Internationalization of Large Brazilian Firms: 
A case for theoretical extension?

ABSTRACT
A lively debate has been underway about whether extant international business (IB) theory would or not be well equipped to describe and explain the internationalization processes and trajectories of emerging market multinationals enterprises (EMNEs), which have gone abroad (in particular in the past 20 years). As we argue that EMNEs may not constitute a homogenous group, we take an in-depth multiple-case study of a particular type of firm – large firms – from a particular emerging market – Brazil, a rather large and with growth potential emerging economy – in order to highlight the differences and similarities between this type of EMNEs and that of traditional AMNEs (advanced market multinational enterprises). We conclude that, while extant IB theory seems to reasonably accommodate (the description and explanation about) the internationalization processes and trajectories of large Brazilian EMNEs, some revisions and amendments to theory would be welcome.

INTRODUCTION
There has been an intense debate about whether the internationalization pattern of EMNEs (Emerging Market Multinational Enterprises) is a new phenomenon, different from that of AMNEs (Advanced Market Multinational Enterprises) and whether it should warrant new theoretical developments (Gaur and Kumar, 2010).

As pointed by Verbeke and Kano (2012, p.2), some scholars “argue that EMNEs represent a new class of firms that follow patterns of international expansion [and have motivations to go abroad] completely different from those of MNEs from developed [advanced] countries, and therefore call for a new theory”. In addition, Kirca et al. (2011, p.65) contended that “scholars may need to begin to revise existing models or develop new models to explain the movement of developing country MNEs into developed country contexts.”

Among several works in this line of reasoning, one can cite: Child & Rodrigues (2005), Filatotchev et al., (2007), Guillen and Garcia-Canal (2009), Luo & Tung (2007), Mathews (2002a, 2002b, 2006a and 2006b), and Peng et al. (2001).

On the other hand, some other scholars believe that “extant IB theory is well equipped to describe and explain EMNE internationalization patterns” (Verbeke and Kano, 2012, p.3) and could in fact accommodate the differences between EMNEs and AMNEs. Among these are: Buckley et al. (2007), Dunning (2006), Dunning, Kim and Park (2008), Hennart (2011), Narula (2006, 2012), and Rugman (2009, 2010).

Yet, a third group of scholars believe that, while no completely new theory is needed, current theories ought to be “substantially revised and augmented” (Verbeke and Kano, 2012, p.3) in order to account for differences between EMNEs and AMNEs. For example, Cuervo-Cazurra and Gene (2008, 2012), and Ramamurti (2009, 2012).

Cuervo-Cazurra (2012) sees the different views on the topic as a “Goldilocks debate” some researchers think that the topic is “hot”, meaning and that there would be a new phenomenon and that new theories ought to be developed; some see the topic as “cold”, that is, extant theory could well accommodate the phenomenon; and some others think that the topic is “just right”, meaning that current theories could be used to describe and explain the phenomenon, but they would have to be somehow amended.
Under this common thread, there may be subtle nuances that ought to be made explicit. First, there is the issue about differences between EMNEs and AMNEs. As warned by Cuervo-Cazurra (2012), the internationalization trajectories of today’s EMNEs may be different from yesterday’s DMNEs simply because (i) most of the former only internationalized recently and (ii) environmental conditions today are different from those of yesterday (in particular, regarding the institutional, technological and infrastructure environment). So, it would be more appropriate to investigate the differences (for example, in terms of motivations, paths, processes and performance), if any, between today’s EMNEs and today’s AMNEs;

Second, researchers ought to wonder whether extant IB theory would explain the internationalization of today’s firms, both from an EMNE and an AMNE perspective – that is, differences in internationalization across time periods.

Third, one should not immediately assume that EMNEs (and also AMNEs for that matter) would constitute a homogenous group. In fact, there may be considerable differences across EMNEs in terms of their internationalization processes and trajectories.

Regarding the first issue, if the differences observed between EMNEs’ vs. AMNEs’ international trajectories are associated with distinct firms’ characteristics, one has to wonder whether such distinct characteristics are a result of the particularities of the home environment – in which case, the country of origin would play a role and theories ought to be amended. On the other hand, if it is just a coincidence that the characteristics of today’s EMNEs are different from those of today’s AMNEs, but there would be no fundamental justification why such characteristics of current EMNEs could not be found in future AMNEs – then the country of origin (emergent vs. advanced) per se would bear no reason for theory revision.

Therefore, in order to investigate the role of the country of origin, one ought to compare today’s EMNEs with today’s DMNEs.

The relevant research questions would then be:

Is the internationalization pattern of today’s EMNEs different from that of today’s AMNEs?; and

Is the internationalization pattern of today’s EMNEs different from the predictions of extant IB theories?

Can such differences (if any) be attributed to the type of country of origin (emergent vs. developed)?

Does the case of large Brazilian multinational firms (Bra EMNEs) seem to call for a revision or amendment of extant IB theory?

In this study, we investigate the particular case of a specific EM (emerging market) – Brazil, which has a very large and growing domestic market – and a specific class of firms – very large in their domestic market.

A GENERIC FRAMEWORK TO CHARACTERIZE THE INTERNATIONALIZATION PATTERN PROCESS AND TRAJECTORY OF FIRMS
The 6W4H framework

A general theory of internationalization should provide answers – in terms of description of patterns, explanation of behavior and prediction of consequences – to (at least some of) the following points, which we call the 6W4H framework (Figure 1):

- **Why** – motivations for firms to venture abroad
- **When** – timing of the first international experience and subsequent speed / rhythm of internationalization
- **What #1** – which competitive advantages do firms have before they go international and which ones they develop afterwards
- **What #2** – which activities (e.g., production, sales, R&D, marketing, HRM etc.) are internationalized
- **Where to** – what criteria do firms use to choose new countries; and which activities go to which countries (a configuration issue, cf. Porter, 1986)
- **How #1** – modes of foreign entry and subsequent modes of operation and coordination
- **How #2** – strategy decisions, regarding competitive positioning, collaborative arrangements and corporative strategy
- **Who** – the role of the decision-makers in the internationalization process (in the early stages as well as later on)
- **How much #1** – how “intense” (in terms of depth and breadth) the internationalization venture gets
- **How much #2** – performance consequences of following a given internationalization pattern

An important issue regards investigating whether the answers to the 6W4H questions regarding EMNEs would be expected to be different from the answers regarding AMNEs. Moreover, as argued by Cuervo-Cazurra (2012), it would be necessary to verify whether such differences (if any) could be attributed (a) to particular characteristics of the firms (not determined by the country of origin), (b) to specificities of the timing of internationalization, or (c) to contingencies of the country of origin (specifically the fact that it is emergent) as a determinant of a firm’s international expansion. In the latter situation, a where from issue would have to be added to our 6W4H framework. Also, it would be necessary to discuss which modifications would be necessary in order to accommodate (if at all possible) EMNEs in the current theories and identify boundary conditions under which current theories would apply (thus, extending Buckley and Lessard’s (2005) contention).

Mapping extant IB theories into the generic theoretical framework

Given these research questions, we will now turn to see how some of the most cited theories of internationalization describe and explain firms’ international behavior in terms of the elements of our 6W4H framework. In particular, we will focus on the following theories: product life cycle, incremental (Uppsala) process model, eclectic paradigm of international production and the resource-based view.

For the sake of parsimony,
In this study, we will not cover on the degree of internationalization or on the consequences of internationalization (i.e., the how much #1 and how much #2 of our framework), but rather will cover the answers to the other elements of the framework.

Later on, we will check whether the answers provided by these six theories would fit the ways to internationalization that can be observed in EMNEs.

Why – motivations for firms to venture abroad

Dunning (1988) presented four main motives for firms to establish some international activity:

- Market-seeking
- Resource-seeking
- Strategic asset-seeking
- Efficiency-seeking

Each of these motives can be detailed as follows:

- Market-seeking reasons
  - Sales growth, especially when the domestic market is saturated or the firm has been challenged in its domestic market or when the opportunities abroad seem more attractive (higher price or lower cost to serve) than those available in the home market. This opportunity may be particularly true when the firm finds it attractive to exploit abroad country-specific advantages or firm-specific advantages, possibly because the level of competitive intensity may be lower abroad than at home.
  - Client-following, that is, continue to serve a client which has gone to a country abroad;
  - Opportunity seizing (something along market-seeking, but without any intentional systematized planning, but just catering to unsolicited orders or trying to find an outlet to eventual excess production)

- Resource-seeking reasons
  - Cheaper inputs and materials
  - Cheaper labor
  - Cheaper financial resources

- Strategic asset-seeking reasons
  - Brand reinforcement
  - Access to technology or specialized knowledge
  - Development of competences (technical, managerial or marketing skills)

- Efficiency seeking reasons
  - Scale or scope economies (in production, logistics, procurement, marketing, R&D)
  - Flexibility of operations
  - Reduction of risk (cash flow volatility)
  - Proximity to clients
  - FDI as a way to overcome barriers to exports or to better server clients
  - Response to official incentives
  - Exploitation of imbalances in the factor markets (costs of inputs) or the sales markets (volumes and prices)
Besides these motives, some others can be added:

- Multipoint competition (Karnani and Wernerfelt, 1985)
- Mimetic behavior (rivals-following)
- Network-following
- Pressure by the firm’s value chain actors
- Strategic intention
- Entrepreneurial drive

Table 1 presents how each of the internationalization theories reviewed here addresses the “why” question.

<table>
<thead>
<tr>
<th>Theories</th>
<th>Motivation to go abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td>• Initially: market seeking, after demand has saturated in the domestic market&lt;br&gt;• Later: efficiency-seeking, in terms of reduction of production costs (mainly labor) by FDI in production and exports back to AM</td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td>• Initially: market seeking, after demand has saturated in the domestic market&lt;br&gt;• Later: a quasi-determinist walk thru gradually higher commitment entry modes (from exports all the way thru to wholly-owned FDI)</td>
</tr>
<tr>
<td>Eclectic paradigm of international production</td>
<td>• Several possible motivations: market-, resource-, strategic asset-, or efficiency-seeking</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>• Exploitation of competitive advantages (“valuable resources” in RBV terminology) in markets abroad</td>
</tr>
<tr>
<td>Institutional view</td>
<td>• Following or mimicking other actors (e.g., clients, competitors, partners) in the firm’s sphere&lt;br&gt;• Reactive response to “pressures” (unattractive conditions) of the domestic business environment</td>
</tr>
</tbody>
</table>

These theories provide a very short list of the (varied) motives that could drive a firm to venture abroad. They ought to be expanded, not just to accommodate EMNEs’ particular motives to go abroad, but in fact to provide a more detailed explanation (over the well-designed, but quite generic and high-level, Dunning’s (1988) typology) of the motives of AMNEs themselves.

*When – timing of the first international experience and subsequent speed / rhythm of internationalization*

In general, theories say quite little (see Table 2) about the timing of the main events in the internationalization track of firms.

<table>
<thead>
<tr>
<th>Theories</th>
<th>When</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td>• Initially: after demand has saturated in the domestic market&lt;br&gt;• Later: increases of foreign sales (through exports) as demand rises in foreign countries</td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td>• Initially: after demand has saturated in the domestic market&lt;br&gt;• Later: expansion as the firm gradually learns more about the foreign markets</td>
</tr>
<tr>
<td>Eclectic paradigm of international production</td>
<td>• (nothing is explicitly said)</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>• (nothing is explicitly said)</td>
</tr>
</tbody>
</table>
Institutional view  • As “prompted” by other actors

What #1 – which competitive advantages do firms have before they go international and which ones they develop afterwards

Table 3 - What #1 (competitive advantages)

<table>
<thead>
<tr>
<th>Theories</th>
<th>What competitive advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td>• Better product quality/technology prior to going abroad</td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td>• (nothing is explicitly said)</td>
</tr>
</tbody>
</table>
| Eclectic paradigm of international production      | • In the case of market-seeking, firms would have to have some type of competitive (ownership) advantage in order to decide to venture abroad  
  • In the case of other motivations to go abroad (e.g., resource-, strategic asset-, or efficiency-seeking), no prior competitive advantage would be necessary |
| Resource-based view                                 | • No specific advantage is mentioned, although theory expects that firms would have some advantage (“valuable resource”) prior to venturing abroad |
| Institutional view                                 | • (nothing is explicitly said and, in fact, no competitive advantage is assumed as necessary to go abroad) |

What #2 – which activities (e.g., production, sales, R&D, marketing, HRM etc.) are internationalized

As can be seen in Table 4, extant IB theory is quite vague as regards which specific activities would be internationalized (and when and where).

Table 4 – What #2 (which activities)

<table>
<thead>
<tr>
<th>Theories</th>
<th>Which Activities</th>
</tr>
</thead>
</table>
| Product life cycle                                 | • Initially: sales (through exports)  
  • Later: production (FDI) (in a quasi-deterministic vein, as if all firms would eventually go all the way as far as FDI in production) |
| Incremental (Uppsala) process model                | • Initially: sales  
  • Later: production (in a quasi-deterministic vein, as if all firms would eventually go all the way as far as FDI in production) |
| Eclectic paradigm of international production      | • In case of market-seeking reasons, “L” (location) advantages would dictate which activities (sales or production) are internationalized  
  • In the case of other motivations to go abroad (e.g., resource-, strategic asset-, or efficiency-seeking), “L” (location) advantages might dictate which activities (e.g., R&D, HRM, marketing etc.) should be run in the domestic vs. foreign markets |
| Resource-based view                                 | • (nothing is explicitly said)                                                                                                                |
| Institutional view                                 | • Those activities “imposed” by the following or mimicking of other actors in the firm’s sphere                                               |

Where to – criteria for country selection

Current IB theories are quite generic regarding the criteria that firms would use to choose new countries and which activities would go to which countries (a configuration issue, cf. Porter, 1986).
Table 5 - Where to (selection of foreign countries)

<table>
<thead>
<tr>
<th>Theories</th>
<th>Where to (selection of foreign countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product life cycle</strong></td>
<td>Countries selected</td>
</tr>
<tr>
<td></td>
<td>• Less developed countries with needs similar to those of the home market – to be served through exports from the home market</td>
</tr>
<tr>
<td></td>
<td><strong>Activities in countries</strong></td>
</tr>
<tr>
<td></td>
<td>• FDI in production in countries previously served by exports</td>
</tr>
<tr>
<td></td>
<td>• Export sales from less developed countries (where the firm has built production facilities) to advanced economies</td>
</tr>
<tr>
<td><strong>Incremental (Uppsala) process model</strong></td>
<td>Countries selected</td>
</tr>
<tr>
<td></td>
<td>• Psychically close countries first</td>
</tr>
<tr>
<td></td>
<td>• Sequential expansion to gradually more psychically distant countries</td>
</tr>
<tr>
<td></td>
<td><strong>Activities in countries</strong></td>
</tr>
<tr>
<td></td>
<td>• Starting with export from the home country and then gradually moving to higher commitment modes in each country.</td>
</tr>
<tr>
<td><strong>Eclectic paradigm of international production</strong></td>
<td>Countries selected</td>
</tr>
<tr>
<td></td>
<td>• For market-seeking motivations: countries that would offer higher “L” (location) advantages, be it in terms of either cost reductions or differentiation (e.g., better catering to clients’ needs)</td>
</tr>
<tr>
<td></td>
<td>• For other motivations to go abroad: any country where the respective motivation could be satisfied through FDI</td>
</tr>
<tr>
<td></td>
<td><strong>Activities in countries</strong></td>
</tr>
<tr>
<td></td>
<td>• Any activity, as long as it is advantageous (“L” advantage) to run it abroad rather than from home</td>
</tr>
<tr>
<td><strong>Resource-based view</strong></td>
<td>(nothing is explicitly said, but one would expect that firms would chose countries where they find it would be more difficult for their competitive advantages (“valuable resources”) to be imitated or outcompeted by rivals</td>
</tr>
<tr>
<td><strong>Institutional view</strong></td>
<td>Countries selected</td>
</tr>
<tr>
<td></td>
<td>• The same countries as those chosen by other actors in the firm’s sphere</td>
</tr>
<tr>
<td></td>
<td>• Countries with a more favorable institutional environment</td>
</tr>
<tr>
<td></td>
<td><strong>Activities in countries</strong></td>
</tr>
<tr>
<td></td>
<td>• The same activities internationalized by other actors in the firm’s sphere</td>
</tr>
<tr>
<td></td>
<td>• Activities that would find a more favorable institutional environment if run abroad</td>
</tr>
</tbody>
</table>

*How #1 – modes of foreign entry and subsequent modes of operation and coordination*

The entry mode decision is about the degree of commitment (which involves amount of resources and also degree of irreversibility of the investment) and is tied to the “who sells from where” decision, including: exports (indirect, direct or cooperated) – the focal firm serves the foreign market from its home country –, licensing/franchising – a third party serves the foreign market from the host country itself –, and FDI (in sales offices, in warehousing, in technical assistance facilities, in production etc.) – the focal firm serves the foreign market from the host country itself.

Regarding FDI, the entry mode decision also involves the establishment mode (greenfield vs. acquisition) and the ownership structure (wholly-owned, partnered or licensed).
Also, after a portfolio of activities and assets has been established in foreign markets, decisions have to be taken regarding coordination issues (e.g., degree of centralization of decisions, direction of knowledge flows).

As far as FDI is concerned, a decision has to be made regarding both the ownership structure – wholly-owned vs. in partnership – and the establishment mode – greenfield vs. acquisition.

Table 6 – How #1 (foreign entry modes)

<table>
<thead>
<tr>
<th>Theories</th>
<th>How #1 (foreign entry modes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product life cycle</strong></td>
<td>(note: only multinationals originated from developed countries are considered)</td>
</tr>
<tr>
<td><strong>Who sells from where</strong></td>
<td></td>
</tr>
<tr>
<td>• Initially: exports</td>
<td></td>
</tr>
<tr>
<td>• Later: FDI (in production) as the scale of sales in developing countries justifies FDI there</td>
<td></td>
</tr>
<tr>
<td>• Even later: exports to home country (or other developed countries) from FDI facilities in developing countries</td>
<td></td>
</tr>
<tr>
<td><strong>Establishment mode of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said)</td>
<td></td>
</tr>
<tr>
<td><strong>Ownership structure of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said)</td>
<td></td>
</tr>
<tr>
<td><strong>Incremental (Uppsala) process model</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Who sells from where</strong></td>
<td></td>
</tr>
<tr>
<td>• Initially: exports</td>
<td></td>
</tr>
<tr>
<td>• Latter: FDI (first, in sales offices; then in production)</td>
<td></td>
</tr>
<tr>
<td><strong>Establishment mode of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said)</td>
<td></td>
</tr>
<tr>
<td><strong>Ownership structure of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said)</td>
<td></td>
</tr>
<tr>
<td><strong>Eclectic paradigm of international production</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Who sells from where</strong></td>
<td></td>
</tr>
<tr>
<td>• Only FDI (but not exports) is addressed in the theoretical model</td>
<td></td>
</tr>
<tr>
<td><strong>Establishment mode of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said)</td>
<td></td>
</tr>
<tr>
<td><strong>Ownership structure of FDI</strong></td>
<td></td>
</tr>
<tr>
<td>• “I” (internalization) advantages would dictate whether partnerships, licenses or wholly-owned investment would be chosen, regarding FDI</td>
<td></td>
</tr>
<tr>
<td><strong>Resource-based view</strong></td>
<td></td>
</tr>
<tr>
<td>• (nothing is explicitly said, but one would expect that firms would chose entry modes that would make imitation (of competitive advantages) more difficult), which tends to favor internalized (e.g., wholly-owned) vs. market-based (e.g., licenses or partnerships) entry modes</td>
<td></td>
</tr>
<tr>
<td><strong>Institutional view</strong></td>
<td></td>
</tr>
<tr>
<td>(nothing is explicitly said)</td>
<td></td>
</tr>
</tbody>
</table>

**How #2 – strategy decisions**

The firms has to decide how it will balance three pillars of strategic positioning: cost, differentiation (responsiveness) and learning (Barlett and Ghoshal, 2002). Part of the equilibrium between cost and differentiation involves the standardization vs. adaptation continuum (Subramaniam and Hewett, 2004).

Besides, it must consider whether and how it will establish collaborative arrangements with competitors, suppliers, clients etc.
In addition, it has to decide how it will coordinate the portfolio of geographies and of activates and assets abroad (Birkinshaw, Hood, and Jonsson, 1998; Porter, 1986).

Table 6 – How #2 (strategy decisions)

<table>
<thead>
<tr>
<th>Theories</th>
<th>How #2 (strategy decisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td></td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td></td>
</tr>
<tr>
<td>Eclectic paradigm of international production</td>
<td></td>
</tr>
<tr>
<td>Resource-based view</td>
<td></td>
</tr>
<tr>
<td>Institutional view</td>
<td></td>
</tr>
</tbody>
</table>

Who – the role of the decision-makers in the internationalization process (in the early stages as well as later on)

Table 7 – Who (role of decision-makers)

<table>
<thead>
<tr>
<th>Theories</th>
<th>Who (role of decision-makers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td>(nothing is explicitly said; in fact, decisions are expected to be rational and, as such, independent of the particular characteristics or idiosyncrasies of the decision-makers)</td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td>Implicitly, bounded rationality and risk aversion would drive the (incremental) rhythm and form of international expansion</td>
</tr>
<tr>
<td>Eclectic paradigm of international production</td>
<td>(nothing is explicitly said; in fact, decisions are expected to be rational and, as such, independent of the particular characteristics or idiosyncrasies of the decision-makers)</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>(nothing is explicitly said; apparently the assessment of the main aspects of the VRIO (value, rarity, non-imitability and organization) would not depend on the particular preferences of the decision-maker)</td>
</tr>
<tr>
<td>Institutional view</td>
<td>(nothing is explicitly said; apparently, decision-makers would simply be “forced” to act by the eternal environment, but the personal characteristics of the decision-maker would not have a role)</td>
</tr>
</tbody>
</table>

How much #1 – how “intense” (in terms of depth and breadth) the internationalization venture gets

Table xxx - How much #1 (how “intense”)

<table>
<thead>
<tr>
<th>Theories</th>
<th>How much #1 – how “intense”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td></td>
</tr>
<tr>
<td>Incremental (Uppsala) process model</td>
<td></td>
</tr>
<tr>
<td>Eclectic paradigm of international production</td>
<td></td>
</tr>
<tr>
<td>Resource-based view</td>
<td></td>
</tr>
<tr>
<td>Institutional view</td>
<td></td>
</tr>
</tbody>
</table>

How much #2 – performance consequences of following a given internationalization trajectory

Table xxx - How much #2 (performance consequences)
### LITERATURE REVIEW

**Arguments that call for a new theory, or a (substantial) revision of extant theory, to explain the EMNEs phenomenon**

#### Alleged differences between EMNEs and AMNEs

Several arguments have been presented to justify the need for a new theory to describe and explain the internationalization of EMNEs:

- Distinct motivations to seek foreign markets
- Institutional particularities of emerging markets (and their impact on international trajectories of firms)
- Lack of *ex-ante* firm-specific advantages (FSAs) by EMNEs (and venturing abroad in order to acquire FSAs rather than exploit existing FSAs)
- Distinct set of FSAs
- Intense use of networks
- Distinct internationalization trajectories

#### Distinct motivations to seek foreign markets

In terms of motivations to go abroad, EMNEs would present some reasons that would not be found among AMNEs. Among distinct motivations of EM (emerging market) firms, Guillen and Garcia-Canal (2009) reported: circumventing home-country government controls, search for new markets in response to economic reforms in the home country, movement of personal capital abroad, acquisition of intangible FSAs; on the other hand, some motivations, also cited by Guillen and Garcia-Canal (2009), would be quite similar to those exhibited by AMNEs: backward linkage into raw materials (a resource-seeking motive), forward linkage into foreign markets (a straight-forward market-seeking motive), customer following (also a market-seeking behavior), exploitation of intangible FSAs (including recombination of intangible FSAs with borrowed technology), and spreading of risk (efficiency-seeking behavior). Regarding escaping Government restrictions in the home market, Jormanainen and Koveshnikov (2012) add “deficiencies in macro-level institutions – so-called ‘institutional voids’ – such as high savings, inefficient corporate ownership structure, limited property rights, capital market distortions, weak legal system and high political risk, were shown to constitute strong incentives for EMFs [EMNEs] to engage in OFDI in order to avoid transaction costs of operating in their home markets (Buckley et al. 2007, 2008; Kalotay and Sulstarova 2010).”
Each of these motivations can be linked to Dunning’s (1988) typology of motivations, as shown in Table xxx.

Table xxx - Guillen and Garcia-Canal’s (2009) typology of EMNEs’ motivations to go abroad

<table>
<thead>
<tr>
<th>Dunning’s typology of motivations</th>
<th>Guillen and Garcia-Canal’s (2010) typology of EMNEs motivations</th>
<th>Distinct from AMNEs motivations? (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>resource seeking</td>
<td>Backward linkage into raw materials</td>
<td>N</td>
</tr>
<tr>
<td>market seeking</td>
<td>Forward linkage into foreign markets</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>Circumventing home-country government controls</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Search for new markets in response to economic reforms in the home country</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Customer following</td>
<td>N</td>
</tr>
<tr>
<td>strategic resource seeking</td>
<td>Movement of personal capital abroad</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Acquisition of intangible FSAs *</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Exploitation of intangible FSAs (including recombination of intangible FSAs with borrowed technology)</td>
<td>N **</td>
</tr>
<tr>
<td>efficiency seeking</td>
<td>Spreading of risk</td>
<td>Y</td>
</tr>
</tbody>
</table>

* as also argued by Bonaglia, Goldstein and Mathews (2007), and Child and Rodrigues (2005); some EM firms would in fact go abroad in search of technologies and brands primarily for exploitation in their home markets, not abroad (Luo and Tung, 2007; Ramamurti, 2012)

** although the particular intangible assets possessed and exploited by some EMNEs are different from those of traditional AMNEs, the issue itself of asset exploitation is not novel to IB theory.

Much by the same token, Gaur and Kumar (2010) reviewed the literature and reported EMNEs’ motives to go abroad – some of which would differ from those traditionally found in their AMNEs counterparts (see Table xxx).

Table xxx – Gaur and Kumar’s (2010) list of EMNEs’ motivations to go abroad

<table>
<thead>
<tr>
<th>Dunning’s typology of motivations</th>
<th>Gaur and Kumar’s (2010) list of EMNEs motivations</th>
<th>Distinct from AMNEs motivations? (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>resource seeking</td>
<td>accessing raw materials</td>
<td>N</td>
</tr>
<tr>
<td>market seeking</td>
<td>exploiting experience with labor-intensive technology</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>social network through ethnic ties *</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>benefit from being first movers in other institutionally unattractive locations, i.e., those with weak institutional environment (in the host country) characterized by political instability and difficult governance conditions</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>experiences of conducting business at home during a period of economic liberalization **</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>misalignment between firm capabilities and the home institutional environment</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>overcoming small scale in the home market, (i.e., acquiring globally competitive scale)</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>escape from stifling regulatory constraints at home</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Using abundant and cheap domestic human resources in foreign locations</td>
<td>Y</td>
</tr>
<tr>
<td>strategic resource seeking</td>
<td>accessing knowledge</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>acquisition of management expertise in marketing, technology and general management</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>entry into developed nation markets, or high-technology milieus, as an attempt to acquire the legitimacy a firm lacks, or to overcome the negative country-of-origin label as seen by consumers in developed economies</td>
<td>Y</td>
</tr>
</tbody>
</table>
efficiency seeking | FDI intended to overcome export barriers | N  
| risk diversification |  | Y

* Miller, Thomas, Eden and Hitt (2008) likewise reported that some EMNEs would go abroad in order to serve ethnically similar customers in developed markets or to meet ethnically similar competitors. These ethnic commonalities would provide EMNEs a rare and imitable competitive advantage. Much by the same token, Kapur and Ramamurti (2001) stressed how Indian software firms successfully directed their efforts to serve the Indian diaspora communities in AM. Complementarily, Guillen and Garcia-Canal (2009) reported ethnic branding.

** also reported by Cuervo-Cazurra (2008), and Del Sol and Kogan (2007)

Gaur and Kumar (2010) argue that, on the other hand, some motives usually found across AMNEs – such as threats to existing markets, exploiting experience with high technology production, exporting back to developed home markets, and reducing production costs through low wage workers abroad – would not be found across EMNEs.

Yamakawa, Pend and Deeds (2008) also provide a list of the motives that would lead EM firms to venture abroad – some of which are in fact distinct from what one would expect to find across AMNEs (see Table xxx).

Table xxx – Yamakawa et al.’s (2008) list of EMNEs’ motivations to go abroad

<table>
<thead>
<tr>
<th>Dunning’s typology of motivations</th>
<th>Yamakawa et al.’s (2008) list of EMNEs’ motivations</th>
<th>Distinct from AMNEs motivations? (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>resource seeking</td>
<td>high degree of domestic industry competition</td>
<td>Y</td>
</tr>
<tr>
<td>market seeking</td>
<td>high degree of industry technology intensiveness</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>pressure by new venture capitalists from developed markets</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>strategic alliances with developed market firms *</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>high level of entrepreneurial orientation *</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>discriminating domestic regulative environment against new ventures</td>
<td>N</td>
</tr>
<tr>
<td>strategic resource seeking</td>
<td>access new capabilities</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>enhance legitimacy and reputation at home and abroad</td>
<td>N</td>
</tr>
<tr>
<td>efficiency seeking</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* also reported by Thomas, Eden, Hitt and Miller (2007)

Buckley et al. (2007) and Morck, Yeung and Zhao (2008) mention additional features of some EM – such as limited property rights protection, weak judiciary and legal systems, and unexpected changes of regulatory policies – that would push firms into expanding abroad.

So, regarding the *Why* of our 6W4H framework, it is clear that (at least some) EMNEs would go abroad for different reasons in comparison with AMNEs. However, these different reasons can still be fitted into the higher-level typology of motives advanced by Dunning (1988).

Institutional particularities of emerging markets

The list of motivation shown in Tables xxx, xxx and xxx makes it clear that several of the motivations for EM firms to seek foreign markets stem from the particular
domestic environment in which they were established. Meyer and Peng (2005) argue that the relevant institutional differences between emerging vs. advanced economies would make the EM environment a unique context to investigate (what they suppose to be) a new phenomenon of internationalization. Peng et al. (2008) that an institution-based theory would be the appropriate theoretical lens to study the phenomenon.

Such institutional differences may bear an impact on the internationalization pattern of firms, in particular, the Why (as just discussed), Where to, What #1 (competitive advantages), What #2 (activities internationalized), Where to (which countries), Who (role of decision-makers), How #1 (entry modes), How #2 (strategies) – and, of course How much #1 (depth and breadth of internationalization) and How much #2 (performance).

**Lack of ex-ante firm-specific advantages (FSAs)**

Mathews (2002a, 2002b, 2006a and 2006b) argued that, unlike AMNEs, most EMNEs go abroad despite not possessing ex-ante FSAs. In fact, Mathews (2002a, 2002b, 2006a and 2006b) and other scholars (Child and Rodrigues, 2005; Madhok and Keyhani, 2012) argue that EM firms, unlike their AM counterparts would go abroad in order to acquire, rather than exploit, FSAs – and some of the newly acquired FSAs would be used to build a stronger position in their own home market, in a springboard perspective (cf. Luo and Tung, 2007).

The lack of ex-ante competitive advantages experienced by (some) EMNEs can have a relevant impact on how (some) EM firms build up their international trajectory.

**Distinct set of FSAs**

While most AMNEs would base their competitive advantages on technology and marketing capabilities, the institutional environment and the history of EM firms have provided some of them with a set of competitive advantages – distinct from those exhibited by AMNEs – that could also make them credible competitors abroad. For example, as argued by Guillen and Garcia-Canal (2009): ability to prosper in unstable political environments [and corrupt settings], skills to thrive in the harsher conditions of other EMs, higher capacity of adaptation to foreign market because EMNEs are new to the international arena, ability to adapt technology in order to cater to the needs of smaller scale markets and special market needs (as found in several emerging and transitional economies), efficient production and project execution, experience (gained in the home country) in the management of M&As and corporate restructuring (enabling them to more successfully venture into cross-border acquisitions), and ability to develop business networks.

Ramamurti (2009) also recognized that today’s EMNEs enjoy distinct FSAs as compared to (former and today’s) AMNEs, but he believes that these differences are not enough for giving away current theories; rather, he believes that current theories ought to be amended in order to account for these differences. AMNEs would typically exhibit such FSAs as: technology, brand reputation (although this intangible asset needs to be “developed” in each new country to be entered), marketing skills, managerial skills, and organizational skills.
On the other hand, Ramautri (2009) contended that EMNEs would possess some advantages over AMNES, specially as far as competition in other EM is concerned, such as: products and services tailored to the unique characteristics and processes of use / consumption of other emerging countries (e.g., lower cost / price, smooth operation even under harsh infrastructure conditions), and production and operational excellence (e.g., processes more intensive in (cheaper) labor than in capital, production efficiency, and lower level of overhead), privileged access to resources and markets (e.g., protection by governments in access to markets and capital and in regulation, access to natural resources), size and economies of scale (derived from serving the State or having been State-owned enterprises when the market was protected from incoming foreign firms), advantage of adversity (i.e., experience to deal with poor infrastructure, corruption, bureaucracy, educational deficiencies; as also argued by Cuervo-Cazurra and Genc, 2008, Del Sol and Kogan, 2007, and Jormanainen and Koveshnikov, 2012).

Thomas et al. (2007) contended that EMNEs benefit from previous alliance experience in home countries. In fact, several of them had also accumulated extensive M&A experience before they venture abroad.

Verbeke and Kano (2012) argued that some EMNEs would possess higher-order FSAs (that is, capabilities to combine and recombine existing and accessed resources across borders in a way that creates value for the MNE.

All in all, EMNEs would tend to show a distinct set of FSAs (and also CSAs), but they would, nonetheless, possess advantages, such as: cheap labor, personal and business network ties, strong relationships with Government, capability to operate in turbulent environments, and strong entrepreneurial motivation developed as a necessity to overcome institutional voids.

Such differences in ex-ante competitive advantages possessed by (some) EMNEs as compared to (most) AMNEs can certainly affect the When (timing of first venture abroad and subsequent rhythm thereafter), Where to (countries selected), How #1 (entry modes), How #2 (strategies); and also How much #1 (breadth and depth) and How much #2 (performance).

**Intense use of networks**

In their review of the literature, Jormanainen and Koveshnikov (2012) reported that (specially small and medium) EMNEs would exploit different types of networks to acquire valuable knowledge required for international expansion (cf. Elango and Pattnaik 2007; Kotabe et al. 2010; Thomas et al. 2007): domestic networks with government officials and MNE foreign partners (Kotabe et al. 2010), geographically diverse personal network ties (Musteen et al. 2010), inter-firm networks (Manolova et al. 2010), parental networks (Elango and Pattnaik 2007) and alliance networks (Thomas et al. 2007). Gaur and Kumar (2010) also reported that EMNES would tend to use networks more frequently and more intensively than AMNEs.

These arguments imply that the Where to (criteria for countries) and the How #1 (entry modes) can vary substantially between EMNEs and AMNEs.

**Distinct internationalization trajectories**
There has been argued that EMNEs would be different form AMNEs in terms of internationalization speed, country selection criteria, and entry mode choice.

Mathews (2002a, 2002b, 2006a and 2006b) and Guillen and Garcia-Canal (2009) argue that EMNEs tend to internationalize faster than did AMNEs. But they seem to be inadvertently comparing today’s EMNEs with yesterday’s AMNEs (as warned by Cuervo-Cazzura, 2012), since what makes EMNEs accelerate their internationalization path may be the current environmental conditions (telecom, information and transport technology, globalization wave), not the fact that they are originated from EMs.

Mathew’s (2006a) advances the LLL (Linkage-Leverage-Learning) framework as an explanation for the accelerated path. Linkage would refer to obtaining advantages, not from organic development, but from external acquisition; leverage would refer to the (E)MNE’s ability to overcome barriers to imitation and transferability of resources, so that it could in fact acquire strategic assets abroad; learning would refer to how repetition of the “link and leverage” process could make it more efficient. But nothing is said about the cost of acquisition of the resources (as Barney (1991) would argue) and the costs of integrating it into the acquiring firm’s resource pool.

Mathews (2002a, 2002b, 2006a and 2006b) argued that selection of target countries by EMNEs would not be guided by psychic distance considerations or “L” (location) advantages, but rather by opportunities to “link” with other firms and to “leverage” resources and ‘learn’. In fact, this means that country selection would be driven by strategic asset-seeking motivations. In a similar vein, Ramamurti (2004) reports that several EMNES have expanded into physically or economically distant countries before entering more proximate and similar countries. Ghemawat (2007) argued that EMNEs tend to base their strategies on exploiting differences (i.e., disequilibrium / arbitrage in production factors markets) rather than similarities across countries – for example, by engaging in labor cost arbitrage as they export to AMs. One should mind, however, that some theories of IB (e.g., the Eclectic Paradigm) simply overlook the “psychic distance” determinant; others (e.g., the Product Life Cycle) indicate that AMNEs would internationalize into less developed (thus, psychically distant) markets. So, not following a gradually increasing psychic distance path is not a phenomenon exclusive of EMNEs.

Ramamurti and Singh (2009) refer to some EMNEs as ‘global consolidators’, since they aggressively take up FDI in industries that have matured in the developed world, but have been booming in emerging economies (e.g., cement, steel, chemicals, beverages, processed foods and meats, PCs, auto parts etc.). This way, they would build scale through horizontal expansion and obtain advanced technologies through acquisitions in developed countries – since these industries are mature or declining in AMs, possibly assets can be bought at a reasonable price and EMNEs prefer acquisitions to greenfield investment. As such, several EMNEs have begun their international history with high-commitment modes (e.g., M&A), instead of with low-risk, low-commitment options, such as sales agents or sales subsidiaries (Madhok and Keyhani, 2012). But not all IB theories predict a gradual commitment sequence. The Eclectic Paradigm, for example, indicates that FDI may be preferred to exports depending on the costs involved.
Regarding entry modes, Guillen and Garcia-Canal (2009) reported that EMNEs would prefer alliances and acquisitions instead of wholly owned and organic growth – which, by the way, would tend to speed up the rhythm of internationalization. Child and Rodrigues (2005), as well as Bonaglia et al. (2007) found that many EM firms initiated their international trajectory by means of original equipment manufacture (OEM) contracts – that is, an ‘inward’ internationalization path. These entry modes are more typical of EMNs than of AMNEs.

There has also been argued that EMNEs would behave differently from AMNEs in terms of: preference for joint ventures vs. wholly owned subsidiaries (Cui and Jiang 2009; Demirbag et al. 2009), and for equity vs. non-equity ownership (Ang and Michailova 2008; Demirbag et al. 2009), as well as strategy to use particular sequences of entry modes during the internationalization process (Cuervo-Cazurra 2007).

Verbeke and Kano (2012) argued that some EM firms might possess location-bound FSAs, which were not considered in the original OLI paradigm. However, a careful inspection of their thoughts would show that theirs is an argument about how domestic firms fight incoming AMNEs (or EMNEs for that matter) in the former’s home market; not an argument about the internationalization of EM firms. A revision of theory might, nonetheless, be in place if one reasons that AMNEs’ FSAs may not be enough to fight the location-bound FSAs enjoyed by host market indigenous firms.

But all these arguments do not convincingly put up a case for extant theory rejection. Rather, the building blocks (e.g., competitive advantages, generic motivation, transaction costs etc.) of current IB theories would still apply, but would need some more detailing in order to accommodate the specificities of current times and of the institutional environments in which EM firms have learned to thrive.

**Arguments about IB theory being well equipped to describe and explain EMNE’s internationalization patterns**

Pla-Barber and Campos (2012) introduce the concepts of “springboard country” and “springboard subsidiary” in order to describe Spanish firms moving South into a Spanish-speaking Latin American country, from which they will build a base to expand farther in the region; and also firms from Spanish-speaking Latin American going to Spain, as a stepping stone into other European countries. This is simply the idea of the psychic distance logic applied to North-South and South-North expansion paths. By extension, one can consider Singaporean or Taiwanese subsidiaries in China and Turkish subsidiaries in Central Asia.

**Are EMNEs a homogeneous group? Are they all really distinct form AMNEs?**

One should note, however, that EMNEs do not constitute a homogeneous group. In fact there can be found great diversity in their institutional environments and in the characteristics of the firms across different EMs; so the just-mentioned motivations may not be found across all EMs or across all firms from the same EM.
The role of the home country was stressed by Elango and Prakash (2007), who criticized “the assumption […] that all factors pertaining to the effectiveness of internationalization reside within the company” (p.370) and argued that “that the home country environment would have an impact on a firm’s internationalization effort and outcomes, which is independent of, and in addition to, the within-firm variables” (p.371). They found a “positive linear relationship was found between internationalization and performance in countries with relatively small economies and which have extensive trade in their economy, while an inverted U-shaped relationship was found in countries with larger economies which have relatively moderate trade in their economy” (p.369). The latter resembles the case of Brazil – large economy and relatively moderate (in proportion to total economy) foreign trade. However, Elango and Prakash’s (2007) study was based on a sample of firms from technology-intensive industries and from (16) advanced countries only, which differs from our selection of cases.

Also, Banalieva and Sarathy (2011, p.594) argued about the role of the home country characteristics: “EM MNEs [emerging market multinationals] based in countries more open to international trade should benefit more from internationalization than their counterparts based in countries less open to trade”.

**A brief overview of the internationalization of Brazilian firms in general**

Carneiro and Brenes (2014) - based on arguments forwarded by Da Rocha (2003), Da Rocha and Da Silva (2009) and Da Rocha, Da Silva and Carneiro (2007) – contend that Brazilian firms, in general, faced three main deterrents, in the past, to expand abroad:
- lack of firm-specific advantages,
- rupture of the establishment chain, and
- absence of a global mindset.

As their arguments go, many Brazilian firms relied on a geographically protected marked (the Atlantic ocean, the Andes mountain range, the “Pantanal” (water lands) and the Amazon forest virtually kept Brazilian firms away from other countries, except for those of the original Mercosur – Argentina, Paraguay and Uruguay); besides Brazilian firms were protect by a politically closed market. Such unchallenged market may have led Brazilian firms to relax and not to develop the necessary competitive advantages to fight competitors abroad (as suggested by Porter’s (1990) diamond model).

Moreover, the unstable political and economic environment that Brazilian firms faced in the past may have prevented them to take bold steps, including venturing abroad. As such, they tended to choose lower risk entry modes, such as exports. But deficiencies in infrastructure and a high tax burden – which would raise the costs of exporting (many times to an uncompetitive level) – and the large (and unchallenged) domestic market kept exports relatively low (even today, while Brazil’s GDP is around 3.3% of the world’s, Brazil’s share of world exports is just 1.0%, cf. World Bank, 2012). Therefore, firms felt little need to start investing in FDI (for example, in warehousing and technical assistance facilities) – thereby, rupturing the establishment chain predicted by the Uppsala model. The timid FDI may also have been a result of two other characteristics of the Brazilian market (which could, in fact also be found in
several emerging markets): lack of long-term financial sources at lower cost; and also extensive use of vertically-integrated business models (cf. Cyrino and Tanure, 2009), which made it difficult to replicate abroad the same organizational structure and operational configuration to which executives had been accustomed.

The closed market and possibly the sense of being inferior (liability of origin) in comparison with developed market competitors, may have led most Brazilian firms not to develop a *global mindset*, but, instead, to concentrate in the domestic market.

Carneiro and Brenes (2014) reviewed Carneiro’s (2012), Cyrino and Tanure’s (2009) and Da Rocha and Da Silva’s (2011) works on several transformations of the Brazilian environment (which, by the way, can also be observed in several other emerging markets, and which have moved them to become more similar to advanced markets) that have aroused the interest of Brazilian firms for foreign markets:

- economic, fiscal and institutional stability; the wave of globalization; overvalued currency (1994-1998; 2007-2012), which favored FDI; undervalued currency (1999-2006), which favored exports; saturation of the domestic market (for some firms); economic liberalization and openness to foreign competitors on Brazilian ground; productive reconfiguration and increase in competiveness by several Brazilian firms; privatization; management professionalization; higher export intensity, which led to FDI in order to support foreign operations (in commercial, warehousing and distribution facilities, but seldom in production); establishment of Mercosur trade bloc; change in managerial behavior (younger managers with language skills, personal experience abroad and a global mindset); client following; network pressures; and availability of long-term funding from BNDES (the national development bank) which has led to an acquisitions spree abroad (p.xxx)

Each of these changes in the institutional environment brought about important implication for the internationalization of Brazilian firms:

- economic, fiscal and institutional stability have diminished the firms’ fear of turbulence in the domestic market and activated their pre-disposition to take bolder decisions – including internationalization;
- productive reconfiguration and increase in competiveness by several Brazilian firms, privatization, management professionalization, change in managerial characteristics (younger managers with language skills, personal experience abroad and a global mindset); – all have contributed to the development of competitive advantages and a pre-disposition to compete abroad;
- the wave of globalization and the economic liberalization and openness of Brazil to foreign competitors – which have led firms to mimic their incoming competitors that have challenged them in Brazil, as predicted by the Institutional View;
- as multinationals came to Brazil, they took some of their Brazilian suppliers along with them in their further expansion abroad; also, several Brazilian firms joined their network partners as these went abroad – in a client-following pattern and a mimetic behavior, respectively, as suggested by the Institutional View;
- overvalued currency (1994-1998; 2007-2012) has favored FDI and undervalued currency (1999-2006) has favored export, in an efficiency-seeking fashion, according to “L” advantages as predicted by the Eclectic Paradigm;
- higher export intensity for some firms has led to FDI in order to support foreign operations (in commercial, warehousing and distribution facilities, but seldom in production), thus moving them along the establishment chain, as predicted by the Uppsala model;
- availability of long-term funding from BNDES (the national development bank) has led some firms (the “chosen” ones, in an unspoken policy of “national champions”) to quickly expand abroad through acquisitions, thus leaping over less committed entry modes;
- establishment of Mercosur trade bloc has made Brazilian firms take a closer look at their neighbors, in an efficiency-seeking behavior;
- saturation of the domestic market (for some firms) has led to market-seeking behavior.

Interestingly, the changes in the institutional environment have influenced the behavior of Brazilian firms towards internationalization in ways that, in general, seem to be consistent with what would be suggested by traditional IB theories – in terms of motives and entry modes.

The question is whether these transformations might have determined differences in the international trajectory of (large) Brazilian firms in way not predicted by the traditional internationalization theories. One such example is the skipping of less committed entry modes, as observed in firms highly financed by BNDES.

Other recent changes in the Brazilian institutional environment have molded the way Brazilian forms approach internationalization. In general, the market for middle-class and upper-class products and services has been growing in Brazil. This growth is the result of social policies for poverty alleviation that have brought a great amount of consumers to the middle class. In fact, Neri (2011) predicted that, if personal income continued to rise at 4.6% a.a. while GDP rose at 1.6% a.a, in 2014 as many as 12 million additional consumers would reach the middle class and 7 million consumers would migrate from middle class to upper-middle or to higher classes. So, the Brazilian market has offered attractive opportunities for domestic growth. Interestingly, despite apparently favorable domestic growth prospects, several Brazilian firms continue to expand abroad.

Interestingly, besides the positive transformations in the Brazilian environment pointed out by Carneiro and Brenes (2014) that have stimulate the foreign expansion of Brazilian firms, there is also a negative side to the Brazilian environment that might also be pushing Brazilian firms abroad. In fact, despite having witnessed a considerable progress in the social and arena and in terms of economic stability in general, Brazil still presents several aspects for concern, which would motivate firms to seek a more secure place abroad, such as (expanded from Bacha, 2013):

- disappointingly low and unsteady GDP growth – which lead to market-seeking behavior abroad;
- rising inflation, lack of integration with world value chains, low labor productivity, high tax burden, volatility in exchange rates – which raise the cost of doing business (World Bank, 2013) and lead to efficiency-seeking behavior;
- deterioration (although still under control) of public accounts (e.g., primary surplus), inertia in the Government in taking the necessary measures for sustaining healthy domestic growth, lack of a clear national industrial policy and artificial protection of (some) national industries against foreign competitors, Government’s erratic intervention in the economy, corruption – which lead firms to diversify risks abroad, which can also be considered an efficiency-seeking behavior.
In a relative perspective to its economy, Brazil is closed to foreign trade. Brazil’s exports represent just 12.5% of country’s GDP and just 1.3% of world exports (World Bank, 2012), while Brazil’s GDP is 3.3% of world’s (CIA Factbook, 2013); Brazil’s imports represent just 13% of country’s GDP. On the other hand, Brazil is open to (inward) international investment, but. The stock of IFDI (inward FDI) represents 3.1% of world’s and the flow of IFDI was 4.8% of world’s in 2012 (World Bank, 2012); Brazil is the fourth preferred destination of FDI after USA, China and Hong Kong (UNCTAD, 2012).

- Brazil’s OFDI:
  - Flow was negative in 2011 and 2012
  - Stock represents 1% of world’s
- Interestingly, despite its structural problems, Brazil continues to attract FDI, possibly because of the opportunity to exploit a growing and protected domestic market
- Timid policy of bilateral or multilateral trade agreements

These circumstances, although clearly more prevalent in emerging markets, vis-à-vis advanced markets, are not found across all emerging markets; besides, they lead to internationalization behaviors which do not seem to challenge current IB theories in general, although some specifics (e.g., motives, entry modes) may be distinct from those observed in most AMNEs.

METHODS AND DATA

In order to uncover differences and similarities between EMNEs and AMNEs, a multiple case study was deemed better than a survey because it allows for detail and for better understanding of the reasons and nuances.

We conducted in-depth interviews with five Brazilian firms that stand amongst the leaders and the most internationalized in their respective industries in Brazil. This particular sub-set of EMNEs is interesting because, although they have in general been late entrants to the international arena (Fleury and Fleury, 2009) – as, by the way, also have other firms from emerging markets – several of them have started their international history in a quite competitive position and some have already become global challengers (BCG, 2012) and world leaders (Esteban and Brenes, 2014).

The similarity across these five cases (although they were also different in several aspects) allowed for a literal replication strategy (Yin, 2009) and avoided confounding of other characteristics of firms that might also influence internationalization patterns.

Interviews were run at the firm’s headquarters with top executives of the firms (at least one executive director or board member in each firm) who were knowledgeable about their firms’ internationalization strategies and paths. Three interviews were conducted by one of the authors of this study (a researcher and professor of international business and strategy, who also holds extensive past professional corporate experience); one interview was run by his Master student (also an experienced executive) as part of
his thesis; and one interview was run by the two of them together. Interviews lasted for about one hour each and were recorded and transcribed.

The firms interviewed were (their names have been disguised for confidentiality):

- **F_Poultry** – A producer of processed meat (poultry, pork and beef), that also competes in, milk, margarine, pasta, pizzas and frozen vegetables businesses
- **F_Beef** – A producer of processed meat (mainly, beef and poultry), that also competes in leather, products for pets, biodiesel, collagen, and cleaning products
- **F_Pharma** – A pharmaceutical lab
- **F_Bus** – A manufacturer of bus bodies
- **F_TV** – A TV network (of production and broadcasting of content, mixing “manufacture” and services), that also competes in several information and entertainment-related businesses (e.g., newspapers, radio, internet)

**F_Poultry** is the result of a merger, in 2009, of the two largest Brazilian firms in the poultry business. One of these firms was established in 1949 and the other in 1934. The former initiated exports in 1975 and established joint ventures in technology in 1989 (Japan) and in production in 1990 (Portugal); it has processing facilities in Abu Dhabi, Argentina, the Netherlands, and UK; and commercial offices in Dubai, Japan, Singapore and UK. The latter started exports in the 70’s, reaching Japan in 1985 and Europe in 1990; it operates one distribution center in Europe and has had commercial offices in several countries: Austria, France, Hungary, Italy, Japan, Netherlands, Portugal, Russia, Singapore, Spain, UK, and United Arab Emirates.

**F_Beef** was founded in 1953 and initiated exports to Europe in 1996. Along the 2000’s, it acquired several production facilities in Argentina, US, Australia, Italy, Paraguay, Mexico, China, Russia, and Uruguay; and also distribution facilities in the US.

**F_Pharma** was established in 1972 and started exports in 2002. Along the 2000’s it acquired or developed production facilities in Argentina, Uruguay, Chile, Bolivia, Venezuela, Colombia and Peru.

**F_Bus** was founded in 1949 and started exports (to Uruguay) as early as 1961. In 1971 it signed a technology transfer agreement with a Venezuelan firm and opened its first commercial office, in the US, in 1980, and entered negotiation with Japan for production technology in 1986. It has had wholly-owned production facilities in Portugal (closed in 2009), Argentina, Mexico, South Africa; partnerships in production in China, India, Russia (terminated in 2009), Egypt (terminated in 2011) and Canada; commercial offices in China; licensing agreements with China since 1999, and a training center in South Africa.

**F_TV** was established in 1965 and began exports (to Uruguay) in 1973. It has production facilities in Italy (1985) and Portugal (1993); has licensed content aboard since 1994 and operates an international channel in US and Japan since 1999; it also has coproduction agreement with a Mexican firm.

These five companies are particularly relevant to this study because they have a long history in the international arena and can provide evidence of several different approaches to internationalization. Besides, each of them is the leader, or stands among the leaders, in its respective industry in Brazil, thus catering already to a very large share of the domestic market. Such strong position in the domestic market “imposes” limitations or even constraints to domestic growth (especially through acquisitions, due to restriction imposed by Government authorities).
Four of them also feature a very strong position in the world market. F_Poultry is the world's tenth largest food company, the largest poultry exporter and the second largest meat exporter in the world. F_Meat is the world's largest beef producer. F_Bus is the largest manufacturer of bus bodies in Brazil and one of the largest in the world. F_TV is the second largest commercial TV network in annual revenue worldwide and the largest producer of “telenovelas”.

Before the interview, the research team collected secondary evidence (from the companies’ websites, newspaper and business magazine articles, teaching cases, and academic papers) in order to develop a fairly good idea of the internationalization trajectory (dates, countries, entry modes etc.) of the firms and to customize the interview script accordingly.

The interview script was flexible and, in order to answer our research questions, the following main topics guided the conversation:

- motivations to go international
- choice between expanding to more countries (increase in breadth) vs. selling more in the current countries (increase in depth) vs. selling more in the domestic market
- psychic distance issues
- potential advantages of increasing international breadth
- internationalization depth-related issues (e.g., advantages and disadvantages of foreign sales vs. domestic sales, exports vs. FDI, greenfield FDI vs. acquisition FDI, partnerships vs. wholly-owned subsidiaries, majority vs. minority participation in joint ventures; also licensing-related issues, if applicable)
- role of managerial action and of organizational processes/structure (in the appropriation of the potential benefits of internationalization)
- advantages vs. disadvantages of being an emerging market firm (this issue was further developed by stimulated questions that covered Ramamurti’s (2009) advantages of being originated from an emerging market)
- impact of the (large) size of the domestic market and of domestic growth opportunities

The interview script also covered issues related to the internationalization-performance relationship (e.g., impacts of internationalization, possible reverse causation, possible common causation; possible moderators of the internationalization-performance relationship, and potential benefits accruing from time (experience) and accumulated sales in international market), but these aspects will not be detailed in the present manuscript, since they are not directly related with the objectives of this study.

Each of the five researchers individually analyzed the transcribed interviews. They then debated their findings and interpretations together in in-class discussions. The most experienced researcher then wrote the final analysis.

These five cases constitute a specific type of Brazilian firm – very large in the domestic market – and were originated form a particular emerging market – very large. So, findings should not be naively generalized to other Brazilian internationalized firms or to firms from other emerging markets, but should be taken as representing a particularly relevant type of multinationals.
PRESENTATION OF THE CASES

In the early 2000’s P_Pharma’s shareholders (the founder and his son) decided that the firm should someday go international, but first they would try to become relevant in the neighboring region (Latin America). The firm recently exposed a vision that, until 2015, they will be present in the six countries of Latin America that represent 90% of sales in the region (Brazil, 40%; then, Mexico, Venezuela, Argentina, Colombia and Chile). Although foreign sales currently represent only 8% of total sales, F_Pharma expects that “by 2020 [foreign sales] will be around 20-25%”, that is, “foreign operations will grow much faster than those in Brazil”. In 2006 they inaugurated a new factory, which was already targeted at exports. F_Pharma wants to replicate in other Latin American countries the successful commercial model they developed in Brazil. Unlike several pharmaceutical labs, which take distributors as their primary target (and offer them extended payment terms, discounts, and other commercial advantages), F_Pharma’s model is based on close relationships with physicians. As the physicians prescribe a given drug, then drugstores will look for that drug and put pressure on distributors. However, F_Pharma’s model does not include personal benefits (e.g., travels, gifts), but rather a clear speech of the therapeutical properties of its products – which represented a change in new markets and demanded substantial effort by F_Pharma’s sales force. All in all, a market-seeking motivation has been driving F_Pharma’s (recent) expansion abroad.

FINDINGS AND DISCUSSION

We also take the factors that have delayed the internationalization of Brazilian firms (cf. Carneiro and Brenes, 2014) and discuss (i) whether these factors, and their consequences on the timing of internationalization, might have led Brazilian firms to present “responses” to the questions addressed in this study which would be distinct from those expected from traditional theories (Tables 1 through xxx) and (ii) whether such possible differences can be attributed to the particular characteristics of the home market and, in particular, to the fact that it is an emerging market.

Why – motivations for firms to venture abroad

There are some characteristics of the country of origin that might affect the ways firms go abroad (or refrain from doing so). However, what interests for this particular study is which of these characteristics would be particularly associated with the fact of the country of origin being emergent.

Some emerging markets have witnessed a growing domestic demand – such is the case of Brazil (although the growth has not been large in percent terms, it has been large in absolute numbers), China, India, among others. Such characteristics is more prevalent in emerging than in advanced economies (after all, it is part of the definition of being “emergent”), but will tend to disappear once these countries eventually reach an advanced stage in their economies. Domestic growth might modify international behavior, since firms might prefer to cater to domestic demand than venture abroad.
Impact of size and of potential growth opportunities in the domestic market

Despite the fact that the Brazilian markets for poultry and beef are quite large and have good growth prospects, F_Poultry and F_Beef are both already so large already that Brazilian authority (CADE, equivalent to the US FTC) imposes limits to their growth, especially in terms of acquisitions. So, exporting and FDI (usually, through acquisitions) become the alternative ways to grow. But F_Poultry’s Director argues that there are no impediments to growing organically in the domestic market and that there are opportunities in terms of innovation. But he contends that this growth (especially by middle class consumers; not only in terms of volume, but also of value-added products) may meet an end someday, so “the trend to go abroad is natural.”

Interestingly, F_Beef also became so large in the US (after a few acquisitions) that it cannot grow through acquisitions there any longer. So, its alternative is to grow organically or else to search for new countries. F_Beef noticed that being originated from a large domestic market gives the firm some scale advantage: “It starts from a high V_0. […] Scale is fundamental.”

F_Bus brings an interesting perspective between growing domestically vs. abroad. With headquarters and factories located in the South of Brazil, it was always cheaper for the company to drive (and sell) its buses into Argentina or Uruguay, then into Sao Paulo, for example. F_Bus still has a lot of potential to grow in the domestic market, but faces fierce competition; so exporting is in fact a way to grow.

F_TV’s Director argues that “the greatest inhibitor to going abroad is the size of the domestic market. Brazil is one of the largest advertising markets in the world and one of the fastest growing and with the highest return rates, where we have absolute leadership, we know with richness of detail the several stakeholders of the business, the political and regulatory environments, the market and the consumer, the technology. Any 5% organic growth in the Brazilian market represents, in absolute values, the size of the Portuguese market in one year”. So the firm has good reasons to concentrate in the domestic market: “return here [in Brazil vs. abroad] is higher and risk is lower or it is a risk I know better how to deal with.” Also, he wondered: “to what extent do the benefits of going abroad overcome the risk exposure?” On the other hand, F_TV acknowledges that “as the Brazilian market grows, it will attract new entrants” and rivalry will increase. But he also contends that “it makes sense to be present in several countries because the inherent risks in this business are low, the level of necessary adaptation – regulatory, tax-related or exchange rate-related – is low relatively to the benefits. In other words, it is a high operational margin activity.” So, he adds: “It is an ambiguous situation: to have a motivation to go abroad if you have such a large market and [also] a large set of threats here that you have to reposition and get stronger [in the domestic market].” However, back in the 80’s, the company was already leader, but the domestic market was not so large or so promising. Ant the Italian market looked quite attractive, so the firm acquired a business there.

There are other reasons why some Brazilian firms (in particular these five ones investigated here) keep their appetite for foreign markets even when domestic growth would seem to offer attractive short-term prospects.

First of all, there are country characteristics, which represent fundamental differences between Brazil and advanced economies, that modify the behavior of Brazilian (E)MNEs towards foreign markets.

Some particular aspects of the country “push” Brazilian firms abroad (in fact, these are aspects that can be found across several emerging markets, which set them apart from advanced economies as far as firm internationalization is concerned):

- risk diversification purposes (an efficiency-seeking motive);
• since the liberalization of trade and investments starting in 1991, Brazilian firms have been challenged in their domestic market by incumbent and incoming AMNEs (a market-seeking motive);
• cost of doing business in Brazil – in some industries it is cheaper to run production facilities and establish export platforms in some foreign countries rather than in the domestic market (an efficiency-seeking motive; it interesting to note that the Product Life Cycle predicted that AM firms would tend to establish production and export platforms abroad in order to export back to their own home market, as well as to other AMs, also in an efficiency-seeking behavior);
• brand boosting in the domestic market by becoming MNE.

There are also opportunities to exploit particular country-based FSAs, derived from experience of operating in an emerging market:

• experience in dealing with “hostile” institutional environments, as found in other EMs (a market-seeking behavior)
• products/services suited to the particular characteristics of consumers from other emerging markets (a market-seeking behavior)
• a few firms have been powered by cheap public funding in a (officially unadmitted) “national champions” program (but such national policies of boosting the international presence of firms can also be found (albeit usually also disguised) in several advanced economies) (a combination of efficiency-seeking with market-seeking behavior)

However, on the other hand, there may be particularities of being originate from an emerging market that may make it difficult for firms to expand abroad:

• vertically-integrated business models at home may make it difficult to establish FDI-based operations
• poor logistics infrastructure makes exports costly;

There are also characteristics of some of the firms themselves, independent of the country, which make them credible competitors abroad (and which can also be observed in some firms from advanced economies):

• a mindset genuinely committed to foreign markets (e.g., F_Bus)
• managerial and operational excellence in buying financially-distressed or poorly-managed targets (F_Beef)
• exploitation of high quality technology and products (F_Poultry, F_Bus, F_TV)

F_TV initially went abroad as a response to unsolicited orders, as pointed by its Director: “some TV channel out there that wanted content in the Portuguese language, or channels from poor countries (e.g., African)”; “it was an entrepreneurial intuition; seize the opportunity; some incidental luck, and transform it.” F_TV still seems not to be sure of “whether it is an organization with Brazilian vocation or it is, or intends to have, a vocation, a DNA, that could make it, starting from Brazil, a multinational or global company.” So initially a market-seeking behavior – although in a reactive response to unsolicited orders – and later some entrepreneurial drive seem to have driven F_TV abroad.

It is interesting to note another characteristic of firms that might affect their internationalization:

• after successfully serving AMNEs in Brazil, some Brazilian firms have been pushed by them in their further expansion abroad (a client-following pattern, which can also be observed in firms from advanced economies, who follow their home clients abroad)
This motivation, however, was not observed in any of the five large Brazilian MNEs investigate in this study.

In a complementary vein, there are some characteristics of Brazilian industries that constitute a competitive advantage, thus helping firms to build a strong position abroad:

- image or product uniqueness (e.g., steakhouses, bio-fuels, exotic drinks, cosmetics derived from the Amazon, swimwear) (Carneiro and Brenes, 2014)

The fact that some emerging economies have been witnessing a booming domestic demand would tend to diminish the relative attractiveness of venturing abroad (cf. Hennart, 2007). For example:
- Opportunities for growth in value-added products in the domestic market (to cater to rising middle class)

However, the five Brazilian MNEs investigated in this study have limitation to exploit this rising domestic demand, which are specific of the firms themselves, not of the country in general:

- They are too large to be allowed to grow by means of acquisitions in the domestic market; only organic growth is allowed by regulators (e.g., F_Poultry, F_Beef)

One particular characteristic of the country (which, however, cannot be generalized to all emerging economies, but, on the other hand, can also be found in some advanced economies) has helped firms to successfully expand abroad:

- large size of the domestic market, which allows firms to develop scale economies (e.g., F_Poultry, F_Beef, F_Pharma, F_TV)

These quite large Brazilian firms have also gone abroad for motives similar to those of traditional AMNES, such as: threats to existing markets, exploiting experience with high technology production (Lecraw, 1977; 1993), although not for exporting back to developed home markets (Lecraw, 1977; 1993).

Regarding “economies of scale”, as another example of alleged benefits of internationalization, Hennart (2007) argues that firms in large domestic markets would not need the international arena so much in order to grow, as would firms in smaller domestic markets, where they might find it difficult to reach the minimum efficient scale.

Guillen and Garcia-Canal (2009) and Verbeke et al. (2009) argued that it may be possible that MNEs from developing economies use internationalization to explore and acquire new patterns of innovation, upgrade their capabilities, and gain access to new markets.

Luo and Tung (2007) contended that, unlike AMNES, EMNEs would “use international expansion as a springboard to acquire strategic resources and reduce their institutional and market constraints at home” (p.481).

The “springboard effect” (going international in order to acquire firm-specific advantages, cf. Luo and Tung, 2007) does not seem to be a key motivation of large Brazilian firms
When – timing of the first international experience and subsequent speed / rhythm of internationalization

What #1 – which competitive advantages do firms have before they go international and which ones they develop afterwards

All the Brazilian firms investigated here developed important competitive advantages prior to going international. The majority of these advantages were similar to those possessed by “traditional” AMNEs – such as technical expertise and branding.

F_Poultry was the result of a merger between the two largest Brazilian players in the poultry industry. These players had already achieved high economies of scale, produced high quality chicken, presented production and distribution excellence, and their brands were the best recognized by Brazilian consumers. Such economies of scale, at the plant level and the country level, positioned the firms (before merging) well in terms of exports; regarding FDI-based sales, F_Poultry was well positioned too, because it would initiate processing plants in countries where it had already developed a large market pool from previous exports – and could then add value to the products it sold locally.

Having acquired several Brazilian slaughterhouses along the years, F_Beef also had developed high economies of scale and excelled in production. The firm, nonetheless, had somewhat neglected brand development – although they have recently started to compete on branding also.

F_Pharma initiated its life in the OEM (original equipment manufacturer) fashion, that is, it would produce drugs on behalf of other labs, who would themselves sell these drugs with their own brands. Although forgoing brand recognition, F_Pharma, nonetheless, developed high economies of scale and excellence in production. Little by little, the firm started to produce and sell licensed products and to develop some of its own products – thus differentiating its offer, in terms of variety in the portfolio, in the eyes of doctors, who are great influencers of consumers.

F_Pharma invested little in R&D. Rather, “like the majority of Brazilian labs, it produces generic drugs, those whose patent has expired”. The firm also resorted to inward licensing – whereby it would produce and sell drugs developed by third parties (“it is much easier to attract this type of partner than to start developing a new product, in term of time, investment and technology”) – as well as to OEM – whereby it would produce on behalf of other labs, who would put their own brands and sell. By producing quite a large number of generic drugs and also by licensing several others, the firm built a reasonably large portfolio – and that made it attractive to doctors. These products, together with the OEM activities, allowed the firm to reap economies of scale. The acquisitions of other labs in Latin America enlarged its portfolio and enhanced its competitive advantage – the diversified portfolio – and the chances to find other labs to license to F_Pharma (“we could present a market not of 200 million people, but of 500 hundred million in all Latin America”).

F_Bus innovated in processes and products. It had diligently studied Japanese production philosophies (e.g., just-in-time and kamban) and techniques as well as product technology. It was the first firm to use steel (in lieu of wood) to produce bus bodies and early on was recognized by its product quality. Their products were particularly well-adapted to the harsh conditions of Brazilian roads, which were similar to what could be found in other emerging markets. The fact that F_Bus developed strong ties with well-known manufactures was paramount to brand recognition about
the quality of its products abroad: “we had the bus body, but there was a Mercedes [with the bus frame] behind it or a Volvo or a Scania, that knew us here from the beginning. Then they [the potential clients] would say: ‘Gee, the guys in Brazil are good’.” Exports and licensing agreements all carry F_Bus’ brands. Moreover, excellence in services is also paramount to the firm’s strategy – F_Bus employs their own staff in technical maintenance facilities.

F_TV was a pioneer in the TV and radio industries in Brazil and developed product excellence (e.g., in telenovelas) and attracted the most talented pool of artists, that is, had workforce excellence.

The competitive advantages of these firms, which were mostly developed prior to internationalization, are, by and large, similar to advantages presented by AMNEs:

- **F_Poultry**
  - economies of scale (in the domestic market), high quality products, production and distribution excellence, recognized brands in the domestic market developed prior to internationalization
  - economies of scale in FDI in some target markets, after high exports to these markets

- **F_Beef**
  - economies of scale (in the domestic market), high quality products, production excellence, experience in managing acquisitions developed prior to internationalization
  - (but branding had been neglected until very recently, making it different from most AMNEs)

- **F_Pharma**
  - economies of scale (in the domestic market), differentiated offer (a diversified portfolio of drugs), experience in managing acquisitions developed prior to internationalization
  - (but not R&D, making it different from most AMNEs)

- **F_Bus**
  - economies of scale (in the domestic market), high quality products, production excellence, excellence in technical services, recognized brands (domestically and abroad) developed prior to internationalization
  - (but the ability to manufacture products well-adapted to the harsh conditions of other emerging markets and the experience in dealing with “hostile” institutional environments sets it apart from most AMNEs)

- **F_TV**
  - economies of scale (in the domestic market), high quality products, attraction and retention of talented workforce pool (artists, journalists) developed prior to internationalization

In fact, several Brazilian firms have developed competitive advantages prior to going international (although some of the advantages themselves may be different from those usually observed in most AMNEs, the fact that they were developed prior to internationalization makes these Brazilian €MNEs similar to AMNEs):

- Scale advantages derived from the large domestic market
- A relentless spirit, inherited from the immigrants (Portuguese, Italians, Germans, Japanese, Spaniards), to thrive through adversity and prosper
Extensive “on-the-job” training on entrepreneurial behavior in a very challenging institutional environment (Brazil is ranked 116th, among 189 countries, in terms of “ease of doing business”, cf. IFC and World Bank)

Operational excellence offers the opportunity to target financially-distressed firms in foreign markets (including developed markets after the world crisis) and re-structure their operations; in these cases the cost of acquisitions may be attractively low

Some firms had previous experience in acquisitions in the domestic market. But, on the other hand, the following competitive advantages, commonly found across AMNEs, are rare among Brazilian MNEs:

- Marketing and branding
- R&D

All these firms had developed competitive advantages (e.g., economies of scale, product and production excellence and, in the case of F_Poultry and F_TV, also brand recognition at least in the home country) before they initiated their international incursions. Such advantages, which Ramamurti (2009) would call “traditional competitive advantages”, are similar to those of firms from advanced markets.

Regarding the discussion in the literature about whether firm-specific capabilities precede or are a consequence of internationalization (see, for example, Mathews, 2006a; Narula, 2006), this study suggests that there may be a complex interplay and temporal reinforcement between the two constructs. In fact, these firms did not go international in order to obtain firm-specific advantages – an argument that has been referred to as the ‘springboard theory’ of internationalization (Luo and Tung 2007). Nor did they seem to base their success on exploiting home country comparative advantages, contrary to what some researchers (e.g., Rugman, 2009) have suggested about EMNEs. FSAs previously developed in the domestic market (e.g., scale economies, process technology or product differentiation) may have given these firms a promising start in their initial international forays – in Ramamurti’s (2012, p.45) words, “[t]he notion that firms must have ownership advantages before they can engage in market-seeking internationalization seems to hold up well even for EMNEs”. However, the experience abroad has helped them acquire other advantages (e.g., flexibility in access to production factors and markets) that will complement and compound their previous advantages, corroborating Aulakh’s (2007) arguments.

What #2– which activities (e.g., production, sales, R&D, marketing, HRM etc.) are internationalized

These firms have established several types of activities abroad – for example, production and distribution (F_Poultry, F_Beef), and maintenance and technical assistance (F_Bus). While F_Poultry has only recently started to invest in more value-added activities abroad (e.g., processing and branding), F_Bus has always been advanced in the value chain (by strengthening its brand name, be it through exports or through FDI) and F_TV has always sold (through exports) high value-added products; on the other hand, F_Beef still concentrates its efforts in the first steps of the value chain (although it is moving slowly into distribution and branding) and F_Pharma has invested in manufacturing, but not in R&D, facilities abroad. These different paths to
success suggest that EMNEs do not constitute a homogenous group in the way they (successfully) build up their positions abroad.

Most AMNEs would keep R&D and marketing activities at home, although there can be observed an increasing move to also constituting centers of excellence (Birkinshaw, 1998) in these activities abroad. The few Brazilian firms that do invest in branding and marketing also tend to keep in the headquarters the decisions regarding these activities.

There is nothing is the choice of which activities would be run abroad that makes these five firms particularly distinct from AMNEs.

Where to – what criteria do firms use to choose new countries; and which activities go to which countries

F_Poultry chooses countries for exports based in demand prospects, not psychic distance concerns: “we chose the largest [countries]. We look at the consumption of the products that we produce now or we look at consumption trends”. However, largest markets are not always accessible through exports: “I cannot export to Colombia Peru or Argentina. […] There are] restrictions because of local policies. They have their trade balance to keep.” The firm has “focused on developing countries” where there is growth potential. Complementary, in Europe, the current large size of the market is quite attractive and “we want to go on aggregating value to our basic product.” Selling to the US is difficult because they are self-sufficient in poultry.

Also, retail configuration is very relevant as a country selection criterion: “India has just 5% of traditional retail. That is bad because it is very difficult to distribute. Then, a lot is good? Not always. Germany has 83% of traditional retail, but concentration on the top three retailers is huge. It breaks you because of bargaining power.” Moreover, the choice of target countries some also takes into consideration the level of sanitary and commercial (non-sanitary) barriers and the availability of raw materials (e.g., corn for rations).

The choice of where to have production facilities is also carefully scrutinized. In Arab countries, if the firm has production in one of them, it is allowed to export to the others: “this factory in Abu Dhabi is going to feed distribution and sales in several markets”. In order to have FDI in a given country, F_Poultry wants to make sure that it will be either the largest or the second largest player in that country.

F_BeeF also argues that the choice of markets is driven by “where there is high demand and high production”, not psychic distant issues. Additionally, physical presence in some countries is initiated as a way to circumvent barriers: “I cannot export from here. But if I am out there, operations continue. It is a way to mitigate risks of sanitary barriers.” The choice of locations with low risk of pests is also important to decide where to raise cattle (FDI in the first stage of production).

Also, F_Bus reported that what counts now is demand. In their case, the target countries would be those with high demand potential – determined by low average personal income and a large territory – and weak local competitors. F_Bus also reported that Egypt was an interesting country, not because of the market there per se, but “because Egypt has a free trade agreement with Europe.” But they began their exports in neighboring countries in South America and first expanded only regionally. Even their first FDI was in a psychically close country, Portugal: “because of the language […] 20 years ago nobody would speak English.” So a psychic distance perspective seems to have played a role. However, it should be noticed that the expansion into the first two countries – Uruguay and Argentina – was dictated not only by psychic distance concerns, but rather by cost considerations: “at that time [early
difficulties in communications and transport were enormous. Roads were precarious. The way [from the South of Brazil] to Sao Paulo would take a week. There was also a great barrier to reach the Northern states, while the South American frontiers were at half a distance as compared to Sao Paulo.” Besides, competition in these neighboring countries was much less fierce than in Sao Paulo or Rio de Janeiro at that time.

Cultural affinities led F_TV’s choice of countries: “our creation and production talent is more representative in Hispanic markets, in Spanish or Portuguese.” Moreover, F_TV argues that, in some industries you have to be global, but in the media industry you can be local or regional.

Some of the firms investigated here have developed internationalization strategies that targeted both advanced and emerging markets. In Aulakh’s (2007, p.235) words: “[they changed from] being niche players associated with economic development of their home markets to [becoming] global competitors challenging established multinationals from advanced economies”, as is the case of F_Poultry, F_Beef and F_Bus. This finding about targeting advanced markets is similar to what Pradhan and Aggarwal (2011) found about Indian MNEs and Ramamurti (2009) reported about other EMNEs, but contrary to what is usually described in the literature about EMNEs. The reasons to target advanced markets, though, varied across firms. While F_BeeF and F_TV targeted large markets for meat and advertisement respectively, F_Bus aimed at access to technology (a strategic asset-seeking motive), not just markets.

Casanova (2009) and Lopez, Kundu and Ciravegna (2009) reported that several Latin American firms (including most of Brazilian MNEs) have a regional (not a global) pattern of expansion. But, with the exception of F_Pharma, these firms covered in this study do seem to follow a global path – in a clear similarity with several AMNEs.

The choice of countries seems to be orientated by rational assessments of the cost-benefit balance (an interplay between market demand, costs to serve the market and opportunities for cheap acquisition of competing firms), not simply by psychic distance concerns. Still, “spring boarding” into psychically close countries (such as Portugal, Spain, and Portuguese-speaking African countries), in order to gradually reach more distant markets (cf. Pla-Barber and Camps, 2012), seems to be employed quite often by Brazilian firms, large and small alike.

How – modes of foreign entry and subsequent modes of operation and coordination

**Foreign entry mode and establishment mode**

There is considerable variety in preferences regarding foreign entry mode (exports vs. licensing vs. FDI), establishment mode of FDI (greenfield vs. acquisition) and ownership structure of FDI (wholly-owned, partnered or licensed).

F_Poultry’s foreign expansion is still mostly export-based. F_Poultry explained that it is cheaper to produce chicken in Brazil and export to the Middle East than to produce there: “In order to raise chicken in the Middle East, you need a house with air conditioning. [Besides, t]hey do not have grain, water, or the right temperature.” The Director adds that the productivity in the field in Brazil is higher that even that of the US. So, the firm chooses to produce in Brazil and export.

But, value-adding activities such poultry processing and packaging can be run in foreign countries.

F_Poultry tends to believe that entering a new country with greenfield investment in production (i.e., processing) plants can lead to higher rivalry against competitors (because of the addition of capacity) and possibly lower prices than entering through
acquisitions. However, in some countries the firm has not been able to find an appropriate target to buy. So, if it decides to have facilities there, it will have to build them from scratch. This was the case in Abu Dhabi, a plant that is used as a platform to sell to other Arab countries. F_Poultry operates some distribution assets abroad, but in most cases it counts on third-party distributors. It the firm “believes that it can bring in better practices and gain competitiveness”, it will internalize foreign distribution.

F_Beef has chosen FDI, through acquisition, as the way to grow abroad. Buying out competitors abroad was cheaper for F_Beef than if they had to grow organically. And there was the advantage of buying an ongoing business, which saved time. Besides, acquisitions do not add new capacity, thus avoiding increase in rivalry. On the other hand, there was, in some cases, some negative legacy, such as poor locations, environmental liabilities. Furthermore, F_Beef has specialized in finding firms in financial distress abroad, making them cheap targets.

F_Beef also means to forward integrate into distribution: “besides improving quality, more added value, the firm stopped selling to distributors – it became its own distributor. This is a systematic process, where you start with margin gain, you remove one intermediary.” F_Beef also “buys [meat] from third parties and sells in the market. Once it has all these channels in place, it does not sell only its own meat”.

F_Pharma has accumulated extensive experience with acquisitions in Brazil. So, to go about acquiring other firms abroad seems to be quite natural for them. Once they have assets (either production or commercial) abroad, they can also start intrafirm sales from Brazil.

F_Bus reports that exporting a fully-assembled bus to a distant is very expensive because a bus “occupies too much space” in a ship. So, to distant countries, the firm exports a completely knocked-down or a partially knocked-down bus. On the other hand, to close countries, they can export the full bus “running”, that is, drive the bus. In terms of FDI, F_Bus prefers acquisitions: “The reason [for the preference of acquisitions over greenfield] is the speed and the chance to make use of the potential that the [target] firm already has in the local market.”

F_Bus gets some foreign revenue from licensing to other manufacturers. They say that they are not afraid of being betrayed by a licensee because “F_Bus’ brand is stronger than any other one”. Besides, when the licensee’s employees return to their countries, after having being trained at F_Bus, they become “F_Busnists”.

F_TV has opted not to invest heavily abroad. Rather, it uses two types of (outward) licensing agreements: direct licenses of series, *telenovelas* and documentary films, and licenses of sports broadcasting rights. The firm also operates F_TV International that broadcasts to Latin communities in the Americas and Portuguese-speaking countries; and also has co-production of original content abroad.

While the choice of countries seems to be guided by considerations of “L’ocation advantages (e.g., large demand pool, opportunity to acquire low-priced target firms), compatible with the eclectic paradigm (Dunning, 1988), entry modes still seems to follow a pattern of evolving stages in the establishment chain (first exports, then joint ventures, then wholly-owned FDI), compatible with the Uppsala model (Johanson & Vahlne, 1977), although not totally sequential,. This pattern resembles Contractor, Kumar and Kundu’s (2007, p.406) contention that EMNEs would show “greater propensity for non-traditional international expansion strategies, where exporting and FDI are used simultaneously [early on in their lives]”. This was indeed the case of F_Pharma and F_Bus, but not as much as of F_Poultry (still heavily concentrated in exports, but also moving up to FDI), F_Bee (whose internationalization path is heavily dependent on FDI, mainly through acquisitions), and F_TV (still mainly employing
exports). Also, in some cases, FDI was favored after having secured a large market pool from previous exports, as was the case of F_Poultry.

Ownership structure and control of operations

F_Poultry prefers to have a majority stake: “Ideally, we would buy 51% on day 1, keep the partner for some time and have some exit strategy for him after we feel comfortable”, that is, after they “understand local rules”. Even when it has a minority stake, BRF tries to keep the operational control of the venture. In fact, F_Poultry’s Director stated: “In order to build a true multinational, we would like to have fewer partners. Partners sometimes complicate your plan.” In Abu Dhabi, F_Poultry partnered with a local firm, but said that could go it alone if necessary because the institutional environment is safe – unlike that in China.

F_Pharma also prefers a majority stake: “It is fundamental [to have majority control] because it is part of our strategy to control the operations, not the least because we believe that our strategy has great chances of success in those countries.” F_Pharma’s director goes further: “I do not want to share with anyone; I do not want any partner on my neck.” Today, “except for operations in Chile, all others are 100% F_Pharma”.

F_Bus also prefers partnerships – preferably with the market leader who has extensive knowledge about the market and relationship with clients – rather than go it alone.

Interestingly, relinquishing part of the control to a partner is still not easy for Brazilian owners and executives. So, potential “I”nternalization advantages (as presented in the Ecletic Paradigm) seem to go undiscussed by Brazilians, which may be a cultural trait.

Cost of assets acquisition

F_Beef has grown abroad mostly through acquisitions. The company says that it is important to be selective in choosing the targets. That is, F_Beef seeks firms that are poorly managed or facing financial difficulties – such that F_Beef can pay a lower price and do the turnaround profitably (as they did in Argentina and the US). This argument mirrors the Resourced-Based View (Barney, 1986, 1991) as far as the cost of developing or acquiring strategic assets is relevant to competitive advantage.

Much by the same token, F_Pharma also searches for firms with unfulfilled potential, usually smaller and cheaper ones, but those that have a strategic asset: relationship with doctors. So they would have potential to grow – as long as they are given a good portfolio of products to sell. As the Director put it: “the idea was to buy an entrance ticket and not a large operation among the 10 or 15 main ones, but rather buy the number 40 or the number 50 firm in those markets.”

The choice of having own distribution assets in the foreign market or relying on arm’s length transactions with local distributors is not a universal decision, but will depend on the relative skills of the firm vs. potential local distributors, as reported by F_Poultry. Additionally, the choice between production abroad vs. exports is not universal: F_Poultry will tend to raise their chicken in Brazil while F_Bus may tend to have some assembly assets abroad.
Given that Brazil has some country-specific advantages in chicken breeding, it would be better to raise chicken in Brazil and export them than to raise them elsewhere. But there may be industries in which to have production close to the market represents a better solution.

Selectivity in the choice of countries for FDI is also paramount for profitability. F_Bus’ Director reported that productivity in Brazil is 40% of that in India and that costs in India are rather lower than in Brazil. In fact, besides differences in “engineering” (technical) terms, one also has to consider differences in money terms (Itaki, 1991). So, it is not just FATA per se, but the “L” advantages of where the firm locates its FDI.

F_Beef makes it clear what are the advantages and disadvantages of acquisitions over greenfield investment in its particular case. Additionally, the firms clearly argued about selectivity in choosing “cheap” targets – those firms where the buyer would be better able to increase the difference between (present value of) profit prospects (in the hands of the new owner) and price paid to acquire the target.

The reports provided by Brazilian executives, as well as anecdotal evidence, suggests that Brazilians strongly prefer to retain control in partnerships. But being a majority shareholder may not always mean the best for the joint venture. However, simplistic measures such as FATA would not capture this subtle difference.

The choice between greenfield vs. acquisition can depend on the firm’s past experience with one mode or the other, as illustrated by F_Pharma’s case. Although this choice does not make any difference in the FATA measure, it can make quite a difference in performance.

Also, owning assets solely vs. in partnership can lead to distinct performance implications, as stated by F_Poultry.

As for the fact that some of these firms (F_Beef and F_Pharma) have expanded abroad with heavy use of acquisitions (besides exports, of course), it is interesting to note that they were not “motivated by a desire to tap resources, skills, markets, and brand names and increase global competitiveness”, as suggested by Gaur and Kumar (2010, p.603), but rather because they did not want to add new capacity (through a greenfield investment) and increase the level of rivalry, as suggested by Ramamurti (2012).

Who – the role of the decision-makers in the internationalization process (in the early stages as well as later on)

Some firms reported on the role of managers, as far as learning transfer and operations efficiency are concerned (i.e., the role of managerial action and of organizational processes in the process of capturing the potential benefits of internationalization, cf. Hennart, 2007), but not on the impact of owners’ and decision-makers’ idiosyncrasies on other internationalization decisions (the 6W4H framework).
F_Beef stressed the importance of attentive manager’s eye in keeping operations efficient and their efforts to transfer the best practices across countries. F_Pharma informed to have a carefully established process of retention of personnel of acquired firms together with expatriation of Brazilian managers and later return of Brazilian managers – as a way to foster learning of best practices. F_Bus also makes extensive use of interchange programs, employee rotation, and use of videoconference; besides, the firm runs a school in order to disseminate best practices across countries. F_TV argues that learning can come about just by being exposed to other realities (which seems an overly optimistic account) and “collective commitment, in other words, engaging [the organization] from the top”.

All in all, in terms of the role of managers and organizational processes in operations running and knowledge transfer, these large EMNEs do not seem to be different from their AMNEs counterparts.

**How much #1 – how “intense” (in terms of depth and breadth) the internationalization venture gets**

**How much #2– performance consequences of following a given internationalization trajectory**

**Impact of being originated from an emerging market**

From its experience in Brazil – an emerging market – F_Poultry learned to produce smaller packages (“F_Poultry is very concerned about affordability”; “if it [the price] does not fit his [the consumer’s] pocket, it is not good enough”). This experience can be useful for the firm in other emerging markets: “it places us in a better mindset than traditional multinationals”. Although F_Poultry recognizes that AMNEs are also attentive to differences in consuming habits and patterns, “they adapt, [while] we [F_Poultry] have it in our DNA”.

F_Poultry recently removed the reference to “Brazil” from the company’s official name because the directors thought that it might be detrimental to the image of the company abroad and to its sales. Although Brazil may have a good reputation in the eyes of distributors regarding sanitary requirements, its image may not be the same in the eyes of consumers. So the firm wants consumers to trust a brand, not the country origin of the product.

F_Beef feels some prejudice, but not from consumers. They noticed that businessmen in the US may be a bit uneasy: “all of sudden, you get there, developing country, you get there and dominate the meat industry; and then there is another one that dominates the beer industry; then another one… The American [businessman] says: ‘What the heck!’ For Americans, this must be quite complicated.” But all in all, he feels that there is no implication of being originated from an emerging market.

F_Pharma’s Director stated that there seems to be no prejudice on the part of the acquired firms. In fact, the HR practices that F_Pharma brings are more than welcome by the employees. Apparently, there also seems to be no prejudice on the part of doctors to build a relationship with a Brazilian firm – at least in the case of Latin American doctors.
Some of the reasons why EMNEs would have distinct international behaviors or trajectories when compared to AMNEs are in fact related to characteristics of emerging markets, that, by definition, would not be found in advanced economies – for example, deficiencies in infrastructure, which would lead firms from emerging markets to develop solutions adapted to these particular circumstances, making them better positioned to serve consumers in other markets with similar deficiencies.

However, there are some other reasons that have influenced the international behaviors and trajectories of this theoretical sample of Brazilian firms – such as a large and growing domestic market – which may characterize some emerging markets today, but which (i) may change in the future (as the countries either become developed or else return to a state of transition economy or non-developed economy) or (ii) may also come to characterize some of the developed economies in the future. So, these aspects of some emerging markets as of today may not be observed across all emerging markets and may not be exclusive of emerging markets.

How do these cases of (large) Bra MNEs fit in the following (traditional) theories of internationalization?

- Product life cycle
- Incremental (Uppsala) internationalization process model
- Eclectic paradigm of international production (OLI framework)
- Internalization theory
- Integration / differentiation model
- Resource-Based View (and Knowledge-Based View)
- (Market power)
- (international entrepreneurship)
- Institutional view

CONCLUSIONS

Contrary to Child and Rodrigues (2005), who found that Chinese firms in their sample would seek technological and brand assets to create a competitive position in international markets, the large Brazilian firms investigated in this study, are already well advanced in process and product technology; however, similar to Child and Rodrigues (2005) sample of prominent Chinese firms, they do not have strong brands abroad – and are only slowly trying to catch up.
Like traditional AMNEs, these large Brazilian multinationals already enjoyed a strong domestic position and possessed relevant competitive advantages before they internationalize.

F_Pharma’s international path abroad is similar to that described by Child and Rodrigues (2005), regarding prominent Chinese firms: ‘inward’ internationalization as a licensee of foreign products to manufacture in Brazil and sell in Latin America (while Chinese firms would resort to OEM) and ‘outward’ internationalization by means of acquisition and organic expansion abroad; however, unlike Chinese firms, F_Pharma prefers wholly owned investment rather than joint ventures.

Banalieva and Sarathy (2011) argued that the impact of internationalization on performance would be moderated by the degree of Government support and financing to internationalization,

Unlike Chinese firms in general, these large Brazilian companies have never depended on financial support or explicit political protection from Government authorities. An exception would be F_Beef, which has been fueled by equity and cheap debt provided by BNDES (the Brazilian Social and Development Bank). This impact of the institutional environment, by means of Government (disguised or explicit) intervention through some (officially unadmitted) “national champions” policy – which can also be observed in some AMs – should be incorporated in mainstream theories of IB.

The internationalization trajectories of some of these five Brazilian firms (but not of all of them) find some agreement with Ramamurti’s (2012, p.46) arguments: some “EMNE [go] abroad to bring back technologies [as was the case of F_Bus] and brands for exploitation in the home market. Another is the case of EMNEs whose internationalization is based on exploiting differences across countries rather than similarities; this includes companies that start out as contract manufacturers or supplier partners of advanced country firms and then become MNEs in their own right [as was the case of F_Pharma].”

Regarding Buckley and Hashai’s (2012) arguments that “even without possessing a competitive advantage in terms of technology or brands DMNCs [developing multinational companies] from rapidly technology advancing or large enough countries, are likely to dominate the predicted global system”, it is interesting to notice that these five firms are winning outside; but they did possess competitive advantages prior to venturing abroad. This is fact seems to be the case of F_Beef (the world largest meat processing firm) and tends to anticipate the future of F_Poultry (already one of the giants in the poultry industry) and F_Bus (one of the most recognized bus body manufacturers) and of F_Pharma (at least in Latin America).

All in all, findings suggest that idiosyncratic characteristics of the firms (e.g., size, FSAs), of the industries and of the host countries affect whether firms would tend to internationalize more or less, or would choose one given entry mode over another, and would play an important role in internationalization.

Contractor et al. (2007, p.404) argued that “since many emerging market firms are small and operate at an uneconomical scale in their domestic markets [which was not the case in the five cases we investigated], even small levels of internationalization may significantly complement their domestic operations”. So, future studies could examine
how smaller and less successful firms differ from large and domestically successful ones in the ways they approach the international arena and in terms of business practices and international performance.

All in all, theories of IB provide different answers to the 6W4H questions, suggesting that there would be no single, overarching, theory that would encompass all the cases of internationalized firms. Besides, these theories are quite vague as to the practical details of how firms internationalize. While these theories in general present very abstract concepts – for example, transaction costs (in the Eclectic Paradigm), gradual expansion (in the Uppsala model), inimitable and valuable resources (in the Resource-Based View), environment determinism (in the Institutional View) – they do not disaggregate the various ways in which such concepts can be manifested in practice. As such, they allow for accommodation of novel ways, which might not have been observed in the past.

a way to exploit competences developed in their own domestic market (Fleury & Fleury, 2011).

Several Latin American firms that have gone abroad present in fact a regional (not global) pattern of internationalization (Lopez, Kundu and Ciravegna, 2009), including the so-called Global Latinas (Casanova, 2009). This pattern of regional expansion, by the way, can be observed also among firms originated from more developed economies (Rugman, 2005). But, with the exception of F_Pharma, the other cases investigated in this study present a global reach, although for two of them (F_Poultry and F_Bus) the pattern of expansion was clearly regional in the beginning.

“there are opportunities to achieve efficient scale domestically, for example in Brazil and Mexico. Additionally, economic growth in the region and an active regionalization of operations have enabled many companies to develop an interesting business scale and profitability level they could use to leverage their activities in global markets, and some of them have already done so.” (Carneiro and Brenes, 2014, p.xxx)

Future studies:

“Over time, firms from certain emerging markets (including several in Latin America) have developed firm-specific advantages, which have enabled them to compete successfully abroad (Ramamurti, 2009b): products/services suited to the particular characteristics of consumers from other emerging markets, production and operations excellence, privileged access to resources and markets, advantages accruing from experience with adversity, and traditional intangible assets. Interestingly, some Brazilian firms have also leveraged on particular country-specific advantages (Carneiro, 2013): favorable industry image abroad (for example, swimwear: Lenny, Salinas, Blue Man; jewelry: H.Stern; beverages with some “exotic” or tropical appeal: Sagatiba (cachaça producer); steakhouses: Fogo de Chão, Porcão, Plataforma; and casual footwear: Havaianas), and technologies and products developed out of particular
country characteristics (for example, biofuels: raízen (Shell and Cosan joint venture); and cosmetics: Natura, O Boticário).

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