

Chapter 5

Globalization of Latecomer Asian Multinationals and Theory of Multinational Enterprise

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ABSTRACT

The fast globalization of latecomer multinationals from Asian emerging economies with impetus has appeared to challenge the established theories of Multinational Enterprise (MNE). This chapter reviews extant theories of MNE and provides areas of refinement and extension to these theories to reflect highly contextualized and unique internal and external conditions of these MNEs. In particular, this chapter provides an analysis of the key theoretical perspectives of MNE and highlights four areas that extend existing theories. These areas include country-of-origin effects, ownership advantages, learning processes, as well as global and industry context for internationalization. These areas of refinement are then illustrated by seven case studies of MNEs from mainland China and Taiwan in their accelerated internationalization and their focus on acquisitive growth strategy in terms of speed of internationalization, target countries, and mode of entry.

1. INTRODUCTION

The fast globalization of multinational enterprises from emerging economies (EEMNEs), particularly in Asia, appears to challenge the established theories of MNEs (Cuervo-Cazurra, 2012; Deng, 2012; Luo & Tung, 2007; Luo & Wang, 2012; Mathews, 2006; Meyer & Thaijongrak, 2013; Ramamurti, 2012). Although these MNEs are

the latecomers, they have quickly become world leaders in their respective industries. Given the particularities in the context of Asian emerging economies, such phenomenon has resulted in a rising interest of scholars and practitioners on how business management in this context potentially changes the traditional understanding of MNEs.

Some scholars have argued that a novel theory is required to elucidate behaviors of these MNEs

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(e.g., Guillen & Garcia-Canal, 2009; Luo & Tung, 2007; Mathews, 2006), while others have asserted that existing theories are sufficient to explain this phenomenon (e.g., Dunning, Kim, & Park, 2008; Rugman, 2010). Nevertheless, many scholars have suggested the study of EEMNEs helps to extend existing theories (e.g., Child & Rodrigues, 2005; Cuervo-Cazurra, 2012; Luo & Wang, 2012; Meyer & Thaijongrak, 2013; Ramamurti, 2009, 2012). This chapter, therefore, reviews the extant theories of MNEs and provides areas of refinement and extension to the theories to reflect highly contextualized and unique internal and external conditions of these EEMNEs.

This chapter combines critical elements of extant perspectives on outward foreign direct investment (OFDI) and new insights from unique conditions within the home country of EEMNEs from Asia. In fact, apart from host country influence, impacts of particularities in home country of these EEMNEs on their idiosyncratic internationalization behaviors cannot be underestimated (Luo & Wang, 2012). When these home country conditions exert significant influence, extant theories of MNEs, which are mainly developed in the context of advanced economies, may not provide appropriate predictions on OFDIs of these EEMNEs.

Particularly, the traditional conceptualization that MNEs arise from home-based ownership advantages (Dunning, 1980, 1988) and home country-specific characteristics (Rugman, 1981; Rugman & Verbeke, 2003), and that MNEs utilize home-based operational advantages in global competition (Porter, 1990) may not be completely relevant to EEMNEs. For example, EEMNEs may invest overseas to avoid poor institutional environments at home (Boisot & Meyer, 2008; Cuervo-Cazurra & Genc, 2008; Witt & Lewin, 2007; Yamakawa, Peng, & Deeds, 2008). Essentially, difficulties of conducting business due to such disadvantages at home strengthen the capability of EEMNEs that subsequently becomes their competitive advantages when venturing overseas.

This chapter contributes to the ongoing debates on the theories of MNE and, in particular, the OFDIs and entry strategies of EEMNEs from Asia in several ways. First, this chapter provides an analysis of the key theoretical perspectives of MNEs, and suggests these perspectives provide powerful explanation on globalization behaviors of EEMNEs but with some refinements. Second, this chapter employs seven case studies of firms in mainland China and Taiwan that undertook OFDIs in recent years to illustrate how their accelerated internationalization and focus on acquisitive growth strategy are considered inconsistent with the traditional perspectives on MNEs in terms of internationalization speed, target countries, and mode of entry. Third, this chapter outlines how the OFDIs of these EEMNEs from Asia can be used to refine and extend the existing theories of MNEs. In particular, this chapter highlights four areas that extend existing theories including country-of-origin effects, ownership advantages, learning processes, as well as global and industry context for internationalization. Based on theoretical perspectives and case studies, this chapter also provides implications for managers of MNEs from emerging and advanced economies in the pursuit of their globalization as well as relevant policy makers.

2. THEORETICAL PERSPECTIVES ON MNES

Key theoretical perspectives on MNEs include internalization theory (Aliber, 1970; Buckley & Casson, 1976; Hennart, 2009; Hymer, 1976), the ownership, location, and internalization advantages (OLI) paradigm (Dunning, 1977, 1980, 1988; Porter, 1990; Rugman, 1981), the internationalization process model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1988), the Linkage-Leverage-Learning (LLL) paradigm (Mathews, 2002, 2006; Li, 2007), and the springboard perspective (Andreff,

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