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Article

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Editorial

Home Countries Matter for the Internationalisation of Emerging Market Multinational Enterprises

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1. Introduction

The past two decades have witnessed the significant growth of emerging markets and the rise of emerging market multinational enterprises (EMNEs) (Luo and Tung 2007). While EMNEs have different foreign direct investment (FDI) intentions and strategic objectives compared to developed economy multinational enterprises (DMNEs) (Luo and Tung 2018), less is known about how EMNEs cope with external risks in a volatile global environment. Although EMNEs tend to have higher risk tolerance in host countries compared to DMNEs (Buckley et al. 2018), their rapid and aggressive expansions have triggered risks from both home and host country factors. A variety of risks resulting from political events, economic crises, natural disasters and the COVID-19 pandemic (Zhong et al. 2021b) have made the global economy even more volatile. We aim to bring attention to the approach of EMNEs in coping with turbulent environments during their internationalisations.

The first article by Zhong et al. (2021a) (*Expatriate Management of Emerging Market Multinational Enterprises: A Multiple Case Study Approach*) discusses how EMNEs manage expatriates when conducting business through outward FDI in a volatile global environment. Conventional research on expatriate management focuses on DMNEs rather than EMNEs. This empirical study has utilised multiple case studies to explore how EMNEs manage expatriates during their rapid international expansions. It has collected primary data via semi-structured interviews with four Chinese multinational enterprises' (MNEs') expatriates, executives and middle managers.

The second article by Klarin et al. (2021) (*A Systems Perspective in Examining Industry Clusters: Case Studies of Clusters in Russia and India*) explores the industrial clusters in two emerging markets adopting a systems perspective. This paper analyzes the Russian pharmaceutical clusters and the Indian automobile clusters using systems concepts including open systems, holism, and emergence to understand how emerging market institutions foster industry clusters and national innovation ecosystems. A case study approach has been adopted to explore the rich contextual environments of these two industry clusters, including human capital investment, professional labour, infrastructure, public-private sector cooperation, support for funding and commercialisation, and innovative corporate culture in the national innovation ecosystem.

The third article by Sharmelly and Klarin (2021) (*Creating Customer Value for the Middle Class in Emerging Markets: Perspectives from Case Studies in India*) examines the design of

customer value creation frameworks and essential components of product development in emerging markets. Current research in studying the prerequisites for customer value creation is limited in the emerging market context. By observing the experience of Daikin and Renault in the Indian context, this paper has explored the value creation strategy options for EMNEs to successfully create integrated customer value in products and services in emerging markets.

The fourth article by [Zámborský et al. \(2021\)](#) (*Cross-Border M&A Motives and Home Country Institutions: Role of Regulatory Quality and Dynamics in the Asia–Pacific Region*) analyses how home country institutions affect cross-border merger and acquisition (M&A) motives of Asia-Pacific MNEs. The role of regulatory dynamics and qualities has been further discussed, in addition to the difference between traditional and springboard M&A motives. This paper employs data on more than 700 cross-border M&As of European firms by Asia-Pacific MNEs from 2007 to 2017 to examine the rationale of these transactions and the underpinning relationship with the regulatory pillar of acquirers' home countries.

The fifth article by [Li et al. \(2021\)](#) (*Determinants of EMNEs' Entry Mode Decision with Environmental Volatility Issues: A Review and Research Agenda*) reviews the internationalisation strategies of EMNEs. As EMNEs have higher risk tolerance compared to DMNEs, they may adopt different entry strategies in host countries even during a volatile global environment. A variety of factors at the country level (such as cross-border distance) and industry level (such as peer firms' impacts) affect the decision-making of EMNEs when entering foreign markets. This paper reviews 44 journal articles on the environmental volatility determinants of EMNEs' entry mode selection from 1996 to June 2021.

2. Overview of the Contributions

The theoretical contributions of these five articles vary between different perspectives. [Li et al. \(2021\)](#) have reviewed the determinants of EMNEs' entry strategies when considering volatile external environments. They claim that institutional theory and transaction cost economics are the two most prevalent theories in discussing environmental impacts on EMNEs' entry strategies among the reviewed studies. Utilising different perspectives, scholars are able to further our knowledge and understanding of the country- and industry-level factors that contribute to environmental volatility. Furthermore, the context matters, particularly in a turbulent environment where BRICs (Brazil, Russia, India, China and South Africa) are prevalent in the reviewed studies. An in-depth understanding of environmental factors enables EMNEs to formulate the most appropriate strategy according to needs and objective conditions and choose the most competitive entry mode.

[Zhong et al. \(2021a\)](#) emphasize how the institutional environments of EMNEs' home country and host country affect their expatriate strategy. Given that EMNEs with springboard motives are rapidly expanding their footprints across different host countries, their expatriate management tends to be ad hoc and lacks systematic planning. It is also one of the few studies that systematically study four HR issues in the context of EMNEs with primary data. The authors argue that these four HR issues of EMNEs align with DMNEs' expatriate management but also create challenges. The shortage of talent and the lack of international experience lead to gaps in the effectiveness and efficiency of managing expatriates during fast-paced internationalisation.

Building on the springboard perspective ([Luo and Tung 2018](#)), [Zámborský et al. \(2021\)](#) argue that home country regulatory quality critically affects MNEs' motives to conduct cross-border M&As. This paper extends the home country regulatory quality and voice and accountability as part of formal institutions, which have various important impacts on M&A motives. It also indicates significant interactions between home country regulatory quality and cross-border M&A motives over time, but the effects of home country regulatory quality on traditional and springboard M&A motives vary.

Unlike the other articles, [Klarin et al. \(2021\)](#) emphasise the importance of context to multinationals in emerging markets and explore the examination of industry clusters using a systems perspective. They focus on industry cluster innovations from emerging

markets such as Russia and India and extend the existing literature on developed economies. Moreover, this paper uses a framework consisting of actors, networks and the institutional pillars of ecosystems to promote the application of the system concept further.

Sharmelly and Klarin (2021) also focus on the emerging market context and extend the customer value creation framework Smith and Colgate (2007) proposed in this context. This paper advances existing knowledge in how inclusive value offerings made across the four aspects of the customer value creation framework are beneficial. It also shows that customer value creation is rarely holistic for MNEs that aim to tap into the rapidly growing middle-class customer segment in an emerging market context.

Selected articles in this Special Issue have some practical implications. It is known that EMNEs lack international experience and talents, but they are able to internationalise rapidly with the support of their home country institutions. With changes in regulations, policies and their implementation over time (Turnhout et al. 2015), how these changes affect internationalisation is critical for EMNEs to succeed. Managers need to consider the dynamics and nature of the home country institutional environment and build the ability to deal with fluctuations. There is a balance that managers need to maintain between the internationalisation of MNEs and the nature and role of the laws and regulations of the home country while pushing their company to host country markets. Emerging market industry clusters also provide implications for managers to understand the context, which helps to foster competitive MNEs in the global market. Managers can also focus on creating customer value in production innovation by embracing local demand. Customer value could be further reflected in product and service designs in emerging markets.

3. Future Research Direction

These five articles point out various research directions for EMNEs. Among the various theories that have been adopted in justifying the entry strategies of EMNEs in the international business literature, the institutional theory, transaction cost economics and resource-based view have been the most popular ones. For example, the existing literature has studied the institutional environments of home and host countries on M&A motives (Baik et al. 2015) and various distance measures, including cultural distance, institutional distance and their direction (Shirodkar and Konara 2017). However, existing studies on these external environmental factors have focused on emerging markets and developed economies. Future studies should focus on the least developed countries and examine whether other conventional theories could hold in such contexts. These could expand our knowledge of the link between the contexts and internationalisations of MNEs.

It is known that EMNEs have different internationalisation paths compared to DMNEs. EMNEs tend to utilise aggressive strategies and are willing to bear higher risks during internationalisation. However, EMNEs have obtained enormous support from their home country institutions while maintaining rapid global expansions. As EMNEs have different strategic intents (Cui et al. 2014), the regulatory policies and tax incentives from home country governments have further supported EMNEs' internationalisation, even in a volatile environment. Hence, the increasing amount of European M&As by Asia–Pacific MNEs (mostly EMNEs) between 2007 and 2017 has indicated their determined strategic intents in developed economies. The use of an ethnocentric staffing approach further ensures the control of EMNE headquarters over overseas subsidiaries to achieve their strategic goals. Future research may look at how home country institutions of EMNEs affect their post-entry operations in host countries. Other contextual issues related to the structure, adoption, and applicability of firm-level knowledge management practices of EMNEs in host countries are also encouraged.

The discussions of industry clusters and customer valuation creations draw our attention to the context of emerging markets. While emerging markets are conventionally discussed as host countries of DMNEs, the local institutions such as governments intend to foster local business environments and encourage EMNEs to internationalise and compete with other DMNEs. Further discussions may be raised on how developed economies' indus-

try clusters and customer valuation creations impact EMNEs while entering these markets. It is also important to examine other industries since the characteristics of these industries are quite different. Given that DMNEs need to adapt to local preferences via localisation, it would be interesting to examine how emerging market institutional environments differ between host countries of DMNEs and home countries of EMNEs.

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