heenan and Keegan (1979: 104).

By the end of the 1960s and the early 1970s, transforming national firms into TNCs became one of the possible instruments of economic development in some emerging economies. As Scheman (Chapter 1 in this volume) argued, forming their own transnational companies may offer developing countries a means of competing in their own markets against large foreign TNCs. What he had in mind, however, was a multinational ownership of national firms for economic integration purposes. It was a kind of "forced" merger among producers from different neighbouring countries to compete effectively against "outsider" competitors. This mode of internationalisation was particularly common among business firms from Latin

American countries because the 1970s was a decade of supranationalism in the developing countries. There was a sense of "Third World solidarity" which culminated in a strong preference for TNCs from within the developing countries (Agmon and Kindleberger, 1977). For example, Heenan and Keegan (1979: 104-5) reported an example in which Brazilian TNCs agreed to assist Peru in the mining of its copper and Colombia its coal. O'Brien (Chapter 4 in this volume) also quoted a former Sri Lanka trade minister that "We favour investors from small places like Hong Kong because nobody can talk about a sell-out to imperialism in the case of a country that is as small as or smaller than we are" (p.313).

Meanwhile, TNCs from Asian emerging economies were gaining a bigger foothold towards the late 1970s in both regional and, in some specific industries, global markets. Ghymn (Chapter 3 in this volume) noted that by 1980, South Korea had 150 TNCs operating in at least 44 countries. Korean construction TNCs were particularly successful in their operations in over 25 countries. They held a market share of some 30% "in the Middle East and Africa in 1979, and they were building almost everything there is to build" (p.120). By the 1980s, TNCs from emerging economies were increasingly moving up the "learning curve" to match the organisational, operational and managerial capabilities of global corporations. They were no longer fundamentally different from their developed country counterparts in terms of characteristics and competitive advantages (see Chapter 7 by Ulgado et al. and Chapter 8 by Yeung in this volume). Rather, we witness the beginning of a "Second Wave" of FDI by TNCs from these emerging economies. Instead of internationalising their domestic operations, some of these TNCs are now globalising their operations through a functional integration of their disparate economic activities across the Triad regions. Their globalisation is less driven by cost factors *per se*, but more by a search for markets and technological innovations to compete successfully in the global economy. In the process, they have become global corporations with extensive and functional integration of value-added activities across countries and regions (see Table 1). What then are the theoretical underpinnings of their globalisation processes?

THEORETICAL PERSPECTIVES ON THE GLOBALISATION OF BUSINESS FIRMS FROM EMERGING ECONOMIES

Most studies of TNCs from emerging economies do not have an *explicit* theoretical underpinning. There are even fewer studies which put a particular theory into practice. Several theoretical frameworks, however, have been proposed by scholars from different disciplines. This section identifies and presents the main tenets of three such perspectives: (1) John Dunning's investment developmental cycle model; (2) the location-specific advantage theory and (3) the product life cycle hypothesis. These three perspectives are very much inter-related, and are well-known in the international business literature.

Dunning's investment developmental cycle model

John Dunning's investment developmental cycle model of FDI from developing countries is undoubtedly one of the most widely accepted explanations in the literature (see Chapters 9 and 11 by Dunning in this volume). The fundamental hypothesis of the model is that there is a systematic relationship between the determinants of outward/inward FDI flows and the stage and structure of a country's economic development so that "as countries pass from one stage to another not only does the role of inward and outward direct investment change, but so does the character and composition of such investment" (Dunning, 1988: 140). As a country develops, its international investment position changes from an importer to an exporter (and eventually net exporter) of FDI, depending upon (1) the amount, quality and composition of its factor endowments; (2) its political and economic system; and (3) the extent and form of its economic, political and cultural interfaces with other countries. In 1981, Dunning first identified four stages in the investment development cycle, and five years' later, he added in the fifth stage (Chapter 11):

- In Stage 1, there is little inward and outward investment because neither domestic markets nor resources offer opportunities for corporate profits. Indigenous firms also do not possess necessary competitive advantages for outward investment.
- In Stage 2, a marked rise is experienced in inward investment (1) geared to exploitation of resource endowments in neighbouring territories; (2) based on an adaptation of the

ownership advantages of subsidiaries of foreign TNCs and (3) designed to buy an entry into a foreign market.

- In Stage 3, there is a rise in outward investment and/or decline in inward investment, depending on the pursuit of economic strategies by the government, i.e. either export-promotion strategies (e.g. Hong Kong and Singapore) and import-substitution strategies (e.g. India) of economic development. Most emerging economies today are at this stage, but the net outward investment is still negative because inward investment is likely to change in favour of rationalisation of production according to the global goals of TNCs from developed countries. The consequence of this rationalisation is a growing propensity of TNCs from developed countries to engage in intra-firm transactions, to centralise sourcing and marketing and financial decisions and to prefer a full ownership of their subsidiaries in developing countries.
- In Stage 4, net outward investment becomes positive when those newly industrialised economies (NIEs) with above-average GNP per capita experience rapid growth. Hong Kong and Singapore are assumed to be approaching this stage soon.
- In Stage 5, there is a re-convergence of outward and inward investment flows because of the growth of intra-industry rationalised direct investment which is based not primarily on factor endowments, but on the advantages of internalising international markets.

The model presupposes that any deviation from the average net outward investment is explained by the differential possession of the OLI variables as expounded in Dunning's (1981; 1988; 1993) eclectic framework of international production: ownership-specific (O), location-specific (L) and internalisation (I) advantages. By extrapolating the position in the stage model from the level of economic development and FDI, three main groups of emerging economies are suggested.[4] The *first group* is the wealthier and city state economies of Hong

[4] A critical note is appropriate here. Although the following typology may neatly divide these emerging economies into three main groups, there can be significant intra-group and inter-group differences and contradictions. The typology is thus useful insofar as it provides a

Kong and Singapore. In 1985, these two city states were also the wealthiest of the NIEs and enjoyed the highest per capita outward capital stock. Both city states managed to move from Stage 1 to Stage 3 of the investment development cycle within an amazingly short period of about twenty years.

The *second group* comprises those economies pursuing a policy of import-substitution in the 1960s (moving from Stage 1 to Stage 2), but eventually shifting towards export-promotion strategies in the transition from Stage 2 to Stage 3 to establish a particular stake in the global economy. Examples of such countries are South Korea and Taiwan which are approaching the first group. Other similar countries in Group Two are Brazil, Malaysia, the Philippines and Thailand which are both more diversified in their economic structure and whose political preference remains the indigenisation (or nationalisation) of their industries. Each of these countries has a reasonably large domestic market. Foreign affiliates perform a dual role in supplying both domestic and export markets.

The *third group* of developing countries refers to those countries pursuing import-substitution policies, with a key role played by the state in influencing the level and pattern of economic activities. India and Kenya are two cases in point, although until recently Mexico and Argentina were also members of this group. These countries remain in Stage 2 of the development cycle model. Usually the political emphasis is strongly oriented towards promoting economic self-reliance, with FDI tolerated only insofar as it provides new resources or helps to upgrade existing resources and plays a tutorial role to accomplish this objective. The great majority of developing countries are presently in Stage 1 or at the beginning of Stage 2 of their investment development cycles.

The eclectic framework and investment development cycle model of international production have been applied to the empirical reality of TNCs from emerging economies in a limited number of studies. An interesting observation is that Diaz-Alejardro's (1977) early study of FDI by Latin American enterprises predated Dunning's model, but his idea was

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simple glance at the messy economic map of emerging economies. It is much less successful in serving as a foundation for predictions.

similar to that of John Dunning. Diaz-Alejardro's (1977: 169) hypothesis of the behaviour of Latin American FDI is that "as capitalistic, semi-industrialized, and somewhat-open LA (Latin American) economies move up the per capita income ladder, one will begin to observe some out-flow of FDI, either from private or from market-oriented public enterprises, even as those countries continue to be net receivers of FDI". A number of subsequent studies of emerging economy TNCs have taken into explicit consideration the eclectic framework and investment development cycle model: Hong Kong (E.K.Y. Chen, 1981; 1983a; 1983b), Singapore (Lecraw, 1985; cf. Yeung, 1998c), South Korea (Chapter 12 by Han and Brewer in this volume; Chapter 16 by Kumar and Kim in Volume II; also Koo, 1985) and emerging economies in general (Chapter 10 by Agarwal in this volume). The frameworks have also been adopted in a rare study of services TNCs from emerging economies (Lecraw, 1988).

Location-specific advantage theory

By the early 1980s, the eclectic framework of international production, with its conceptual tools of the OLI variables, was firmly accepted as the conventional theory of TNCs in the mainstream economic literature. The location-specific advantage theory of international production represents an application of such "conventional" economic theory of international production to explain "unconventional" TNCs from emerging economies (Giddy and Young, 1982; Chapter 5 by Lall in this volume).[5] Such an application, nevertheless, is not a straight-forward process. Instead, the location-specific advantage theory, by giving relative

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[5] Another critical note is necessary here. The categorisation of TNCs into "conventional" and "unconventional" implies a serious mistake of bias and stereotype. "Unconventional" TNCs, in this case those from emerging economies, are merely the *residual* class which accidentally falls out of the expectations of "conventional" economic analyses. The adoption of ideal-types of TNCs as the basis of analysis is fundamentally flawed because it fails to recognise similarities across the board. There is also no reason to reject the notion that the so-called "unconventional" TNCs are of the same gene as those "conventional" TNCs. Are they not business firms, for example, which are engaged in profit-seeking and market-exploitation in one way or another? See a critique by Yeung (Chapter 15) in this volume.

weights to the OLI variables, takes one step forward than the eclectic framework. The location-specific advantage theory postulates that TNCs from emerging economies possess lower or only temporary firm-specific advantages because of their smaller size and lower technological level. These TNCs must therefore depend heavily on location-specific advantages within their home countries and prospective host countries.

The competitive edge and proprietary advantage of TNCs from emerging economies *vis-a-vis* competitors from developed countries is derived from two peculiar characteristics of technological progress in the real world (Chapter 5 by Lall, Chapter 14 by Ferrantino and Chapter 16 by Erramilli et al.; see also Wells, 1983; Tolentino, 1993). The first characteristic is the *localisation of technical change* at the micro-level. TNCs from emerging economies are able to take advantage of this localisation of technical change by adapting large scale and sophisticated technological innovation from developed countries to the familiar terrain of home countries. The general trend for many Asian TNCs from emerging economies is to learn more sophisticated process and product technology from licensing and joint-venture relationships with large TNCs from developed countries that reciprocally need a local partner in order to penetrate protected markets in these Asian emerging economies. This sophisticated technology is then modified and adapted to local market and factor conditions (see the case of Acma Electrical Industries in Chapter 19 by Lim and Teoh in Volume II and the case of the Sri Lankan manufacturing industries in Chapter 21 by Athukorala and Jayasuriya in Volume II). The second characteristic is the *irreversibility* of such change. Once brought into motion, localised technological change cannot be reversed because generic technologies are now modified and adapted to suit local circumstances. This means that TNCs from emerging economies can gain location-specific advantages in technology through their proprietary skills in adaptation.

In addition, the role of the state in enhancing the comparative advantage of emerging economies and the location-specific competitive advantage of their TNCs is addressed in Chapter 13 by Aggarwal and Agmon and Chapter 16 by Erramilli et al. (see also Dunning, 1995; 1997). It is argued that the strong economic role of domestic governments can compensate the lack of ownership-specific or internalisation advantages possessed by these

TNCs. This point is also a weakness of Dunning's eclectic framework which "was conceived for FDI by private firms, whereas some Third World multinationals, as in the case of India [and Latin American countries], are owned by the government. Their FDI is mostly governed by international cooperation agreements and may take place independent of any of the three advantages required by the eclectic theory to explain the phenomenon of international movement of entrepreneurial capital" (Agarwal's Chapter 10 in this volume: 243). Papers in Part III address specifically the role of social and institutional influences on the globalisation of business firms from emerging economies.

Extended product life cycle hypothesis

The notion of a location-specific advantage in international production is further developed in the product life cycle hypothesis (PLC) which was originally formulated by Vernon (1966; 1971) to explain the American experience of international production during the 1950s and 1960s. In the literature, an extended version of the product life cycle hypothesis of international trade and production has been reconstructed for those TNCs from emerging economies (Aggarwal, 1984; 1987; Lecraw, 1984; Aggarwal and Ghauri, 1991). Table 3 presents this extended product life cycle hypothesis. Instead of the classic five-stage PLC hypothesis, a seven-phase international PLC is proposed. Two implications are particularly important for TNCs from emerging economies. The first implication for these TNCs is that "the process of FDI as undertaken by firms in the larger developed countries is likely to be repeated by firms from other smaller developed countries and eventually by firms from the LDCs" (Aggarwal and Ghauri, 1991: 256). In other words, the extended PLC draws a similar conclusion as the investment development cycle model - that the transnational trajectory of emerging economies will ultimately follow their predecessors from the developed world.

TABLE 3. The Seven Phases of the Extended Product Life Cycle Theory

PHASE	CHARACTERISTICS
I	Product invented (or innovated); no domestic sales; no export sales.
II	Domestic sales begins; no export sales; production for domestic sales increases from pilot plant to full production; volume dependent only on domestic demand (and/or capacity).
III	Domestic sales continue to grow at a decreasing rate; export sales to similar countries and less developed countries (LDCs) begin; no overseas production.
IV	Domestic sales level off; production begins overseas in similar countries; innovating country continues some exports while LDC sales begin to be supplied from other countries.
V	Domestic sales continue; sales in similar countries now from local production; innovating country exports to LDCs displaced by exports and FDI from these other countries.
VI	Domestic sales by the innovating firm decline; other countries begin exporting to and eventually producing in the innovating country; other country exports to LDCs being displaced by local manufacturers.
VII	Domestic sales by the innovating company reach a minimum; LDCs export to and produce in the innovating and other countries.

Sources: Adapted from Aggarwal (1984) and Aggarwal and Ghauri (1991).

Another implication refers to the fact that "in the final stages, when production has moved completely away from the innovating country, the parent company in multinational firms based in the smaller economies (and developing countries), may have to share its influence with its foreign subsidiaries at an earlier stage of evolution than parent companies of multinational firms from large developed economies" (Aggarwal and Ghauri 1991: 256). Emerging economy TNCs need to share their influence with their foreign subsidiaries because it is not economical to develop and to implement a highly centralised control system. This extended version of the PLC hypothesis has been readily applied to the study of FDIs and TNCs from Southeast Asian countries (Lecraw, 1981) and, specifically, Singapore (Aggarwal, 1987).

A special variant of the PLC hypothesis is known as the "*pecking order*" approach which, in fact, exists well before the PLC hypothesis. The "pecking order" approach to international production assumes the existence of a neat classification of emerging economies according to their level of economic development and technological sophistication. The approach speculates that over time, FDI occurs from the technologically more sophisticated emerging economies to less sophisticated ones. Two factors are crucial in explaining the movement of FDI between emerging economies: (1) technological gap and (2) factor costs. Technological gap is assumed to exist between the more industrialised emerging economies and the less ones. Such technological gap, in practice, exists between Brazil and Bolivia in Latin America and between Singapore and Indonesia in Southeast Asia. The second powerful influence of the "pecking order" refers to factor costs. Once again, the approach assumes that there is intra-regional difference in factor costs which may induce investments from countries of higher factor costs to countries of lower factor costs. Specifically, several empirical applications of the "pecking order" approach can be identified in the literature (Diaz-Alejardro, 1977; Wells, 1977; Euh and Min, 1986; Chapter 14 by Ferrantino). In an early study of Latin American transnationals, Diaz-Alejardro (1977) found that a large share of investment tends to flow from the advanced to less developed Latin American countries. In the South Korean case, Euh and Min (1986) observed that the major motivation of Korean investment in other emerging economies of lower "pecking order" was the exploitation of cheaper factor costs.

THE INFLUENCE OF SOCIAL AND INSTITUTIONAL CONTEXTS ON THE GLOBALISATION OF BUSINESS FIRMS FROM EMERGING ECONOMIES

As Yeung's critique in Chapter 15 shows, "studies of TNCs from developing countries do *not* have the same theoretical rigour as their predecessors (ie studies of TNCs from developed countries)" (p.299). In particular, these studies have overlooked two important contextual influences on the mechanisms and processes of the globalisation of business firms from emerging economies: (1) political institutions and (2) social organisation. In the first place, it is clear by today that *political institutions* play a vital role in creating and sustaining the competitiveness of emerging economies (see Haggard, 1990; Porter, 1990; Dunning, 1997;

Weiss, 1998). Aggarwal and Agmon (Chapter 13 in this volume) argued that "in spite of the strong economic role of NIC governments, prior studies have not focused on the role played by these governments in creating the domestic conditions motivating the international expansion of these NIC firms. Unfortunately, there has been very little effort to relate these seemingly different aspects of the role of the government and internationalisation of the business sector in the NICs" (p.164). From the papers by Dennis Encarnation, Che-hung Chen, Woong-shik Shin and Eugene Oh and Henry Yeung (Chapters 17-19 and 22 in this volume), we have learnt the importance of understanding the political economy of the globalisation of business firms from emerging economies.

As Encarnation argued in his paper, "[t]he economic motivations underlying Third World foreign direct investment cannot be dissociated easily from domestic and international political considerations" (p.53). In many emerging economies, the state is a potent force, particularly when it is actively pursuing either an import-substitution or export-promotion policy. The state serves *both* as a constraint on and as an enabling mechanism of the internationalisation of national firms. In some instances, home government restrictions are critical in shaping the nature of foreign operations by domestic enterprises. Encarnation's chapter shows clearly that India is one such example. The restrictive policies of the Indian government in the past resulted in a strong preference for equity participation among Indian TNCs abroad. These restrictions are evident in the following original government guidelines:

(1) the investment abroad must increase Indian exports and foreign exchange earnings by protecting an existing or growing market threatened by policies of a host government;

(2) the Indian participant must undertake to supply at least some of the capital goods and know-how;

(3) the Indian collaborator is normally expected to have a minority shareholding unless the foreign government and foreign party desires otherwise;

(4) Indian participants in the joint ventures, in their collaboration agreements, must also provide for the training of the nationals of the country of destination of the FDI.

Moreover, the Monopolies and Restrictive Trade Practices (MRTP) Act of 1969 imposed certain limits on the growth and expansion of large Indian companies. Special government

permission was needed for substantial expansion or the establishment of new undertakings. Viewed in the context of these restrictions, FDI from India can be considered as "a disguised form of capital flight from India" (R. Lall, 1986: 89; see also Chapter 18 by R. Lall in Volume II). Although these regulations have been partially liberalised over time, the basic rationale and FDI pattern remain largely unaltered today.[6]

The role of the state also works the other way round: as a promoter of foreign investments. The case of South Korean construction firms is instructive because of their success in capturing a large share in the global market. The South Korean government designated the construction industry as a "strategic industry" (Chapter 3 by Ghymn and Chapter 12 by Han and Brewer in this volume; Westphal et al., 1984; Enderwick, 1991). Recent years also witness the rise of some Turkish construction TNCs to compete against the monopoly of the Middle East market by the Koreans (Chapter 27 by Kaynak and Dalgic in Volume II). Similarly, the interest of Philippine construction TNCs in the Middle East market was prompted by the vigorous promotion of the exports of Filipino manpower as the priority in the government's 1974 labour policy (Tolentino, 1993). The *raison d'être* of these construction TNCs from emerging economies is to nurture some "national champions" to compete in the world market against giant TNCs from developed countries. The Philippine government, for example, granted special financial and tax incentives to domestic construction firms. Special industrial training was also provided by a government agency in former military bases.

The information industry in Taiwan, as another example, has been classified as a "strategic industry" as a result of a series of institutional changes during the late 1970s and early 1980s (Chapter 18 by Chen in this volume; Chang, 1990). In May 1979 (during the second oil crisis), the Executive Yuan passed the "Science and Technology Development Program" in which the information industry was identified as a "strategic industry". Two

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[6] Other studies of the role of restrictive host country government policies in influencing the internationalisation of TNCs from emerging economies are La Croix et al. (1995) and Hsing (1996; 1998).

months later, the Institute for Information Industry was established to help the government formulate short- and long-term development plans for the information industry. In 1980, the Executive Yuan approved as official policy the "Ten Year Development Plan for the Information Industry, 1980-1990" which was prepared by the Council for Economic Planning and Development. By the late 1980s, several computer and electronics companies (e.g. Acer, Mitac and Tatung) emerged from Taiwan's drive towards international recognition of its information industry - a reflection of the effectiveness of the official 10-year plan. These Taiwanese electronics TNCs were also targeting North America and Western Europe (see Chapter 28 by McDermott in Volume II). In this sense, high-tech TNCs from Taiwan are certainly globalising their operations to compete in the global marketplace.

For example, two years after Tatung opened its and Taiwan's first overseas manufacturing plant in Los Angeles to produce electric fans, Acer started in 1976 with 11 employees and capital of US$25,000. As Taiwan's flagship computer manufacturer, it opened a branch in Silicon Valley in 1984 to perform a key role in its R & D activities; it also signed licensing agreements and joint ventures with a number of Japanese and American companies. In 1987, it successfully sold its 32-bit PC in the world market and thereby became the first supplier, one month before IBM (Chang, 1990: 13). By end of the 1980s, Acer was shipping over 3 percent of the total world market for IBM-compatible personal computers and about 6 percent of the market for the more powerful machines based on Intel's 386 microprocessor. This is only one of several achievements which place Acer only a few months to a year behind the state-of-the-art technologies. In 1988, Acer and Mitac (the second main computer firm in Taiwan) signed cooperative agreements with IBM to license IBM's personal computer patents on a running royalties basis. In return, IBM received an initial fee plus the right to license Acer and Mitac patents on the same reciprocal basis (Wade, 1990: 106-7). In 1990, Acer paid US$94 million for Altos, a Silicon Valley firm, to improve its distribution in America (*The Economist*, 16 November 1991). Acer also formed alliances with Texas Instruments, with Daimler-Benz's microelectronics subsidiary and with Smith Corona. Recently, Mr. Stanley Shih, the Founder of Acer, branched out to promote the quality and image of Acer. He wanted Acer to be the "Sony of Taiwan". He founded a Brand International

Promotion Association in Taipei. Today, Acer is one of the top ten largest PC manufacturers in the world.

The developmental state in East and Southeast Asian countries often gets directly involved in the internationalisation of national firms. In 1994, Lee Teng-hui, President of Taiwan, went on a "diplomatic vacation" in Indonesia, the Philippines and Thailand to give the highest official blessing to the "Go South" policy (see Chapter 30 by Chen in Volume II). In Singapore since 1993, the government has launched an aggressive regionalisation drive through which Singaporean firms are encouraged to invest in other Asian countries (See Chapter 22 by Yeung in this volume; also Régnier, 1993; Cartier, 1995; Low, 1998; Yeung, 1999a). This state-driven process is largely spearheaded by government-linked corporations (GLCs) such as Temasek Holdings, Singapore Technologies and Keppel Group. It is hoped that regionalisation will give Singapore's economy an external wing in order to maintain its competitiveness in the regional and global economy. In the case of TNCs from mainland China, the role of the state is even more critical. In 1985, the Ministry of Foreign Economic Relations allowed an increase in the number of TNCs from China, resulting in a significant growth of internationalisation of state-owned enterprises from China (see Chapter 31 by Young, Huang and McDermott in this volume; Chapter 25 by Gang and Chapter 32 by Fung in Volume II). Indeed, virtually all TNCs from China in Table 1 are state-owned enterprises.[7]

Another key contextual influence on the internationalisation of business firms from emerging economies is their *social organisation*. As alluded earlier, many cross-border operations by business firms from emerging economies were organised through social and family networks. Although some of these cooperative strategies are addressed in papers reproduced in Part I of Volume II, there is a case to be made here that such social organisation of internationalisation is particularly common among Chinese business firms in the Asia Pacific region (see also Yeung, 1998a; 1999b; Yeung and Olds, 1999). Several papers in this collection have examined the role of personal relationships in Hong Kong investments in

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[7] The strong support of home country government is also evident in the internationalisation of Russian aerospace TNCs (see Chapter 30 by Elenkov in this volume).

China, Southeast Asia and even Canada (e.g. Chapter 20 by Smart and Smart and Chapter 21 by Leung in this volume; Chapter 6 by Yeung and Chapter 33 by Olds in Volume II; see also Mitchell, 1995; Van Den Bulcke and Zhang, 1995; Luo, 1998). These scholars have argued that ethnic Chinese tend to cultivate personal relationships or *guanxi* through business networks to extend their operations abroad. M. Chen (1995: 59; original italics) makes a similar point:

> Guanxi plays an extremely important role in the Chinese business world. As most of the Chinese family businesses are small and managed by core family members, they are heavily dependent on business opportunities and credit lines provided by their *guanxi* network. No company in the Chinese family business world can go far unless it has good and extensive *guanxi* network.

This drive towards personal relationships and network formation represents has been termed "the spirit of Chinese capitalism" (Redding, 1990) or "the spirit of Chinese entrepreneurship" (Chan and Chiang, 1994):

> For many generations, emigrant Chinese entrepreneurs have been operating comfortably in a network of family and clan, laying the foundations for stronger links among businesses across national borders (Kao, 1993: 24).

To understand the structural outcomes of cross-border cooperative ventures, it is necessary to understand the social relationships and structural ties constitutive of these ventures. D.C. Chen (1976) argues that overseas Chinese business adaptation processes and organisational rules at the various levels tend to show "structural consistency". The emphasis of these studies is placed on the structural strength (i.e. weak and strong) of personal ties among business people from Indonesia, Hong Kong, Malaysia, Taiwan, Thailand and Singapore and their host country partners and/or collaborators. More specifically, as one predominant mode of business organisation in Asia, overseas Chinese capitalism (Redding, 1990; Hamilton, 1996; cf. Dirlik, 1997) has spearheaded the rapid diffusion of economic activities and intra-regional FDI flows among various Asia-Pacific countries in which the Chinese have significant control in the economic realm. Kao (1993: 32; emphasis added)

rightly points out that "cross-border investments alone are responsible for turning the *de facto* network of loose family relationships into today's Chinese commonwealth".

THE STRATEGIES OF TRANSNATIONAL CORPORATIONS FROM EMERGING ECONOMIES

Given these theoretical perspectives and the social/institutional contexts of the internationalisation of business firms from emerging economies, what competitive strategies are necessary to secure a place in the global economy? This is the key issue for this section. As mentioned in the first section, business firms from emerging economies were rather embryonic in their transnational operations until the past two to three decades. Their strategies to create and sustain competitive advantages were limited by their own internal and domestic constraints. Unlike today's global economy, the world economy then was very much dominated by the Anglo-American model of international business. In comparison, business firms from the developing countries had neither the means nor organisational capabilities to compete against Anglo-American corporations. Their markets were predominantly local and regional economies. To them, competitive strategies meant competition against these Anglo-American corporations within these developing countries, not on the home turf of their colonial masters.

With rapid post-War economic development in emerging economies and the unprecedented diffusion of knowledge of international business practice, many business firms from these emerging economies are beginning not only to globalise their operations, but also more importantly to *strategise* their globalisation processes. There is now an increasingly inter-penetration of knowledge and practice in international business (see Thrift, 1998; 1999). Many of the TNCs from emerging economies which are analysed in papers reproduced in Part IV of this volume have professionalised their management and business practices. The process of professionalisation is driven both by internal and external factors. Internally, more CEOs and top executives in these corporations have been educated in top Anglo-American business schools abroad. Exposed to professional management training, the eventual return of these modern managers to the emerging economies contributes to a fundamental "revolution" in their management practices and business organisations. Externally, many business firms from

emerging economies are driven to professionalise their businesses because of severe problems in succession and the need to stay competitive globally. Though many of them were founded and managed by family members or "political beneficiaries", at certain stage of their expansion, however, the heads of the corporations become overloaded with information and decision-making responsibilities. There may also be a shortage of able or competent members from the same families or political groups to take over some corporate decision making and responsibilities. An inevitable result of this succession problem is that most of the big corporations from emerging economies today are stacked with professional managers.

To compete effectively in today's global economy, business firms from emerging economies need to globalise their operations. More importantly, they have to stay competitive through creating and sustaining their firm-specific advantages or through "managing the transnational value chain" in the words of Craig and Douglas (Chapter 32 in this volume). Competitive advantage arises only when there is competition in specific markets. If this competition does not exist, the concept of "competitive advantage" ceases to be meaningful. The evaluation of the competitive advantage of any business firm must encompass more than the criteria described in most business strategy books (e.g. Porter, 1980; 1985; 1986) such as costs, assets, profitability, brand names, product differentiation and so on. No doubt these criteria are useful means to evaluate the "competitiveness" of TNCs from emerging economies *vis-à-vis* their competitors in the global marketplace. But it is also important to address the *intangible* sources of competitive advantage such as core competencies (e.g. Prahalad and Hamel, 1990; Hamel and Prahalad, 1994) and organisational capabilities (e.g. Harvey and Jones, 1992) because they offer substantial advantages in capturing the market of the present *and* the future.

Indeed, as shown in Chapter 25 by Vernon-Wortzel and Wortzel and Chapter 32 by Craig and Douglas in this volume, the globalisation strategies of TNCs from emerging economies are complex and diverse. The competitive strategies of TNCs from emerging economies can be classified into at least three groups: (1) cost advantage through high volume production of standardised goods and/or lower labour costs in home countries; (2) niche advantage through flexible batch production of goods and rapid response to market needs; (3)

"global product" advantage through intensive technological innovations, extensive marketing and brand name development. In the first group, TNCs from emerging economies focus on cost reduction through engaging in high volume, high productivity manufacturing of standardised products. Often, these manufacturers are engaged in original equipment manufacturing (OEM) for major customers from the Triad regions. Buckley and Mirza (Chapter 23) described them as "dependent intermediators" who tend to depend on major customers for technology and expertise. For example, many Asian electronics and footwear TNCs, which manufacture standardised OEM products, fall into this group (see Chapter 24 by Levy in this volume). Over time, these TNCs begin to acquire, absorb and develop technology and expertise to compete against their customers. This is known as a process of "triangular manufacturing" and buyer-driven global commodity chains (Gereffi, 1994) which allows many TNCs from emerging economies to move beyond OEM production to original design and product development through transnational operations in regional economies. This strategy is observed in the internationalisation process of some smaller Taiwanese information technology firms (see Chapter 27 by Chang and Grub in this volume). In the case of Russian and Chinese TNCs (see Chapters 30 and 31 in this volume), their competitive advantages rest with their lower costs and prices in international markets which in turn originate from their lower labour costs in home countries and inexpensive managerial and technical personnel transferred to their foreign affiliates. Despite their cost advantages, these TNCs from socialist or post-socialist countries lack the financial strength to globalise their operations and the marketing expertise to compete effectively in the global marketplace.

The second group of TNCs from emerging economies creates and sustains their competitiveness through lean (and mean?) production practices. By being highly adaptive and flexible, they are very responsive to market demands and fluctuations. Competition in these niche markets tends to be weak because the major global players play little attention to these specialised markets. In the case of PC and keyboard manufacturing, Taiwanese TNCs consistently outperform their Korean counterparts because of their access to networks of traders, small size at entry and flexible operations (see Levy's chapter; Levy and Kuo, 1991). In Li's study (Chapter 29 in this volume), Taiwanese TNCs were described as being nimble

and targeting small niche markets, whereas their South Korean counterparts were very aggressive in competing for global market share. For example, he noted that Taiwan started computer component manufacturing in the 1960s, but South Korea only came into the computer industry in the late 1970s. As a consequence of their access to large networks of innovative small and medium enterprises (SMEs), Taiwanese TNCs tended to be close to the starting phase or early maturing phase of the product life cycle. South Korean TNCs often were lagging 9 to 12 months behind (see also Chapter 27 by Chang and Grub). Other TNCs from emerging economies in Southeast Asia tend to specialise in service industries (e.g. trading and distribution, finance, insurance, real estate, business services and telecommunications). They have a strong niche market in Asia through the identification and creation of monopolistic industries or obtaining monopolistic licenses (ESCAP/UNCTAD, 1997; Yeung, 1999b). This strategy of market specialisation works quite well in most Asian countries characterised by imperfect market conditions and host government regulations.

The third group of TNCs from emerging economies are truly global players in today's world economy. Their competitive advantage is embedded in their global products and strong organisational capabilities. It is often these TNCs from emerging economies which globalise their operations to tap into and to consolidate their positions in markets and centres of technological innovations in the Triad regions. A large number of top manufacturing TNCs in Table 1 belong to this group. Their competitive strategies are not too different from their competitors from North America, Western Europe and Japan: strong brand names and technological innovations, immense financial assets and globally integrated networks of operations (see Hamlin, 1998). For every IBM or Compaq, there is an Acer (Taiwan), Tatung (Taiwan), IPC (Singapore) or Creative Technology (Singapore); for every Honda or Ford, there is a Hyundai (South Korea); for every General Electric, Philips or Toshiba, there is a Samsung (South Korea) or LG (South Korea); for every Hilton or Sheraton, there is a CDL (Singapore) or Shangri-la (Hong Kong).

Take the case of South Korea: in their quest to become a global economic player, such Korean *chaebols* or conglomerates as Hyundai, Samsung, LG and Daewoo have received critical support from their developmental state at home through the provision of loans and

grants, the direct involvement of state apparatus in local business to control speculation, the granting of monopoly rights to business conglomerates and the imposing of strict import control in these industries, the promotion of technology acquisition from foreign TNCs and the building of a national technology system (Amsden, 1989; Wade, 1990; Simon et al., 1995). As explained in Chapter 28 by Lee and Plummer in this volume and Chapter 31 by Dent and Randerson in Volume II, the globalisation of these *chaebols* is critical for the future of the Korean economy because the shift into those capital-intensive sectors remains as the main objective of their globalisation into the Triad regions. The recent *segyehawa* or globalisation programme, encapsulated in the 7th Five Year Plan (1993-1997), represents the South Korean government's recognition of the need for greater integration into the global economy and continues the strong tradition of close collaboration between the state and the *chaebols*.

Apart from the support they receive from their home country which remains an important source of national competitive advantage (Porter, 1990), Korean *chaebols* are also rapidly globalising their manufacturing and R&D operations to make a significant presence in the global marketplace (see Chapter 20 by Jun, Chapter 26 by Jeon and Chapter 31 by Dent and Randerson in Volume II; also Jun, 1995). For example, Hyundai and Samsung have invested in the Silicon Valley of California for research and development, pilot production, transfer of technology and marketing (Chapter 26 by Wesson in this volume; see also Simon et al., 1995). Recently, Hyundai's electronics division in the U.S. has agreed to buy AT&T Corp's NCR Microelectronics Production division for more than US$300 million (*The Wall Street Journal*, 11 November 1994). By 1995, some 45 per cent of Korean FDI had gone to North America and Western Europe (Dicken and Yeung, 1999). Recently in 1996, the Korean *chaebol*, LG (Lucky Goldstar), announced plans to establish a new greenfield electronics manufacturing plant in Newport, South Wales. This project is expected to cost the LG Group £1.6 billion and to generate some 6,100 jobs in South Wales (*Financial Times*, 10 October 1996; see also Chapter 13 by Phelps et al. in Volume II; Phelps and Tewdwr-Jones, 1998). This project is part of the wider long-term proactive strategies among the Korean *chaebols* to exploit "opportunity Europe" - the location-specific advantages that Europe has to offer in

terms of market access, sophisticated technological innovations and key manufacturing facilities (see also UNCTAD, 1996b).[8]

THE ORGANISATION OF TRANSNATIONAL CORPORATIONS FROM EMERGING ECONOMIES

If their competitive strategies pay off in certain industries and market segments, how do TNCs from emerging economies organise their global operations? Do they engage in different forms of international operations? The literature has shown consistently that *joint-ventures* with minority shares in equity have been the most preferred mode of market entry (see Chapters 1-2 and 4-5 in Volume II). For example, out of 602 manufacturing subsidiaries in Wells' (1983: 108) original study, only 57 were wholly-owned by parent firms from emerging economies. In Singapore during the early 1980s, the Koreans wholly-owned only 161 out of their 243 subsidiaries, of which 134 were in the trading sector (Khan, 1986b: 6). This strong preference for joint-ventures, however, does not necessarily imply that all TNCs from emerging economies must be engaged in joint-ventures. Even if joint-ventures were preferred, these specific contractual relationships may be young and subject to change over time.

In order to provide a more permanent basis of transnational operations, many TNCs from emerging economies may still employ the conventional forms of market entry such as *vertical integration*. For example, Euh and Min (1986), in their survey of 50 Korean firms in 1984, found 62 per cent of firms in wholly-owned subsidiaries abroad, 18 per cent in joint-ventures with majority holdings and only 20 per cent in joint-ventures in minority holdings. This finding contrasts sharply with the case of Indian TNCs which largely engaged in joint-ventures abroad (Agrawal, 1981; Chapter 1 by Lall in Volume II; Chapter 18 by R. Lall in

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[8] The economic crisis in Asia during the 1997-1998 period has a significant impact on the Korean economy and the *chaebols* in particular (see Chang, 1998). Despite the slowing down of Korean investments and projects in Europe, I think major Korean *chaebols* will continue to invest significantly in Western Europe and North America once South Korea recovers from this economic crisis within the next few years.

Volume II; Riemens, 1989). Other studies have also discovered the extensive use of vertical integration among TNCs from emerging economies, e.g. Argentine manufacturing and petroleum transnationals (Katz and Kosacoff, 1983), Brazilian iron and aluminium companies (Chapter 22 by C. Wells in Volume II), Hong Kong TNCs (Chapter 14 by Wells in Volume II; Yeung, 1995; Low et al., 1998) and Chinese family-owned TNCs from the Philippines (Van Den Bulcke and Zhang, 1995).

Interestingly, the kind of parent-subsidiary relationship (typically observed among developed country TNCs) in terms of increasing global integration and coordination over time (see Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Martinez and Jarillo, 1988; 1991; Birkinshaw and Morrison, 1995), appears to be insignificant among TNCs from emerging economies. Instead, after the initial supply of core technology and management from the parent company in developing countries, the foreign subsidiaries of these TNCs may usually be given more autonomy over time. More than a decade ago, Wells (1984: 141) correctly pointed out that "the parents of multinationals from developing countries are likely to make a major contribution to the subsidiary in the form of technology at the outset, but that they are unlikely to have the kind of continuing impact that has characterized some US-based multinationals". Euh and Min (1986) observed, for example, that among Korean manufacturing TNCs, only 50 per cent of parent firms had control over long term planning. A recent study of the globalisation strategies of Korean electronics TNCs has found evidence of greater use of internalisation strategies and more integrated parent-subsidiary relationships among giant Korean *chaebols* (H. Lee, 1995). The parent-subsidiary relationship in emerging economy TNCs can thus be characterised as loose, fluid and informal. Unlike the stable relationship between parent companies and foreign subsidiaries in many developed country TNCs, this informal relationship among TNCs from emerging economies is always in a constant flux and transformation. This issue is taken up in Chapter 6 by Yeung in Volume II which has detailed the dimensions of network relationships through which TNCs from Hong Kong established their operations in the Southeast Asian region (see also Yeung, 1997; 1998a).

The size and nature of transnational operations are suggested as the two most important determinants of the extent of control by parent firms. Large capital investment usually drives parent firms to closer supervision. For example, a few Singaporean firms were engaged in majority-equity ventures of hotel and tourism with some Chinese village co-operatives in the Guangdong Province, China. The former supplied not only capital, but also managers. High-ranking executives from the Singaporean parent firms must pay frequent visits to their investment sites in China. The Chinese village co-operatives, on the other hand, were responsible for settling the land required to build the hotel. A close supervision and control was maintained in this contractual relationship (Chapter 17 by Pang and Komaran in Volume II). A similar extent of control is also found among Korean joint ventures in emerging economies (Chapter 5 by Lee and Beamish in Volume II). The extent of control by parent firms may also depend on the nature of the project. In most ventures by TNCs from emerging economies, foreign investors hold minority-equity and therefore may not be able to exercise full control over the ventures (e.g. Indian joint-ventures). Even in the case of majority-equity investment by emerging economy TNCs, local partners may have more *de facto* control because of their intimate knowledge of the local operating environment, immediate access to information and the need to reduce the cycle time in the loop of decision-making.

Another form of cooperative strategy through which business firms from emerging economies globalise their operation is *international strategic alliances* (ISAs). Intensified global competition has not only squeezed the profit margins of existing goods and services provided by TNCs, but also driven up the costs of producing new goods and services. Today, it costs up to several billions of dollars to produce a new model of car, passenger aircraft and other research-intensive products (e.g. pharmaceuticals). TNCs can no longer rely on their own resources to survive this "tyranny" of global competition; they must pull together other firms, competitors or collaborators, to help them ride out unpredictable storms in the global economy. This trend has led to the formation of a diverse range of inter-firm networks in the form of equity and non-equity arrangements (Contractor and Lorange, 1988; Buckley, 1994; Beamish and Killing, 1997; Yeung, 1998a). The proliferation of strategic alliances in the past two decades is perhaps the best testimony to this changing organisation of international

business (Lorange and Roos, 1992; Doz and Hamel, 1993; Gilroy, 1993; Gerybadze, 1994; Faulkner, 1995; Gomes-Casseres, 1996; Shiva, 1996). Other non-equity arrangements include cooperative agreements, international subcontracting, joint research & development collaboration and so on.

Although international strategic alliances are a new form of organising international business, the increasing participation of many TNCs from emerging economies has signalled not only their internal capabilities to attract global corporations as their strategic partners, but also an important step towards the globalisation of their operations. In the case of Russian aerospace TNCs (see Chapter 30 by Elenkov in Volume I), the lack of capital finance and international marketing channels have prompted them to enter into strategic alliances with leading global corporations in the same industries, rather than making direct investments abroad. Their key competitive advantage rests with their first-class and rapidly improving technology. Similarly, Table 4 presents some of the recent international strategic alliances by TNCs from the Asian NIEs. It is clear that these TNCs are market and/or technology leaders in their home countries; many of them also belong to the top 50 TNCs from emerging markets listed in Table 1. Their participation in these ISAs contradicts earlier studies of "Third World multinationals" which considered these TNCs as relying on matured technologies (see Chapter 8 by Yeung in this volume). Today, TNCs from emerging economies are fast becoming an important player in driving global economic change. What then is the impact of their globalisation on their internal organisation as well as on both home and host economies?

TABLE 4. Recent International Strategic Alliances Involving TNCs from Asian NIEs

Industry	Strategic Alliance Partners
Semiconductors	Hitachi-Goldstar (Korea) Toshiba-Samsung (Korea) Texas Instruments-Acer (Taiwan) Texas Instruments-HP-Canon-EDB (Singapore) NKK-Macronix (Taiwan) Philips-TSMC (Taiwan)
Aerospace	British Aerospace-Taiwan Aerospace (Taiwan) SNECMA-Singapore Aerospace (Singapore) Lockheed-Samsung (Korea)
Automobiles	Mitsubishi-Hyundai (Korea) Ford-Mazda-Kia (Korea) Daimler-Benz-Ssangyong (Korea)
Airline Services	Swissair-Delta-Singapore Airlines (Singapore)
Software	IBM-IISI (Taiwan) IBM-Singalab (Singapore) Apple-ISS (Singapore) Intel-Creative Technology (Singapore)
Telecommunications	AT&T-KDD-Singapore Telecom (Singapore) AT&T-Goldstar (Korea)
Computers	HP-Samsung (Korea) Fujitsu-Acer (Taiwan) IBM-Wearnes (Singapore)
Consumer Electronics	Zenith-Goldstar (Korea) General Instrument-Samsung (Korea)

Source: Wong (1997: Table 9.4).

THE IMPACT OF THE GLOBALISATION OF BUSINESS FIRMS FROM EMERGING ECONOMIES

One of the most sparse areas of research into TNCs from emerging economies is their impact, also a general malaise in the international business literature. While the early research into these TNCs focused on the factors motivating their FDI, firm-specific advantages and

organisational characteristics, little substantive work has been done on their impact. This relative neglect is not surprising because until recently, these TNCs have not been playing a significant role in the global economy. Today, their sheer employment size, organisational complexity and financial strength have serious implications both for themselves, their countries of origin and their host countries. In particular, the articles in this collection have examined three key dimensions of the impact of their globalisation: (1) economic integration in development; (2) costs and benefits to home countries; and (3) regional development. The early impact studies by Kumar (Chapter 7 in Volume II), Nugent (Chapter 8 in Volume II) and Cherol (Chapter 15 in Volume II) have considered the internationalisation of business firms from emerging economies as instruments of *economic integration*, at least among the developing countries. Despite their possible effects of "crowding-out" indigenous entrepreneurs in host countries, these TNCs were often perceived in a more positive light by fellow developing country governments because of their preference for joint ventures, technology transfer and political solidarity. The creation of the Cartagena Agreement in 1969 among Bolivia, Chile, Colombia, Ecuador and Peru to form the "Andean Group", for example, originated from a desire of the member countries with small to medium-size markets to accelerate their development through access to a larger economic unit. In this sense, TNCs from emerging economies served both economic and political purposes insofar as the developing countries were concerned.

More recent impact studies by Lecraw (Chapter 10 in Volume II) and Tuan and Ng (Chapter 12 in Volume II) have examined the economic *costs and benefits* of TNCs from emerging economies on their home countries. It is found that export-oriented outward investments by national firms tend to increase labour productivity, the cost and efficiency of using domestic inputs, and exports of parent companies. These export-oriented TNCs from emerging economies may also possess firm-specific advantages of access to low cost natural resources and labour, and use their capital to buy managerial, technological and marketing advantages through FDI. Other impact studies by Rogerson (Chapter 9 in Volume II), Luo and Howe (Chapter 11 in Volume II), and Phelps et al. (Chapter 13 in Volume II) have focused on the *regional impact* of TNCs from emerging economies on both home and host

countries. It is argued that the spatial dimension of TNC impact is important in assessing their costs and benefits to the home/host regions. The role of local institutions in capturing the benefits of TNCs from emerging economies is also critical because of "after-care" problems in local labour markets and supply networks.

CONCLUSION AND FUTURE AGENDA

Two and a half decades have passed since Scheman (1973) first published his paper on the possibility of multinational ownership for economic development in the developing countries. It is clear in this collection of journal articles that by today, a lot of research has been done on the internationalisation and, increasingly, the globalisation of business firms from emerging economies. What is less clear, however, is whether we have moved beyond the impasse of the "Third World multinationals" literature (see a critique in Chapter 15 by Yeung in this volume). Two aspects of such impasse deserve special attention in this concluding section. First, until very recently, studies of TNCs from emerging economies have followed the conventional wisdom in mainstream international business studies by considering these TNCs as "unconventional multinationals" and explaining them with "conventional theories". Giddy and Young (1982), for example, asked in their well-known paper whether new forms of TNCs from the developing countries require new theories. These emerging TNCs were often conceptualised as *deviants* from "mainstream" TNCs from the Triad regions. Heenan and Keegan (1979), as another example, regarded "Third World multinationalism" as an "apparent contradiction", given their low level of economic development prior to the 1980s.

Because of this fundamental dualism in the conceptual realm, subsequent studies of TNCs from emerging economies tend to explain their characteristics and behaviour according to a well-established (or "conventional"?) and Anglo-Saxon-inspired template of develop*ed* country TNCs. What these studies have not recognised is that in the process of comparing TNCs from both "worlds", strong elements of western-centric bias, in particular conceptual bias, are imposed either implicitly or explicitly on the study. As these TNCs from emerging economies are read off as inherently contradictory to, and hence different from, their developed country parallels, the literature has been persistently devoid of *generic* explanations which are based on deep theoretical understandings of the underlying processes

of organising transnational operations and the contextual appreciation of the workings of each nation state in these emerging economies. In this regard, I take Peter Dicken's view that "not only is the whole idea of 'Third World' transnationals as a distinct species heavily flawed but so, too, is the idea that TNCs originating from developing, non-Western economies can be understood only in terms of their degree of deviation from a developed country benchmark" (in Foreword to Yeung, 1998a: xv).

As explained in the various sections of this chapter, business firms from emerging economies have now taken off in their globalisation drive. In this era of intensified globalisation, it is almost impossible to draw an arbitrary boundary between TNCs from emerging economies and TNCs from the Triad regions. Indeed, there are significant differences in corporate governance and other characteristics even among TNCs from the U.S., Japan and Germany (Pauly and Reich, 1997; see also Hu, 1992; Harrison, 1997; Dicken, 1998; Yeung, 1998b). Perhaps, the necessity for a separate field known as "Third World multinationals" studies should be reconsidered in favour of a much more contextually- and theoretically-informed generic approach to our understanding of the international business activities of TNCs from emerging economies. This major "mind-set" change requires the development of theoretical perspectives in mainstream international business studies which are more sensitive to the social and institutional contexts of business firms from these emerging economies. In the final analysis, TNCs are born in their unique historical-geographical contexts and, yet, are subject to the same competitive pressures of the global economy, irrespective of their country of origin. In this sense, I hope this collection gives concerned readers a challenging starting point.

Second, as evident in the early papers reproduced in this collection, the "Third World multinationals" literature started off with an economic twist. The inter-disciplinary orientation of the field did not materialise until the 1990s. Today, academic studies of TNCs from emerging economies come from a variety of disciplines which are reflected in this collection of papers: industrial economics, international business studies, international relations, economic geography, economic sociology, development studies, organisation studies and regional studies. This is clearly a welcome trend and should continue to be so because the

future of TNC studies hinges on inter-disciplinary research. In relation to this plea for an interdisciplinary research, several empirical issues for a future research agenda can be raised (see also Chapter 15 by Yeung in this volume):

- *Financial dimensions* of the globalisation of business firms from emerging economies: The sources of capital are becoming an increasingly critical issue in the creation and reproduction of competitive advantage and transnational operations. Where and how TNCs from emerging economies secure their finance for global operations are important questions to understand their globalisation processes. Many business firms from emerging economies are now seeking capital beyond their immediate social and ethnic networks to finance their global projects. Some have been trying hard to raise capital in such international financial markets as London and New York. Less reliance on internal capital within the corporate group is unavoidable in an era of global competition in which investment outlays are getting bigger and financial leverages are the norm in many industries. The threat of hostile takeover and acquisitions in many deregulated markets in Asia and Latin America have also forced national firms to secure external finance. Of course, raising capital in global financial centres requires these firms to be credible and relatively "transparent" in management practices and financial control. These credit requirements prove to be a significant challenge to business firms from emerging economies which have been less exposed to the global financial system. And while some of these firms seek to retain control over strategy via the retention of majority shareholding balance, such firms still have to open up their books and decision-making systems to external financial and business analysts and permit external institutions to control many aspects of financial interrelations. One good example is the impact of the recent economic turmoil in Asia on the nature and operations of Chinese business networks (see Olds and Yeung, 1998).
- The rise of *service TNCs* from emerging economies: To date, only a handful studies have been conducted on service TNCs from emerging economies (Lecraw, 1988; Chapter 23 by Rogerson in Volume II; Enderwick, 1991; Chapter 29 by Kaynak and Dalgic in Volume II; Tolentino, 1993; Chapter 33 by Olds in Volume II; Yeung, 1999c). This reflects the nature

of the literature on TNCs in general which is heavily biased towards the manufacturing sector. In fact, the reality of international investments by business firms from emerging economies contradicts the empirical bias of academic studies. For example, there are now more service TNCs than manufacturing TNCs from many emerging economies of East and Southeast Asia. One primary explanation for this phenomenon is that the limited domestic market poses a severe constraint for the future growth of these aggressive service firms. Globalisation is clearly a more pragmatic strategy for them to overcome their limited domestic markets. Our understanding of these service TNCs from emerging economies, however, is rather shallow, a reflection of the general international business literature on service TNCs (see Enderwick, 1989; Aharoni, 1993; Sauvant and Mallampally, 1993; UNCTC, 1993; *Journal of International Business Studies*, 1998: 281-389). There is thus an urgent need to study why and how service business firms from emerging economies globalise their operations in banking and finance, hotels and leisure services, real estate, retail chains, research and development, transport, professional services and other business services.

- The *non-economic impact* of TNCs from emerging economies: Although Part II in Volume II has brought together some key articles on the impact of the globalisation of business firms from emerging economies, more attention is now needed to address other dimensions of TNC impact: organisational impact; socio-cultural impact and impacts on politics. While many studies have focused on the characteristics and motivations of TNCs from emerging economies, few have examined the impact of globalisation on the strategic orientation, competitive advantage, organisational capabilities and future performance of the TNCs themselves. This is an important research question because it is concerned with the sustainability of their globalisation drive. Research is needed to demonstrate whether through globalisation, these TNCs can improve on their organisational capabilities and competitive strength. This thus calls for more performance studies which examine the internal impact of the globalisation drive on TNCs. Moreover, though the literature on TNCs from emerging economies has identified their intra-regional investment tendencies, we know very little of their socio-cultural impact on both home and host countries. Does

intra-regional investment by these TNCs lead to closer socio-cultural affinity among the countries concerned (e.g. Smart and Smart, 1998)? What is the impact of sending home country managers abroad on the social structures of home and host countries (e.g. Willis and Yeoh, 1998)? In relation to these questions, the politics of the globalisation of these TNCs is equally important (e.g. Chapter 22 by Yeung in this volume). A political economy approach to their globalisation processes may potentially yield very interesting findings. This is because TNCs from emerging economies often grow out of an institutional context filled with substantial state support, granting of monopoly rights, discriminatory practices and so on. The issue here goes far beyond just whether these TNCs from emerging economies serve as instruments of economic integration. More importantly, we need to examine how they serve (or are forced to serve) the *strategic* national objectives in competing for the future.

To sum up with a critical note, studies of "Third World multinationals" took a flawed departure point in the mid-1970s till the early 1990s. Since then, the object of research, business firms from emerging economies, has experienced tremendous transformations in terms of its internal organisation and external linkages. Internally, these business firms are no longer beginners in their internationalisation drive. Externally, they are increasingly subject to the same competitive pressures today faced by TNCs from the Triad regions. In the course of their globalisation, these business firms from emerging economies have transformed some of their traditional capabilities and practices; and yet, some of their firm-specific advantages have also been reinforced and consolidated. As economic globalisation progresses at an unprecedented rate today, many business firms from emerging economies find themselves caught in a same competitive platform which houses not only fellow TNCs from other emerging economies, but also competitors from the Triad regions. To understand their competitive dynamics and organisational transformations, we need to move beyond a bifurcated and uni-disciplinary research paradigm. This major collection, I hope, will serve as a key milestone in this relentless quest for a deeper understanding of the globalisation of business firms from emerging economies.

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