

Emerging Multinationals from Mid-Range Economies: The Influence of Institutions and Factor Markets

**Robert E. Hoskisson, Mike Wright, Igor Filatotchev and
Mike W. Peng**

Jesse H. Jones Graduate School of Business, Rice University, Houston; Centre for Management Buy-Out Research, Imperial College Business School, London and University of Ghent; Sir John Cass Business School, City University London and Vienna University of Economics and Business; Jindal School of Management, University of Texas at Dallas

ABSTRACT This paper revisits and extends our earlier work (in 2005) in the pages of this journal. We argue that there is a need for more fine-grained understanding of the country context along two dimensions: (1) institutional development and (2) infrastructure and factor market development. Specifically, we propose an enriched typology of emerging economies with a focus on mid-range emerging economies, which are positioned between traditional emerging economies and newly developed economies. Then we examine new multinationals from these mid-range emerging economies that have internationalized both regionally and globally. We outline directions for further research based on this typology in terms of (1) government influence, (2) resource orchestration, (3) market entry, and (4) corporate governance regarding the internationalization strategy of these emerging multinationals from mid-range economies.

Keywords: emerging economies, factor markets, institutions, mid-range emerging economies

INTRODUCTION

Since the publication of our earlier paper (Wright, Filatotchev, Hoskisson and Peng, 2005) in this journal, emerging economies as a whole have continued to gain in prominence in terms of both their contributions to global GDP as well as to foreign direct investment (FDI). As the companion paper shows, strategy research with a focus on emerging economies has also continued to flourish (Xu and Meyer, 2012). It is gratifying to be informed that our earlier paper has not only become the most cited *Journal of Management Studies* (*JMS*) paper focusing on emerging economies, but also one of the most cited *JMS* papers since 2005. In this follow-up paper, our guiding question is: What is the most

Address for reprints: Mike Wright, Centre for Management Buy-out Research, Imperial College Business School, Exhibition Road, London SW7 2AZ, UK (mike.wright@imperial.ac.uk).

important development in both strategy research and practice on emerging economies that has now become a crucial component of the literature that deserves our attention?

In writing the 2005 paper, the introduction to a special issue on 'Strategy Research in Emerging Economies: Challenging the Conventional Wisdom', we were building upon an earlier special research forum (SRF) of the *Academy of Management Journal (AMJ)*. In that *AMJ* SRF, two of us (Hoskisson and Wright) had been guest editors. The other two of us (Filatotchev and Peng) had contributed papers covering varying strategic characteristics of emerging economies, notably on downsizing in Eastern Europe (Filatotchev et al., 2000) and managerial ties in China (Peng and Luo, 2000), respectively. The editors' introduction to that *AMJ* SRF (Hoskisson et al., 2000) has also become widely cited.

In Wright et al. (2005), our starting point was the increase in strategy papers focusing on emerging economies that had occurred in the previous five years. We argued that to 'make a lasting contribution there is a need to consider the extent to which theories and methods used to study strategy in mature, developed economies are suited to the unique social, political, and economic contexts as well as firm characteristics of emerging economies' (Wright et al., 2005, p. 2). We noted that this challenge was magnified by the heterogeneity of emerging economies. We went on to build a new framework that highlighted four strategic options: (1) foreign firms entering emerging economies; (2) domestic firms competing within emerging economies; (3) firms from emerging economies entering other emerging economies; and (4) firms from emerging economies entering developed economies. We then considered the applicability of four conceptual approaches identified in Hoskisson et al. (2000) to these four strategic options. These conceptual approaches were transaction cost theory (TCT), agency theory (AT), resource-based theory (RBT), and institutional theory (IT). We noted that IT had become more enduring in its application to emerging economies than anticipated in Hoskisson et al. (2000) as the nature of institutional developments had not been unidirectional. In this paper we build upon this heterogeneity in the development of emerging economies that was left unexplored in the 2005 paper.

If the notion of 'emerging economies' is meaningful, over time some of the 64 countries identified by Hoskisson et al. (2000) should have progressed beyond the initial status. Some countries (such as Nigeria and Tajikistan) have undoubtedly stagnated. However, various emerging economies have increased both the development of their market institutions and the necessary economic infrastructure to be considered 'mid-range emerging economies' between (newly) developed economies and traditional emerging economies. We argue that BRIC countries (Brazil, Russia, India, and China) may be classified in this category as mid-range emerging economies, although some significant differences within BRIC countries still remain. Many firms from these countries have been pursuing outward FDI (OFDI) opportunities beyond their home countries. As a result, they have become a new breed of multinationals (Guillén and García-Canal, 2009; Mathews, 2006) or emerging multinationals (Cuervo-Cazurra and Genc, 2008; Gammeltoft et al., 2012; Peng, 2012; Ramamurti and Singh, 2009; Sun et al., 2012; Yang et al., 2009).

Although Wright et al. (2005) also developed this theme, our focus then was on the need for analysis of the different roles of social capital and networks in facilitating entry into emerging versus developed economies by emerging economy firms. We welcome

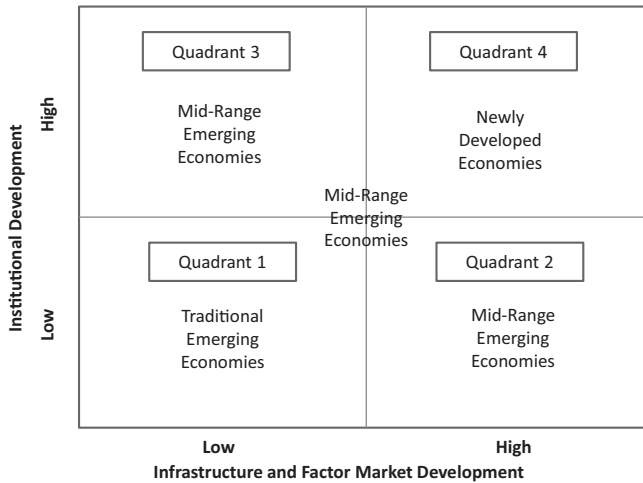


Figure 1. A new typology of emerging economies

and are honoured by this opportunity to revisit and extend our earlier paper. In the present paper, we focus on a relatively narrow but highly promising research agenda: the relationship between the development of institutions and factor markets in mid-range economies and the emergence of new multinationals. We advance an improved typology to explore the range of MNE strategies pursued by firms from mid-range economies (see Figure 1). Specifically, we highlight the dynamic interaction between various institutional and factor market aspects. These mid-range emerging economies are interesting, both empirically and theoretically. Empirically they are interesting because of their increasing economic significance. Theoretically they are interesting as they involve hybrid cases between developed and emerging economies. As such, they provide opportunities to extend the integration between IT and other theories. They also enable us to examine the challenges to firms involved in moving along the trajectory from an emerging to a developed economy context.

A NEW TYPOLOGY FOR EMERGING ECONOMIES

A country's endowed factor markets significantly determine its economic opportunity set (Porter, 1990; Ricardo, 1817; Wright, 1990). In addition, North (1990) recognized that institutions also represent important elements in influencing business activities. Wan and Hoskisson (2003) noted that endowed 'factors are used to produce goods or services (that is, they are used for transformational activities), whereas institutions are used for the exchange of inputs and outputs with other firms (that is, for transactional activities)' (p. 28). As a result, both institutions and factor markets help firms capture profitable economic opportunities such as those captured by FDI. Of course, institutions and factor markets do not have an impact in isolation from each other. Factor markets form a basis for production activities in a specific country. Institutions may facilitate both production and distribution of generated rents through better contractual assurance (Krug and Hendriscke, 2012; Zhou and Peng, 2010).

The importance of institutions has been emphasized, especially in research examining the large-scale transitions experienced in many emerging economies (Carney et al., 2009; Filatotchev et al., 2012; Hoskisson et al., 2000; Krug and Hendriscshke, 2012; Meyer and Peng, 2005; Peng, 2003; Wright et al., 2005). This research has culminated in a new institution-based view that features prominently in the strategy and international business (IB) literature (Ahuja and Yayavaram, 2011; Dunning and Lundan, 2008; Khoury and Peng, 2011; Kim et al., 2010; Meyer et al., 2009a; Peng et al., 2008, 2009).

We combine classic economic research focused on factor markets with the recent emphasis on institutions that has emerged in the strategy and IB literatures. We argue that significant diversity of initial conditions, transition paths, and competitive outcomes makes it imperative to move away from the all-encompassing label of 'emerging economies'. As the heterogeneity of developed economies is being increasingly researched (Hall and Soskice, 2001), we need to recognize that 'emerging economies' are also not homogeneous. It is time to enrich this single label as these economies diverge.

Specifically, we argue that the two dimensions illustrated in Figure 1 help differentiate various mid-range economies. Vertically, the development of market-supporting political, legal, and economic institutions – which, for compositional and graphical simplicity, we label as 'institutional development' – has been noted as a crucial dimension of institutional transitions in many emerging economies (Peng, 2003). Horizontally, the development of infrastructure and factor markets – which we label as 'infrastructure and factor market development' – is also crucial (Porter, 1990; Wan, 2005; Wan and Hoskisson, 2003). Previous research has identified several measures to position countries within this typology. Further into the paper we use data from the World Economic Forum's *Global Competitiveness Report* to map out possible clusters of emerging economies.

Traditional Emerging Economies: Low Institutional Development and Low Infrastructure and Factor Development (Quadrant 1)

Traditional emerging economies suffer from both the lack of institutional development and the lack of infrastructure and factor market development (Quadrant 1 in Figure 1). Most emerging economies 20 years ago would fit this description. Today, some that have made relatively little progress along these two dimensions (such as Bangladesh) still exist.

However, much has changed. Rapid development since the publication of Wright et al. (2005) has made this characterization of emerging economies less accurate for many countries. Although the scale and scope of institutional development and infrastructure and factor market development can be historically path dependent, there can be significant variance. Such wide-ranging development has resulted in the emergence of a class of mid-range emerging economies that differ both from traditional emerging economies and from developed economies. Given this evolution, we describe some of these strategic issues in the three remaining quadrants of Figure 1 below and later address specific research question by some significant topic areas.

Mid-Range Emerging Economies (Type 1): Low Institutional Development and High Infrastructure and Factor Development (Quadrant 2)

These environments have relatively well-endowed infrastructure and factor markets, but inadequate institutional development (Bai and Qian, 2010). Transformational resources are generally available. However, the costs of resource acquisition and subsequent economic transactions are high (Zhou and Delios, 2012). OFDI would seem a good strategy from these resource environments. OFDI ostensibly represents an exit option for firms to use their capabilities in home countries with limited factor market development and make use of host countries with better institutional development lacking in home countries (Witt and Lewin, 2007; Yamakawa et al., 2008). Such firms may find it difficult to operate in markets with better institutional development. Thus, firms from these markets may seek to leverage their capabilities developed in relatively munificent factor markets.

Blanchard and Shleifer (2001) argued that in transition economies, a strong central government can play a role in fostering growth. For example, many countries from the former Soviet Union have relatively well developed (albeit dated) infrastructure systems. Some of them are left over from the centralized state approach to managing the Soviet Union. Since the fall of the Berlin Wall and over a decade of government impotence and oligarch influence, infrastructure gradually became dilapidated, and only in the most recent years are we seeing efforts to invest in a rebuild or maintenance of infrastructure. Similarly, Thailand has had many mega-infrastructure projects to build roads, airports, and subways because the military has taken over several times given the political instability (the latest military coup was in 2006). This has led to a more centralized approach to infrastructure development, but institutional development has lagged (Davies, 2006).

Relative country positioning in Figure 1 may contribute to the emerging multinational firm's ability to exploit their capabilities. Further, such positioning influences incentives for OFDI to use or overcome home country factor market and institutional development as new MNEs go abroad. For example, many Chinese firms made acquisitions that subsequently failed in their early OFDI efforts into developed economies (Williamson and Raman, 2011). Future research associated with this quadrant may examine the nature of success factors that facilitate OFDI when factor markets are relatively stronger than institutions. Likewise, researchers need to examine which type of inward FDI (IFDI) is successful in developing the skills of emerging multinationals. We explore these and other issues more fully in our future research section below.

Mid-Range Emerging Economies (Type 2): High Institutional Development and Low Infrastructure and Factor Development (Quadrant 3)

Compared to many other Central and Eastern European (CEE) transition economies, Poland has been able to foster better institutional development after the breakup of the Soviet bloc. Besides its rapid approach to liberalization after 1989, it restored democratic institutions, which existed historically more so than among other CEE transition economies. Many formal changes were supported by informal norms and

behaviours comprising part of the fabric of Polish society (Marvin, 2010; Meyer and Peng, 2005). Accordingly, Poland's institutional development has outpaced its infrastructure development. In another example, India has relatively strong democratic political institutions, which has often created gridlock and at times stymied market advance. More stifling, however, is its relative poor infrastructure and factor market development. Some Indian firms have used OFDI to overcome India's lack of infrastructure development. They have taken advantage of their natural resources and understanding of better market institutions to develop new MNEs in global markets (Majumdar et al., 2012). Indian acquisitions in developed economies tend to be undertaken by private firms, which are more receptive in host countries. This contrasts significantly with most Chinese acquisitions that tend to be undertaken by state-owned enterprises (SOEs), which encounter significant suspicion in developed economies. Because SOEs are often perceived as manifestations of national interests, international expansions of SOEs are oftentimes obstructed due to concerns over national security. For example, the US Congress rejected the acquisition of Unocal Oil Company by CNOOC – a large Chinese energy SOE – on the grounds that CNOOC represented the interests of the Chinese Communist Party in 2005 (Wan and Wong, 2009).

The lack of infrastructure development has stifled some industries. The Indian automobile industry is less developed domestically, although several Indian firms have made acquisitions of foreign auto firms (Kale et al., 2009). After previously acquiring Daewoo and Hispano (light trucks), Tata Motors pursued the acquisition of Jaguar and Land Rover to continue its emergence in the global automobile industry. However, the Indian automobile industry as a whole is significantly behind the Chinese automobile industry. This is primarily because of India's poor transportation infrastructure. For example, traffic problems in Indian cities create congestion because narrow and underdeveloped streets are a constraint. Alternatively, Indian firms such as Infosys and Wipro in global technology and consulting have done very well. This is largely because these industries do not rely significantly on domestic infrastructure. These firms initiated as sources for other firms to do business process outsourcing in India. They were then able to develop into worldwide service firms given the well-developed educational institutions in addition to the initial conditions associated with Indian society, such as good language skills and available labour.

In summary, new MNEs from Quadrant 3 may move to developed markets more readily because their home country institutional development will be closer to that in more-developed economies. In other words, there is a shorter institutional distance between MNEs from this quadrant and developed markets (Xu and Shenkar, 2002). But future research addressing the best approach for both OFDI as well as inward FDI to foster improved capabilities for such new MNEs is yet to be developed fully.

Newly Developed Economies: High Institutional Development and High Infrastructure and Factor Development (Quadrant 4)

Some economies have clearly graduated from the 'emerging' phase and become what we call 'newly developed economies'. An exemplar country is South Korea (Chang and Hong, 2000) as it has more balanced institutional and infrastructure/factor market

development. The sources of competitive advantages in these home resource environments rest on continuous improvements in the value chain, with specialized knowledge and skills. As a result, OFDI may perform better than in home country contexts where both factor markets and institutions are less developed. Thus, firms from countries in this quadrant may be aggressive in their strategies in less-developed countries because sophisticated consumer demand at home also drives firms to improve continuously (Porter, 1990). However, there remain many countries more developed in both factor markets and institutions. As a result, entering more-developed markets may be challenging.

Recent research (Kim et al., 2012b) has documented that Korean firms have sought to use two types of strategies. They may go to less-developed economies where they have superior resource advantages and/or go to more-developed economies to learn and build skills beyond their more basic upstream capabilities. This has also been evident in the approach undertaken by some MNEs from Latin America. Mexico's CEMEX expanded into less-advanced Latin American economies of Venezuela and Colombia because CEMEX had superior home-grown firm-specific advantages. Later, it entered more-developed economies through acquisitions in the USA and elsewhere as its skills developed. Thus, more research is needed to understand how these new MNEs pursue their overseas opportunities in global markets, given the background development of their home country factor markets and institutions.

Finally, in the middle area of Figure 1, Brazil and Mexico can be placed as examples. This third type of mid-range economies is characterized by some improved democratic political institutions and improved infrastructure and factor market development. Clearly, more research is needed on these economies, given they are on track in both dimensions.

To summarize, what Hoskisson et al. (2000) and Wright et al. (2005) considered as a homogeneous pool of emerging economies has evolved over recent years. A diverse matrix of economies has developed characterized by a wide range of institutional and economic characteristics. This phenomenon provides an opportunity for theory building and empirical research, and in the following sections we outline some of these opportunities.

RECATEGORIZING EMERGING ECONOMIES: AN ILLUSTRATIVE ANALYSIS

To illustrate how emerging economies may be categorized into the quadrants of our framework, we began by operationalizing institutional and infrastructure contexts and then conducted cluster analysis on the emerging economies identified by Hoskisson et al. (2000). We drew on measures available in the World Economic Forum's *Global Competitiveness Report 2011–12 (GCR)* (Schwab, 2011) related to the institutional and factor market developments. Specifically, we operationalized institutional development by the score on this measure in the *GCR*. Infrastructure and factor market development were operationalized by summing and averaging the Infrastructure, Macroeconomic Environment, and Health & Education measures in the *GCR* into one measure.

Table I. Cluster group mean scores for institutions and infrastructure

<i>Cluster group</i>	<i>Mean institution score</i>	<i>Mean infrastructure score</i>	<i>Number of countries</i>
1	3.08750	2.73375	8
2	3.68417	4.68333	12
3	3.39143	3.61571	14
4	4.04500	3.76500	16
5	4.78100	4.93100	10

To identify clusters, an adaptive version of K-means clustering was employed. We standardized our variables before performing the clustering algorithm. K-means clustering is initialized with values for the centres of the clusters, and then the algorithm iteratively assigns observations to the nearest centre to develop clusters. At the end of each iteration, a new mean for the cluster is calculated, and observations are reassigned. To increase performance, there is an incremental version of K-means that allows the centres of the clusters to be recalculated as each observation is added to the clusters, rather than waiting until each iteration before recalculating the mean (Ghosh, 2003). We implemented the incremental K-means clustering using PROC FASTCLUS in SAS. Our initial centres for five groups based on the pairs (standardized infrastructure score, institution score) were assigned as follows: the low–low cluster was initialized at (2, 2), low–high at (2, 6), middle–middle at (4, 4), high–low at (6, 2), and high–high at (6, 6). The resulting clusters and mean (unstandardized) institutional and infrastructure scores by cluster group are shown in Table I and the countries by cluster group along with raw institutional and infrastructure scores are shown in Table II. Please note that four of the 64 original countries classified by Hoskisson et al. (2000) were not available for this study due to missing data: Belarus, Turkmenistan, Uzbekistan, and Zimbabwe.

Assuming that countries generally started in the low–low quadrant (Quadrant 1 in Figure 1), two clear trends emerge: some countries have not moved beyond this quadrant (Group 1 in Figure 2), while a small number developed both institutions and factor markets in the high–high quadrant (e.g. Slovenia, Israel) (Group 5 in Figure 2). The majority of countries are grouped more closely together, perhaps a reflection that they may still be in an emerging trajectory, but do fall into distinct clusters with relatively higher or lower scores on our two measures. A cluster of countries with relatively higher institutional development and relatively lower infrastructure development (Group 4 in Figure 2) is comparable to our high–low Quadrant 2 in Figure 1. A further cluster of countries has relatively low institutional development scores but relatively high infrastructure scores (Group 2 in Figure 2), corresponding to our low–high Quadrant 3 in Figure 1. Finally, countries in Group 3 in Figure 2 fall in the middle.

Figure 2 reveals a number of interesting patterns. The mid-range area seems to be mostly populated by a number of former Soviet republics (e.g. Russia, Ukraine) and several transition economies of CEE as well as some traditional developing countries. However, this group is far from being homogeneous, with former Soviet republics having relatively less-developed institutions. This sub-group includes countries with relatively

Table II. Country institution and infrastructure score and cluster group membership

	<i>Country</i>	<i>Institution score</i>	<i>Infrastructure score</i>	<i>Cluster</i>
1	Bangladesh	3.31	2.24	1
2	Cote d'Ivoire	2.87	2.97	1
3	Kenya	3.30	3.10	1
4	Kyrgyzstan	2.91	2.77	1
5	Nigeria	3.31	2.21	1
6	Pakistan	3.36	2.77	1
7	Philippines	3.22	3.09	1
8	Venezuela	2.42	2.72	1
9	Croatia	3.59	4.73	2
10	Czech Republic	3.65	4.87	2
11	Greece	3.52	4.54	2
12	Hungary	3.79	4.52	2
13	Korea	3.89	5.94	2
14	Lithuania	3.94	4.64	2
15	Russia	3.08	4.52	2
16	Slovakia	3.46	4.23	2
17	Slovenia	4.08	4.81	2
18	Thailand	3.85	4.65	2
19	Trinidad and Tobago	3.67	4.36	2
20	Turkey	3.69	4.39	2
21	Argentina	2.93	3.70	3
22	Armenia	3.65	3.75	3
23	Bosnia and Herzegovina	3.32	3.24	3
24	Bulgaria	3.32	3.62	3
25	Colombia	3.47	3.66	3
26	Ecuador	3.11	3.39	3
27	Jamaica	3.63	3.74	3
28	Kazakhstan	3.54	3.70	3
29	Macedonia	3.68	3.66	3
30	Mexico	3.44	3.98	3
31	Moldova	3.38	3.32	3
32	Peru	3.54	3.62	3
33	Romania	3.49	3.37	3
34	Ukraine	2.98	3.87	3
35	Albania	4.01	3.87	4
36	Azerbaijan	3.84	3.87	4
37	Botswana	4.87	3.48	4
38	Brazil	3.72	3.99	4
39	Egypt	3.78	3.81	4
40	Georgia	3.97	3.95	4
41	Ghana	3.96	2.84	4
42	India	3.84	3.60	4
43	Indonesia	3.81	3.77	4
44	Jordan	4.38	4.13	4
45	Latvia	3.87	4.12	4
46	Morocco	3.98	3.95	4
47	Poland	4.17	3.87	4
48	South Africa	4.36	4.02	4
49	Sri Lanka	4.23	4.13	4
50	Tajikistan	3.93	2.84	4
51	Chile	5.06	4.67	5
52	China	4.32	4.63	5
53	Estonia	4.99	4.71	5
54	Israel	4.81	4.98	5
55	Malaysia	4.94	5.22	5
56	Mauritius	4.54	4.33	5
57	Portugal	4.20	5.48	5
58	Saudi Arabia	5.47	5.31	5
59	Taiwan	4.94	5.62	5
60	Tunisia	4.54	4.36	5

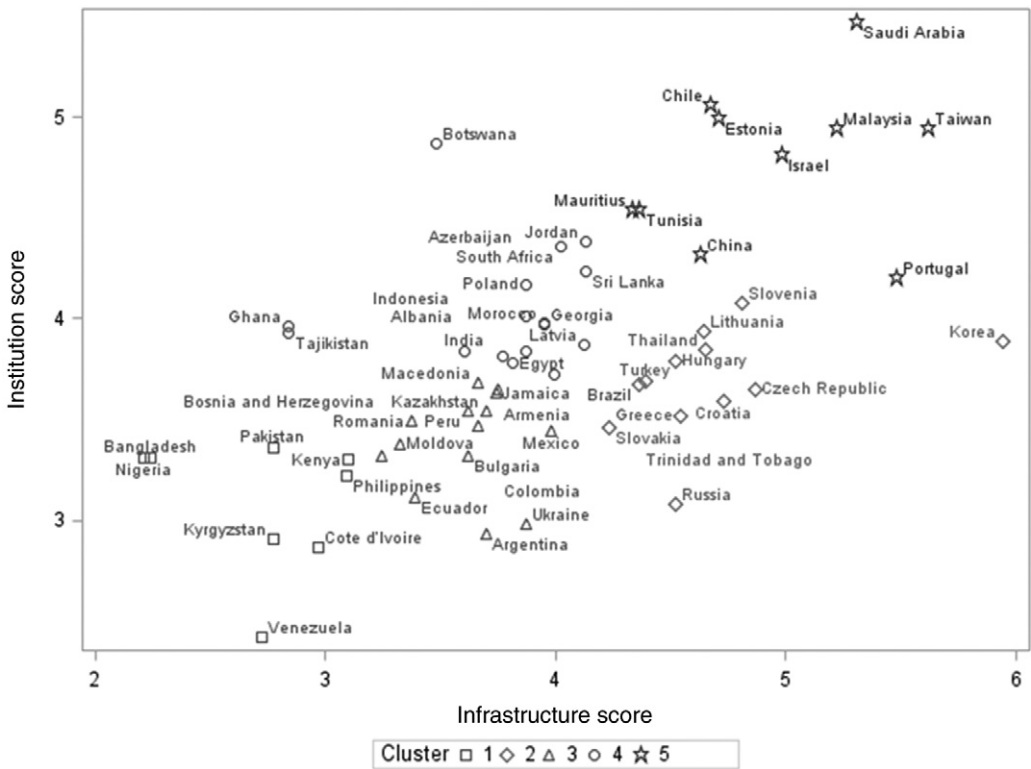


Figure 2. Cluster analysis of mid-range emerging economies

more developed infrastructure but also with a high level of state involvement in the economy. On the other hand, some former Soviet republics and transition economies (e.g. Estonia, Lithuania, Slovenia) exhibit a dramatic evolution along the two dimensions that has occurred in a relatively short period of time. Poland is one economy that has a more advanced institutional development score compared to other CEE countries, possibly because it had a stronger democratic tradition relative to other CEE countries such as Hungary and Russia (Marvin, 2010). Interestingly, while anecdotally India may have been expected to have a stronger institutional environment than China, China scores higher than India on institutional strength in our analysis using data from the World Competiveness Forum. Further comparative analysis based on different measures seems warranted to examine preconceived notions of the differences between India and China.

The stylized typology outlined in Figure 1 indicates that emerging economies can be differentiated within a broad spectrum associated with institutional and factor market dimensions. More specifically, we predicted theoretically that a substantial number of mid-range economies may be positioned between high institutions/low factor markets and low institutions/high factor markets ends of the spectrum. To avoid theoretical ambiguity we also suggested that institutional and factor market dimensions are orthogonal. However, our cluster analysis in Figure 2 indicates that the areas with two extreme

cases (e.g. high institutions/low factor markets and low institutions/high factor markets) are very sparsely populated. Most of our mid-range economies seem to be located within the area of medium level of development of *both* institutions and factor markets. This highlights that our chosen dimensions may be interdependent. Indeed, economists argue that to have developed factor markets requires an adequate level of institutional support, and vice versa. For example, to have developed capital markets, a specific emerging economy would require different forms of institutional support, such as legal protection of minority investors and prudent regulation. This conjecture opens up an interesting area for future research that may be focused on the *co-evolution* of institutions and factor markets, and its effects on business strategy. However, the analysis suggests that there is still substantial variance among these factors between countries. The factor market and infrastructure development has more variance between countries than the institutional factor (even after the factors are standardized), which has been the emphasis of some recent research.

FUTURE RESEARCH ON NEW MULTINATIONALS FROM MID-RANGE EMERGING ECONOMIES

Interestingly, most new or emerging multinationals originate from mid-range emerging economies (Quadrants 2 and 3 of Figure 1). Multinationals from newly developed economies such as South Korea were active internationally about a decade earlier than the newly emerging multinationals from BRIC (Kim et al., 2010, 2012b). Multinationals from Quadrant 1 emerging economies with poor institutional as well as infrastructure and factor market development are at an early stage of development. But new multinationals from mid-range emerging economies have become a new breed of global competitors commanding enormous research attention (Gammeltoft et al., 2010, 2012; Guillén and García-Canal, 2009; Luo and Tung, 2007; Peng, 2012; Sun et al., 2012).

In Wright et al. (2005), we argued that firms from emerging economies entering other emerging economies and firms from emerging economies entering developed economies would be two of the four major strategic options that firms undertake and that researchers should focus on.^[1] Yet, *none* of the eight articles in the 2005 *JMS* special issue dealt with emerging multinationals.^[2] Despite such a lack of research, Wright et al. (2005, p. 25) made a forward looking prediction:

There is relatively little research on the internationalization of emerging economy firms either into other emerging economies or into developed economies . . . As emerging economies develop and firms within them develop their expertise, we suggest that firms from these economies will increasingly take an active interest in developing their strategies outside the home market.

Clearly, judging by both the volume of post-2005 research on emerging multinationals and the rise of such multinationals around the world, our prediction has been supported. How do we make sense of these research opportunities that essentially did not exist as of 2005? What are the key questions and directions for future research?

In Table III, we outline this emerging research agenda. Figures 1 and 2 suggest that multinationals from mid-range economies represent a heterogeneous group of companies. They operate in different institutional environments and rely on different economic infrastructures and factor markets. Therefore, in Table III we take the four quadrants we derived from the different combinations of these two dimensions as the basis to organize potential research themes. In what follows, we refer to existing studies but, as these remain limited, we present illustrative examples to strengthen our insights into future research directions.

Government Influence

Arguably, among various institutional dimensions depicted in Figure 1, the role of governments may be of paramount importance in mid-range emerging economies (Li et al., 2012; Zhou and Delios, 2012). Governments may provide support to encourage firms to undertake initial internationalization, such as the 'Open Door' and 'Go Global' policies in China. Such support can provide privileged access to information about particular host countries and access to networks that help reduce the liability of foreignness (Cui and Jiang, 2010; Luo et al., 2010).

Such policies may be useful in stimulating initial internationalization. As mid-range emerging economies evolve and the internationalization experience of the emerging multinationals develops, there may be a need for a reassessment and redirection of this support. At present, we know little about how the nature of government support for internationalization has changed as mid-range emerging economies have evolved and how this has affected firm behaviour. As mid-range economy firms develop more experience in various host countries, such experience may complement or substitute for mid-range home country government support for internationalization.

In traditional emerging economies (Quadrant 1), management may be especially reliant on support provided by political connections to access the means for internationalization. For example, emerging economy governments can use promotional tools, including trade shows and inter-government agreements, to directly assist exports and OFDI. OFDI promotion policies set by emerging economy governments are institutionally complementary to offsetting competitive disadvantages of emerging multinationals in global competition. In emerging economies, weakly developed institutions and government promotions for internationalization may coexist. Emerging economy governments may offer direct support such as providing a low cost of capital for emerging multinationals (Buckley et al., 2010) and indirect support including negotiation of bilateral treaties with host country governments to protect OFDI. For example, the Korean government provided strong support enabling Korean firms to invest heavily abroad at relatively low cost in their early internationalization stages (Lau, 2003). Since the implementation of the 'Go Global' policy in 2000, the Chinese government has been more directive in establishing a set of guidelines for Chinese OFDI that create incentives for OFDI (Quadrant 3), streamline administrative procedures, ease capital controls, inform firms' investment opportunities, and reduce political and investment risks in OFDI (Buckley et al., 2008).

Table III. Research themes for emerging multinationals

	<i>Low institution development/ low infrastructure and factor market development (Quadrant 1)</i>	<i>Low institution development/ high infrastructure and factor market development (Quadrant 2)</i>	<i>High institution development/ low infrastructure and factor market development (Quadrant 3)</i>	<i>High institution development/ high infrastructure and factor market development (Quadrant 4)</i>
Government influence	To what extent do restrictive government regulations continue to give the incentive to register as foreign firms?	To what extent does government influence continue to be directive with financial and informational support?	To what extent has government support been reduced? How has indirect government involvement influenced OFDI through government supported financial institutions?	To what extent has government influence become less directive?
Research orchestration and strategic entrepreneurship	To what extent does resource transferability remain limited to other emerging economies with weak institutions and factor markets?	To what extent are internationalization strategies increasingly resource seeking? Are resources sought more likely to be primary materials?	To what extent do firms seek foreign acquisitions to provide resources and/or brands?	To what extent have internationalization strategies become more market seeking? Is there more emphasis on entry in developed markets to better capabilities?
Entry strategies	To what extent do acquirers continue to focus on a (declining) number of opportunities in other weak emerging economies? To what extent are acquisitions left with little monitoring from the parent?	How have acquisition strategies evolved to play to factor market strengths? How do acquisitions facilitate learning about environments with stronger market institutions?	What is the impact on type of sectors for which entry is facilitated? How has this evolved? How has the role of returning expatriate entrepreneurs changed as they become more confident about the institutional context?	To what extent has internationalization evolved beyond the close region? To what extent has a more even balance been achieved between different entry modes? To what extent are acquisitions integrated closely into the acquirer?

In contrast, in Brazil much internationalization has come through government-supported financial institutions (Turner, 2011). In 2010, Marfrig, a Brazilian meat packer, acquired Keystone Foods for \$1.25 billion. Keystone is a top supplier to American fast food chains such as Subway and McDonald's. In 2012, Brazil's JBS, the world's largest meat packer, bought Pilgrim's Pride for \$800 million and Swift for \$1.4 billion. Both firms have US-centric meat packing operations, which gives JBS a significant exposure in the United States. These acquisitions were largely made possible by the Brazilian Development Bank (BNDES). BNDES supports Brazilian firms in developing their international operations and allows them to increase their bids relative to competing bids (Hope et al., 2011; Samora, 2011). Petrobras, the government-owned oil monopoly, bought a significant interest in Devon Energy's stake in the Gulf of Mexico's Cascade field. Banco do Brasil, a large and mostly government-owned bank, received a license to open branch banks across the United States and also began acquisitions by acquiring a small, Florida-based lender, EuroBank. Banco do Brasil has a presence in 23 countries in addition to Brazil. Thus, significant government influence is still apparent in many mid-range economies such as Brazil (Quadrant 2). Whether such support has meant that acquirers have overpaid or whether it has enabled Brazilian firms to implement strategies to create value that would otherwise not have been possible with underdeveloped capital markets remains to be seen in future research.

As these economies' institutions and economic infrastructure mature, relationships may evolve. These political relationships may wither as they are replaced by commercial relationships (Quadrant 4) or they may persist through inertia or through personal relationships (Li et al., 2012; Peng, 2003; Zhou and Peng, 2010). With the development of factor markets, firms may rely less on state subsidies and direct support when venturing abroad. From Figure 2 it is clear that there is more variance among countries in regard to factor market and infrastructure development compared to institutional development. While research emphasis hitherto has been on institutional development, examination of how the variance in factor market and infrastructure development influences both OFDI and IFDI is needed. Better infrastructure has helped China receive more FDI than other countries (Bai and Qian, 2010). In addition to government incentives, government's investment in improved infrastructure has probably facilitated IFDI, but research is needed to test this conjecture. Better factor markets have likely provided better strategic resources (Barney, 1986) and thus advantages to firms pursuing OFDI compared to less developed countries (Kim et al., 2012b). As such, understanding how government support for domestic factor market and infrastructure development in the home country helps internationalization needs more in-depth research. Further research is needed that examines the extent to which these aspects of informal and formal aspects of government involvement continue to facilitate internationalization or come to frustrate it.

Another dimension of influence of governments for FDI from emerging economies is the negative role played by governments (Globerman and Shapiro, 2009; Morck et al., 2008; Witt and Lewin, 2007; Yamakawa et al., 2008). There can be concern about the political rationale of SOEs in attempted foreign acquisitions, such as the example noted above regarding the case of CNOOC's failed acquisition of Unocal (Wan and Wong, 2009). Also, a look at the top destinations of OFDI from emerging economies reveals

some surprising patterns: excluding the special case of Hong Kong, the top destination of OFDI stock from China is the British Virgin Islands (BVI) (Peng et al., 2011, p. 111). Brazilian multinationals' top destination in terms of OFDI stock is also the BVI. Russian multinationals have made Cyprus their top OFDI destination. India's OFDI has flooded into Mauritius.

How can these relatively small economies known as tax havens absorb so much OFDI from BRIC countries? A close analysis of available data shows that they do not. In fact, a substantial chunk of such OFDI is reinvested back to BRIC – this is known as capital *round-tripping* (Fung et al., 2011; Peng, 2012). The leading foreign direct investors (by stock) in Brazil, Russia, India, and China are the BVI, Cyprus, Mauritius, and Hong Kong, respectively. In China, the BVI has the second largest FDI stock. In other words, the 'real' OFDI used to acquire local firms, build factories, and compete with local rivals (as often studied by strategy and IB researchers) is much smaller than the total OFDI dollar numbers suggest. Why would managers and firms in BRIC go through such arduous trouble to engage in capital round-tripping? We argue that the institutional weaknesses in the home economies must outweigh the challenges associated with such capital round-tripping (Peng, 2012).

For instance, in Brazil, bureaucratic regulations and heavy taxation on domestic earnings have created incentives for firms to invest overseas, especially to tax havens such as the BVI and Cayman Islands. In Russia and China, some managers and firms – especially in the private sector – worry about political instability, which may result in the expropriation of their assets. In India, the License Raj was intimidating. The founders of Mittal Steel (now part of ArcelorMittal) were born in India, but unfriendly Indian regulations drove them away to register their firm in the Netherlands via OFDI. Then they invested back in India and other countries. Likewise, Chinese regulations are friendlier to foreign investors than to domestic firms, especially domestic private firms. The Chinese government's rationale is to use preferential treatment to lure foreign firms, and it has largely succeeded in this regard. The flipside is that this policy has discriminated against Chinese firms (especially private ones) and driven many to invest overseas so they can reinvest back home as 'foreign investors' able to benefit from preferential treatment.

Overall, in response to unfriendly home country institutions, many managers and firms in Russia, India, and China have made a rational decision by turning their operations at home into 'subsidiaries' of foreign firms registered in the likes of Cyprus, Mauritius, Hong Kong, and the BVI. In other words, probing deeper into institution-based reasoning behind OFDI from emerging economies reveals substantial institutional weakness, which suggests a great deal of room for further research.

Resource Orchestration and Strategic Entrepreneurship

Figure 1 suggests that business strategies of multinational companies from mid-range economies may be shaped, inter alia, by a specific constellation of institutions and resources available to an incumbent firm. However, these factors represent a necessary but not sufficient condition for a successful business strategy. Rather, strategic outcomes would be shaped by the firm's entrepreneurial orientation and resource orchestration capabilities. Strategic entrepreneurship represents an attempt to synthesize the

resource-based perspective from the strategy literature with opportunity recognition from entrepreneurship. This approach emphasizes the need to select and structure human, social/network, financial, and technological resources in order to exploit opportunities and gain competitive advantage (Ireland et al., 2003). Recent advances in the RBT have focused on understanding where resources come from and how they are assembled (Barney et al., 2011; Sirmon et al., 2011), including their transfer across national boundaries (Meyer et al., 2009b). This process recognizes the dual need both to select and structure requisite resources and capabilities, as well as to be able to accumulate, bundle, and leverage these resources to generate competitive advantage. The resource selection and configuration process is influenced by the contexts in which firms operate.

At present, we know little about how firms from mid-range emerging economies access and configure the resources and capabilities they need for internationalization. Further, while firms from mid-range emerging economies may enter developed or emerging economies, the different challenges in resource accessing and configuration are also underexplored (Yamakawa et al., 2008).

Internationalization represents a corporate entrepreneurial activity involving the recognition and exploitation of opportunities in a foreign market. What is not clear is how firms develop the requisite entrepreneurial skills for internationalization. Liu et al. (2010a, 2010b) have shown how entrepreneurs with educational and work experience in developed economies can return to their home economy (in this case China) to create enterprises better placed to internationalize than those new ventures where this expertise is absent. There is a need to extend this analysis to multinationals from (especially mid-range) emerging economies. To what extent are these firms able to recruit returning executives with experience in developed economies? How is this related to enhancing internationalization? Similarly, we lack understanding of how the challenges in recruiting and utilizing the human and social resources of returning executives to enter developed economies are eased as traditional emerging economies evolve to become mid-range emerging economies (and eventually and hopefully to become newly developed economies). For example, comparing the role of returning entrepreneurs and managers for firms in the different quadrants may yield interesting insights into their different effectiveness.

More generally, internationalization is influenced by the extent to which firm resources are fungible to developed or emerging economies or whether they are location-specific (Meyer et al., 2009b). Relatedly, this may influence whether firms' internationalization strategies are to do with resource or market seeking. As mid-range emerging economies evolve, new multinationals may have less need for resource seeking and shift the balance of activities to market seeking (Peng, 2012; Sun et al., 2012) (for example, compare Quadrants 2 and 3). Further, these firms may become better placed to transform resources accessed at early stages of evolution into the basis for market seeking activities (Ramamurti, 2012).

As economies evolve from traditional to mid-range emerging economies, important issues concern the extent to which firms adapt their resource orchestration trajectories as their home economies have evolved to enable the creation of a competitive advantage, and what have been the barriers to this adaptation. Yet, it is also important to tease out

whether these internationalizing firms already possessed key internationalizing resources or whether economy-level developments facilitate or reinforce access to and configuration of internationalization resources that were already in place (Peng, 2012).

Although we have differentiated the challenges in internationalizing into developed and emerging economy contexts with differently developed institutional arrangements, a more fine-grained delineation of contexts may be warranted (Yamakawa et al., 2008; Zahra and Wright, 2011). First, new multinationals in mid-range emerging economies within each quadrant of Figure 1 may be at different stages of their life cycle regarding internationalization. This temporal dimension of context suggests that resource orchestration activities may differ and evolve according to the particular phases of a firm's life cycle. Through this process of development over time, the new multinational may develop its absorptive capacity to extend and deepen internationalization activities. For example, boards may be augmented with executives and non-executives with internationalization expertise from emerging economies initially, but with members with greater multinational experience being recruited subsequently. At present, this process of evolving boards in such new multinationals is little understood and thus calls for more research.

Second, resource orchestration may be influenced by the social dimension that relates to the relationships between the various parties that influence the development of new multinationals. These relationships involve alliance and trading partners, universities, investors, and parent corporations. Home country nationals recruited from MNEs in which they have worked in host countries may both have direct experience of host country markets and maintain continued relationships with these firms. These relationships provide social capital that can help develop new multinationals as alliance or trading partners. Similarly, the spillover benefits from developed economy MNEs locating in mid-range economies may help internationalization by new multinationals.

Entry Strategies

Institutions in host countries significantly shape firms' market entry strategies and modes (Guler and Guillen, 2010; Meyer et al., 2009a). We addressed the challenges of entry by emerging economy firms into other markets in Wright et al. (2005). As the firms' home country context evolves towards being more market-oriented, they may adapt entry strategies.

Firm-specific assets can offset the increased costs of operating in foreign markets (Rugman and Verbeke, 2004). Firms from mid-range economies may still lack these resources. A low level of development of domestic infrastructure and factor markets in Figure 1 may create an additional constraint imposed on the incumbent firm's ability to rely on external support mechanisms. For example, some economies may not have developed capital markets that can be used by local firms to raise finance, or local education systems do not train managers able to compete globally. Although resource constraints may be important for all firms undertaking FDI, domestic factor market constraints are particularly important for the new multinationals.

As a result, regional internationalization – as opposed to global expansion – may be an especially important and feasible initial route to internationalization for firms in the quadrants in Figure 1 with weak factor markets that provides a basis for learning before wider internationalization. Such geographic proximity reduces the liability of foreignness and resource needs compared to inter-region or global internationalization (Qian et al., 2010; Rugman and Verbeke, 2004). This is more salient for firms from less-developed economies than for developed economies because the latter do not suffer from less-developed factor markets. Figure 1 also suggests the importance of institutional factors, and the institutional environment of regionally proximate host countries may be more conducive to market entry. As institutional arrangements change the rules of the game, regional trading agreements at country and industry levels may help reduce entry barriers. The development of the institutional context in mid-range emerging economies may reduce the ‘distance’ to other countries in the region and beyond. This may make it easier for firms from mid-range emerging economies to pursue market entry outside the home country, at least within the region. Further research could usefully examine the relative extent of regional versus global entry strategies and modes by firms from mid-range emerging economies located in the different quadrants in Figure 1, what drives such patterns and changes in these patterns, as well as their effects on performance. Additional research could also untangle the extent to which and when new multinationals from mid-range emerging economies enter multiple countries with different host country environments regionally or globally. For example, are firms located in economies in Quadrant 4 more likely to make this change than firms in the other quadrants?

Another area in need of research is the entry mode of the emerging multinationals. MNEs generally may select exporting, short-term contracting, and joint venture entry modes. These modes avoid risks and minimize the uncertainty resulting from weaker institutional environments in host countries (Brouthers et al., 2005; Gao et al., 2010; Uhlenbruck et al., 2006). However, for emerging MNEs, acquisitions seem to be a primary entry mode (Gubbi et al., 2010; Lin et al., 2009; Peng, 2012; Sun et al., 2012; Yang et al., 2011b). Why are emerging multinationals from China and India so fond of acquisitions? Three reasons emerge. The first is the urgency for fast market entry, especially in the areas of natural resources (Deng, 2009). The second is to acquire existing world-class brands, such as IBM’s PC brand and Volvo. This overcomes a major weakness in emerging multinationals’ capabilities: weak marketing prowess. While the first two reasons have been noted by the literature, there is a third, less talked about but clearly evident reason: managerial hubris and empire-building (see the next section on ‘corporate governance’). Understanding of the role of acquisitions may be gained by examining the differences in Figure 1 and the role played by differences in new emerging economy MNEs’ home country background.

Given that globally a substantial proportion of mergers and acquisitions (M&As) fail, will OFDI-based acquisitions undertaken by the new multinationals from different quadrants of Figure 1 do better than the global average? Since such OFDI is a new phenomenon, its long-run performance is not available now, but event studies on the initial announcement of acquisitions are mixed. For example, Chen and Young (2010) on Chinese MNEs and Aybar and Ficici (2009) on emerging multinationals in general

show that emerging multinationals destroy shareholder value. In contrast, Indian MNEs' acquisitions seem to create shareholder value (Gubbi et al., 2010).

Overall, the limited evidence suggests the performance of overseas acquisitions made by multinationals from mid-range emerging economies is unlikely to be better than the global average. Acquisitions have two phases: pre-acquisition and post-acquisition. During the pre-acquisition phase, overpayment in bidding is the biggest problem. Hope et al. (2011) find that acquiring firms from emerging economies (relative to those from developed economies) have a systematic tendency to bid higher in order to acquire assets in developed economies. Hope et al. (2011, p. 131) attribute this to national pride – ‘an indication that national, social, or political considerations could influence decision making of individual decision makers (business owners or managers), either rationally or irrationally’. The fact that when bidding for the same targets, rival bidders from developed economies back off but emerging multinationals keep increasing the offer price is indicative of potentially elevated levels of managerial hubris (some of which may be coated by national pride) (Hope et al., 2011). Alternatively, it may be due to lower cost of capital or capital received through government support (as in many of the Brazilian examples cited above).

Poor acquisition performance also indicates potential governance failures, which we discuss further below. Clearly, overpayment can result in a ‘winner’s curse’ in auctions. In China, most announcements of these (typically high-profile) overseas acquisitions end up destroying shareholder value. This is because Chinese investors themselves have little confidence in these MNEs’ ability to effectively manage acquisitions (Chen and Young, 2010). Chen and Young’s (2010) findings of the value-destroying impact of Chinese MNEs’ announcements of overseas acquisitions on shareholder value are corroborated by Aybar and Ficici’s (2009) similar findings, based on a larger, more global sample of MNEs from a variety of emerging economies.

During the post-acquisition phase, integration is a leading challenge. From a factor market standpoint, managerial talents are an important factor behind the growth of firms and economies. Lack of internationally savvy managerial talents at emerging multinationals gives little confidence that these firms will be better at integrating acquired targets and generating value. In general, acquirers from emerging economies have often taken the ‘high road’ to acquisitions, in which acquirers deliberately allow acquired target companies to retain autonomy, keep the top management intact, and then gradually encourage interaction between the two sides (Birkinshaw et al., 2010, p. 24). The ‘high road’ reflects acquirers’ lack of international management experience and capabilities. In contrast, the ‘low road’ to acquisitions would be for acquirers to act quickly to impose their systems and rules on acquired target companies.

Overall, the entry modes used and how value is generated in the acquisition process represent fertile ground for future research (Yang et al., 2011a). Comparisons across the quadrants may help reveal to what extent acquisitions remain relatively autonomous (e.g. Quadrant 1) or integrated with the new parent (e.g. Quadrant 4).

Corporate Governance

Within the complex interplay between institutional environments and factor market development in Figure 1, corporate governance of the incumbent firm and its overseas

subsidiaries may play an important role in setting the internal framework for resource orchestration and strategic decisions (Filatotchev et al., 2012; Gammeltoft et al., 2012; Majumdar et al., 2012; Tsao and Chen, 2012; Zhou and Delios, 2012). Corporate governance at the headquarters level and of a headquarters–subsidiary relationship forms an integral part of the strategic fit between the firm and its external environments which has been largely unexplored by studies in IB. Buckley and Strange (2011) argue that the IB literature has focused on bureaucratic control of the allocation of production and distribution systems. This literature has generally adopted an internalization theory and, to a lesser extent, an RBT perspective. Filatotchev and Wright (2011), however, argue that it is becoming increasingly important to adopt an agency perspective that recognizes various dimensions of corporate governance. Recent studies have indicated that internationalization strategies are associated with information asymmetries and substantial risks (Filatotchev et al., 2012; Gammeltoft et al., 2012). As a result, specific FDI decisions may also be related to a fit between business opportunities and risk preferences on the one hand and decision-making horizons of managers and the other main shareholder constituencies on the other hand, as suggested by agency theory (Carpenter and Fredrickson, 2001).

A firm's degree of internationalization is an important determinant of the complexity it faces (Sanders and Carpenter, 1998). As such, FDI strategy will depend on the ability of the parent to deal with information asymmetries and potential agency conflicts associated with overseas ventures. Because FDI decisions typically require high levels of information, and given the low frequency and high duration with which they occur, these conditions also likely contribute to agency problems (Michael and Pearce, 2004). Therefore, the effectiveness of a firm's FDI decisions may also depend on its governance characteristics, such as the distribution of ownership and control. However, the effects of the governance characteristics of the focal firm that undertakes FDI and how these change from emerging to mid-range economies remains relatively unexplored. Here we see a promising opportunity for future research since the forms of observed governance models in mid-range economies represent a wide spectrum. These models range from the direct governance involvement of the state in firms from countries such as Russia and China (Quadrants 1 and 2), to family and insider control in large, publicly listed firms in India, Brazil, and Korea (Quadrants 3 and 4).

A substantial body of research has focused on the governance roles of dominant blockholders, especially in the environment of emerging and less developed economies (Claessens et al., 2000; Jiang and Peng, 2011a, 2011b). In Southeast Asia and elsewhere, family owners and other blockholders have been identified as an important governance constituency that can shape strategic decisions, including internationalization (Boyd and Hoskisson, 2010; Claessens et al., 2000; Filatotchev et al., 2012; Gliberman et al., 2011; La Porta et al., 2000; Majumdar et al., 2012; Peng and Jiang, 2010). For example, presence of foreign institutional shareholders, rather than pure family ownership or non-family insider ownership, is generally associated with high commitment entry modes (Filatotchev et al., 2007). Shareholdings of controlling family, and of non-family insiders, in the parent company, and parent shareholding in the affiliate have significant effects on FDI location (Strange et al., 2009). Also, the fit between the form of corporate governance and international experience is a determi-

nant of entry strategies affecting whether firms choose a joint venture or a wholly owned subsidiary as the preferred entry mode.

What is unclear, however, is the extent to which the role of foreign institutional shareholders, family and non-family owners, and state-ownership changes as traditional emerging economies become mid-range emerging economies (Jiang and Peng, 2011a, 2011b; Kim et al., 2010, 2012a). For example, to what extent do pyramidal structures of ownership persist and how does this influence internationalization? (e.g. how does this change for firms in Quadrant 4?). To what extent are family owned firms in mid-range emerging economies better able to exploit the benefits of becoming transnational, as family members become embedded in host country markets to expand the family firm's activities overseas?

Buckley and Strange (2011) argue that both internalization theory and RBT perspectives emphasize the importance of bank- or family-centred business groups, in particular in developing and newly industrialized economies (Khanna and Palepu, 2000). This organizational form helps businesses, in particular in emerging markets, to overcome institutional imperfections, provide access to internal and external resources, buffer the company from risks, and develop international operations (e.g. Quadrant 1).

Agency theory-based research, however, provides a different perspective on organizational outcomes of this form of organization. For example, the role of banks as shareholders provides obvious incentives for banks to behave opportunistically as a result of their multiple roles and access to information. Banks may handle the accounts of companies and thus be intimately aware of their cash-flow positions, while at the same time offering financial services as investment brokers, management consultants, and agents in corporate finance, seeking funds for the company abroad. These multiple roles offer significant economies of scope. However, other shareholders may be disadvantaged, as bank shareholders may have too much influence within the firm. Banks, in contrast, may be more concerned with their short-term credit positions than with long-term investment prospects (Coffee, 1991).

Agency research may help to reassess recent evidence associated with the rapid development of bank holding companies in emerging economies. A particularly characteristic exemplification of this trend is the oil and gas and telecommunication industries in India, China, and Russia, which are dominated by holding companies such as Gazprom and PetroChina. These companies are fixing the boundaries of their international empires through intra-holding consolidations, mergers, and single-share swaps. They are also characterized by concentrated, often state-controlled, ownership. Moreover, outside shareholders in each have suffered a dilution of their holdings. In addition, many industries in Russia have also experienced a rapid development of financial-industrial groups (FIGs) representing large diversified holding companies owned by banks, trading companies, and other organizations, ultimately controlled by a handful of well-connected oligarchs. On the other hand, to what extent do these organizations persist in economies in Quadrants 2, 3, and 4?

Business groups and other holding companies may actively try to fend off pressures for their members to restructure (Kim et al., 2012a; Ramaswamy et al., 2012). Sometimes they may become simply a vehicle for creating pyramidal ownership structures. These structures can be used by controlling shareholders to make existing shareholders pay the

costs, but not share all the benefits of new ventures (La Porta et al., 2000). Perotti and Gelfer (2001) provide empirical evidence from Russia suggesting that, although members of FIGs have easier access to investment finance, their restructuring and performance is lower than that of non-group firms. This can result in traditional principal–agent problems being supplanted by unique agency problems arising from principal–principal goal incongruence, which occurs when a dominant owner disregards the interests of minority owners (Douma et al., 2006; Young et al., 2008).

Interestingly, Kim et al. (2010) found that business groups in the early stages of development in Korea were detrimental to the effectiveness of OFDI (Quadrant 4). However, as the economy developed and there was a consensus regarding the benefits of more transparent governance and intensive governance approaches, the effectiveness of such governance improved the relationship between business groups and internationalization. Kim et al. (2010) argued that the consensus dampened principal–principal conflicts and provides more upside knowledge sharing among group-affiliated companies compared to firms independent of business groups.

These diverse research streams suggest that corporate governance parameters of emerging multinationals may have a significant impact on business strategies such as M&As and corporate entrepreneurship (Majumdar et al., 2012). The traditional internalization theory approach limits our understanding of the behaviour of emerging multinationals. Such an approach fails to take account of the different risk preferences of managers and shareholders that may lead to differences in strategic objectives (Filatotchev and Wright, 2011). The need is to design a governance contract to align the interests of managers and shareholders rather than simply try to create governance structures that minimize the costs of undertaking a transaction (Tsao and Chen, 2012). Governance factors may have not only a significant impact on the internationalization strategies of emerging multinationals, but also determine performance outcomes of these strategic decisions. At present, we know little about the different types of dominant owners and board characteristics in emerging economies and how these change as the contexts in which these firms operate evolve into mid-range emerging economies.

CONCLUSIONS

Emerging economies by their nature are dynamic. More than two decades after the fall of the Berlin Wall in Europe and of the development of market institutions elsewhere, a number of emerging economies can now be considered to be in the mid-range between newly developed and traditional emerging economies.

This paper contributes to the literature by revisiting and extending Wright et al. (2005), with a particular focus on emerging multinationals from mid-range economies. Specifically, we have argued it is time to move beyond a simple dichotomy that divides the world into emerging and developed economies. There is a need to consider more fine-grained notions of institutional context with varying degrees of institutional development and infrastructure and factor market development. These differences contribute to a reinvigoration and extension of the life cycle of the agenda for strategy research in emerging economies. Given that most new multinational firms from emerging econo-

mies tend to be from these mid-range economies, examining these new multinationals offers new insights into how this heterogeneity of institutional contexts influences firm behaviour. It also allows us to extend conceptual insights from AT, IT, RBT, and TCT perspectives.

In particular, we see scope for a more theoretical integration of IT with the other perspectives that provides for more fine-grained insights into the roles played by different institutional contexts. Differentiating between the economies from which these multinationals are emerging helps us understand better how new MNEs can establish competitive positions in host economies that are either less-developed or more-developed than their home countries. Appreciation of the variety of institutional factors underpinning the different mid-range emerging economies can help develop understanding of the spectrum of governance models observed in these economies and the implications for internationalization. It can also contribute to the development of a more fine-grained contextualized AT approach to governance in general.

Different institutional and factor market development between types of mid-range emerging economies indicates that the transaction costs of different forms of entry into particular mid-range emerging economies will vary significantly. This variety provides scope for further integration of TCT with different dimensions of institutional and factor market context. Injecting an institution-based view, inspired by IT, also helps extend the RBT of the firm. Incorporating an institution-based view provides a more contextualized perspective, suggesting that the resources that firms need to achieve competitive advantage depend upon the type of host economy in which they are competing compared to their home country. Clearly, such future research can facilitate the deeper integration of IT and RBT, which we believe will not only add to our empirical knowledge about emerging economies, but also enhance the development of such theories of the firm that will have implications far beyond the context of emerging economies per se.

ACKNOWLEDGMENTS

This research was supported in part by the George R. Brown Chair in Strategic Management at Rice University, Ernst & Young, Equistone Partners Europe, the Jindal Chair at UT Dallas, and the National Natural Science Foundation of China (71132006). We thank Keith Brouthers, Mick Carney, Andrew Delios (Editor), and Eric Gedajlovic for helpful discussions, and we are grateful to Richard Swartz at Rice University for his help with the statistical analysis.

NOTES

- [1] The other two strategic options are firms from developed economies entering emerging economies and domestic firms competing within emerging economies. These two areas attracted seven of the eight articles in the 2005 *JMS* special issue (Wright et al., 2005). They also have continued to attract significant research attention (Shi et al., 2012).
- [2] The only article in the 2005 *JMS* special issue that touched on both strategic options of such market entries was Brouthers et al. (2005). However Brouthers et al. (2005) studied exporters, which, by definition, are not multinationals that engage in FDI.

REFERENCES

- Ahuja, G. and Yayavaram, S. (2011). 'Explaining influence rents: the case for an institution-based view of strategy'. *Organization Science*, **22**, 1631–52.

- Aybar, B. and Fici, A. (2009). 'Cross-border acquisitions and firm value: an analysis of emerging-market multinationals'. *Journal of International Business Studies*, **40**, 1317–38.
- Bai, C. and Qian, Y. (2010). 'Infrastructure development in China: the cases of electricity, highways, and railways'. *Journal of Comparative Economics*, **38**, 34–51.
- Barney, J. B. (1986). 'Strategic factor markets: expectations, luck, and business strategy'. *Management Science*, **32**, 1231–41.
- Barney, J. B., Ketchen, D. and Wright, M. (2011). 'The future of resource-based theory: revitalization or decline?'. *Journal of Management*, **37**, 1299–315.
- Birkinshaw, J., Bresman, H. and Nobel, R. (2010). 'Knowledge transfer in international acquisitions: a retrospective'. *Journal of International Business Studies*, **41**, 21–6.
- Blanchard, O. and Shleifer, A. (2001). 'Federalism with and without political centralization: China versus Russia'. *IMF Staff Papers*, **48**, 171–9.
- Boyd, B. K. and Hoskisson, R. E. (2010). 'Corporate governance of business groups'. In Colpan, A. M., Hikino, T. and Lincoln, J. (Eds), *The Oxford Handbook of Business Groups*. New York: Oxford University Press, 670–95.
- Brouthers, L. E., O'Donnell, E. and Hadjimarcou, J. (2005). 'Generic product strategies for emerging market exports into Triad nation markets: a mimetic isomorphism approach'. *Journal of Management Studies*, **42**, 225–45.
- Buckley, P. and Strange, R. (2011). 'Managerial decisions and the governance of multinational enterprises'. *Journal of Management Studies*, **48**, 460–70.
- Buckley, P., Cross, A. R., Tan, H., Voss, H. and Liu, X. (2008). 'Historic and emergent trends in Chinese outward direct investment'. *Management International Review*, **48**, 715–48.
- Buckley, P., Elia, S. and Kafouros, M. (2010). 'Acquisitions from emerging countries: what factors influence the performance of target firms in advanced countries?'. *European Journal of International Management*, **4**, 30–47.
- Carney, M., Gedajlovic, E. and Yang, X. (2009). 'Varieties of Asian capitalism: toward an institutional theory of Asian enterprise'. *Asia Pacific Journal of Management*, **26**, 361–80.
- Carpenter, M. A. and Fredrickson, J. W. (2001). 'Top management teams, global strategic posture, and the moderating role of uncertainty'. *Academy of Management Journal*, **44**, 533–46.
- Chang, S. J. and Hong, J. (2000). 'Economic performance of group-affiliated companies in Korea: intra-group resource sharing and internal business transactions'. *Academy of Management Journal*, **43**, 429–48.
- Chen, Y. Y. and Young, M. N. (2010). 'Cross-border mergers and acquisitions by Chinese listed companies: a principal-principal perspective'. *Asia Pacific Journal of Management*, **27**, 523–39.
- Claessens, S., Djankov, S. and Lang, L. (2000). 'The separation of ownership and control in East Asian corporations'. *Journal of Financial Economics*, **58**, 81–112.
- Coffee, J. (1991). 'Liquidity versus control: the institutional investor as corporate monitor'. *Columbia Law Review*, **91**, 1277–368.
- Cuervo-Cazurra, A. and Genc, M. (2008). 'Transforming disadvantages into advantages: developing country MNEs in the least developed countries'. *Journal of International Business Studies*, **39**, 957–79.
- Cui, L. and Jiang, F. (2010). 'Behind ownership decision of Chinese outward FDI: resources and institutions'. *Asia Pacific Journal of Management*, **27**, 751–74.
- Davies, B. (2006). 'Building a new platform for growth'. *Asiamoney*, August, 10–12.
- Deng, P. (2009). 'Why do Chinese firms tend to acquire strategic assets in international expansion?'. *Journal of World Business*, **44**, 74–84.
- Douma, S., George, R. and Kabir, R. (2006). 'Foreign and domestic ownership, business groups, and firm performance: evidence from a large emerging market'. *Strategic Management Journal*, **27**, 637–57.
- Dunning, J. and Lundan, S. M. (2008). 'Institutions and the OLI paradigm of the multinational enterprise'. *Asia Pacific Journal of Management*, **25**, 573–93.
- Filatotchev, I. and Wright, M. (2011). 'Agency perspectives on corporate governance of multinational enterprises'. *Journal of Management Studies*, **48**, 471–86.
- Filatotchev, I., Buck, T. and Zhukov, V. (2000). 'Downsizing in privatized firms in Russia, Ukraine, and Belarus'. *Academy of Management Journal*, **43**, 286–304.
- Filatotchev, I., Strange, R., Piesse, J. and Lien, Y. (2007). 'FDI by firms from newly industrialized economies in emerging markets: corporate governance, entry mode and location'. *Journal of International Business Studies*, **38**, 556–72.
- Filatotchev, I., Jackson, G. and Nakajima, C. (2012). 'Corporate governance and national institutions: a review and emerging research agenda'. *Asia Pacific Journal of Management*, doi: 10.1007/s10490-012-9293-9.

- Fung, H.-G., Yau, J. and Zhang, G. (2011). 'Reported trade figure discrepancy, regulatory arbitrage, and round-tripping: evidence from the China-Hong Kong trade data'. *Journal of International Business Studies*, **42**, 152–76.
- Gammeltoft, P., Barnard, H. and Madhok, A. (2010). 'Emerging multinationals, emerging theory: macro- and micro-level perspectives'. *Journal of International Management*, **16**, 95–101.
- Gammeltoft, P., Filatotchev, I. and Hobdari, B. (2012). 'Emerging multinational companies and strategic fit: a contingency framework and future research agenda'. *European Management Journal*, **30**, 175–88.
- Gao, G. Y., Murray, J. Y., Kotabe, M. and Lu, J. (2010). 'A "strategy tripod" perspective on export behaviors: evidence from domestic and foreign firms based in an emerging economy'. *Journal of International Business Studies*, **41**, 377–96.
- Ghosh, J. (2003). 'Scalable clustering'. In Ye, N. (Ed.), *The Handbook of Data Mining*. Mahwah, NJ: Lawrence Erlbaum, 247–78.
- Globerman, S. and Shapiro, D. (2009). 'Economic and strategic considerations surrounding Chinese FDI in the United States'. *Asia Pacific Journal of Management*, **26**, 163–83.
- Globerman, S., Peng, M. W. and Shapiro, D. (2011). 'Corporate governance and Asian companies'. *Asia Pacific Journal of Management*, **28**, 1–14.
- Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar, M. B. and Chittoor, R. (2010). 'Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms'. *Journal of International Business Studies*, **41**, 397–418.
- Guillén, M. F. and Garcia-Canal, E. (2009). 'The American model of the multinational firm and the "new" multinationals from emerging economies'. *Academy of Management Perspectives*, **23**, 23–35.
- Guler, I. and Guillen, M. F. (2010). 'Institutions and the internationalization of US venture capital firms'. *Journal of International Business Studies*, **41**, 185–205.
- Hall, P. A. and Soskice, D. (Eds) (2001). *Varieties of Capitalism*. New York: Oxford University Press.
- Hope, O. K., Thomas, W. B. and Vyas, D. (2011). 'The cost of pride: why do firms from developing countries bid higher?'. *Journal of International Business Studies*, **42**, 128–51.
- Hoskisson, R. E., Eden, L., Lau, C. M. and Wright, M. (2000). 'Strategy in emerging economies'. *Academy of Management Journal*, **43**, 249–67.
- Ireland, R. D., Hitt, M. A. and Sirmon, D. G. (2003). 'A model of strategic entrepreneurship: the construct and its dimensions'. *Journal of Management*, **29**, 963–89.
- Jiang, Y. and Peng, M. W. (2011a). 'Are family ownership and control in large firms good, bad, or irrelevant?'. *Asia Pacific Journal of Management*, **28**, 15–39.
- Jiang, Y. and Peng, M. W. (2011b). 'Principal-principal conflicts during crisis'. *Asia Pacific Journal of Management*, **28**, 683–95.
- Kale, P., Singh, H. and Raman, A. P. (2009). 'Don't integrate your acquisitions, partner with them'. *Harvard Business Review*, **87**, 109–15.
- Khanna, T. and Palepu, K. (2000). 'Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups'. *Journal of Finance*, **55**, 867–91.
- Khoury, T. and Peng, M. W. (2011). 'Does institutional reform of intellectual property rights lead to more FDI in emerging economies? Evidence from Latin America and the Caribbean'. *Journal of World Business*, **46**, 337–45.
- Kim, H., Kim, H. and Hoskisson, R. E. (2010). 'Does market-oriented institutional change in an emerging economy make business group-affiliated multinationals perform better? An institution-based view'. *Journal of International Business Studies*, **41**, 1141–60.
- Kim, H., Bae, J. and Bruton, G. D. (2012a). 'Business groups and institutional upheaval in emerging economies: corporate venturing in Korea'. *Asia Pacific Journal of Management*, **29**, 729–52.
- Kim, H., Hoskisson, R. E. and Lee, S.-H. (2012b). *Why strategic factor markets matter: 'New' multinationals' internationalization and performance*. Working Paper, Georgia State University.
- Krug, B. and Hendrischke, H. (2012). 'Market design in Chinese market places'. *Asia Pacific Journal of Management*, **29**, 525–46.
- La Porta, R., Lopez-de Silanes, F., Shleifer, A. and Vishny, R. (2000). 'Investor protection and corporate governance'. *Journal of Financial Economics*, **58**, 3–27.
- Lau, H. (2003). 'Industry evolution and internationalisation processes of firms from a newly industrialised economy'. *Journal of Business Research*, **56**, 847–52.
- Li, W., He, A., Lan, H. and Yiu, D. (2012). 'Political connections and corporate diversification in emerging economies: evidence from China'. *Asia Pacific Journal of Management*, **29**, 799–818.
- Lin, Z., Peng, M. W., Yang, H. and Sun, S. L. (2009). 'How do networks and learning drive M&As? An institutional comparison between China and the United States'. *Strategic Management Journal*, **30**, 1113–32.

- Liu, X., Lu, J., Filatotchev, I., Buck, T. and Wright, M. (2010a). 'Returnee entrepreneurs, knowledge spillovers and innovation in high-tech firms in emerging economies'. *Journal of International Business Studies*, **41**, 1183–97.
- Liu, X., Wright, M., Filatotchev, I., Dai, O. and Lu, J. (2010b). 'Human mobility and international knowledge spillovers: evidence from high-tech small and medium enterprises in an emerging market'. *Strategic Entrepreneurship Journal*, **4**, 340–55.
- Luo, Y. and Tung, R. L. (2007). 'International expansion of emerging market enterprises: a springboard perspective'. *Journal of International Business Studies*, **38**, 481–98.
- Luo, Y., Xue, Q. and Han, B. (2010). 'How emerging market governments promote outward FDI: experience from China'. *Journal of World Business*, **45**, 68–79.
- Majumdar, S. K., Vora, D. and Nag, A. K. (2012). 'Legal form of the firm and overseas market choice in India's software and IT industry'. *Asia Pacific Journal of Management*, **29**, 659–87.
- Marvin, T. (2010). 'Shock therapy: what we can learn from Poland'. *Prospect: Journal of International Affairs at UCSD*, November. Available at: <http://prospectjournal.ucsd.edu/index.php/2010/11/shock-therapy-what-we-can-learn-from-poland/> (accessed 2 August 2012).
- Mathews, J. A. (2006). 'Dragon multinationals: new players in 21st century globalization'. *Asia Pacific Journal of Management*, **23**, 5–27.
- Meyer, K. E. and Peng, M. W. (2005). 'Probing theoretically into Central and Eastern Europe: transactions, resources, and institutions'. *Journal of International Business Studies*, **36**, 600–21.
- Meyer, K. E., Estrin, S., Bhaumik, S. and Peng, M. W. (2009a). 'Institutions, resources, and entry strategies in emerging economies'. *Strategic Management Journal*, **30**, 61–80.
- Meyer, K. E., Wright, M. and Pruthi, S. (2009b). 'Managing knowledge in foreign entry strategies: a resource-based analysis'. *Strategic Management Journal*, **30**, 557–74.
- Michael, S. and Pearce, J. A. (2004). 'Choosing constraints as a third solution to agency'. *Journal of Management Studies*, **41**, 1171–98.
- Morck, R., Yeung, B. and Zhao, M. (2008). 'Perspectives on China's outward foreign direct investment'. *Journal of International Business Studies*, **39**, 337–50.
- Peng, M. W. (2003). 'Institutional transitions and strategic choices'. *Academy of Management Review*, **28**, 275–96.
- Peng, M. W. (2012). 'The global strategy of emerging multinationals from China'. *Global Strategy Journal*, **2**, 97–107.
- Peng, M. W. and Jiang, Y. (2010). 'Institutions behind family ownership and control in large firms'. *Journal of Management Studies*, **47**, 253–73.
- Peng, M. W. and Luo, Y. (2000). 'Managerial ties and firm performance in a transition economy: the nature of a micro-macro link'. *Academy of Management Journal*, **43**, 486–501.
- Peng, M. W., Wang, D. and Jiang, Y. (2008). 'An institution-based view of international business strategy: a focus on emerging economies'. *Journal of International Business Studies*, **39**, 920–36.
- Peng, M. W., Sun, S. L., Pinkham, B. C. and Chen, H. (2009). 'The institution-based view as a third leg for a strategy tripod'. *Academy of Management Perspectives*, **23**, 63–81.
- Peng, M. W., Sun, S. L. and Blevins, D. (2011). 'The social responsibility of international business scholars'. *Multinational Business Review*, **19**, 106–19.
- Perotti, E. C. and Gelfer, S. (2001). 'Red barons or robber barons? Governance and financing in Russian financial-industrial groups'. *European Economic Review*, **45**, 1601–17.
- Porter, M. E. (1990). *The Competitive Advantage of Nations*. New York: The Free Press.
- Qian, G., Khoury, T., Peng, M. W. and Qian, Z. (2010). 'The performance implications of intra- and inter-regional geographic diversification'. *Strategic Management Journal*, **31**, 1018–30.
- Ramamurti, R. (2012). 'What is really different about emerging market multinationals'. *Global Strategy Journal*, **2**, 41–7.
- Ramamurti, R. and Singh, J. V. (2009). *Emerging Multinationals in Emerging Markets*. Cambridge: Cambridge University Press.
- Ramaswamy, K., Li, M. and Pettit, B. S. (2012). 'Why do business groups continue to matter? A study of market failure and performance among Indian manufacturers'. *Asia Pacific Journal of Management*, **29**, 643–58.
- Ricardo, D. (1817). *Principles of Political Economy and Taxation*. London: John Murray.
- Rugman, A. and Verbeke, A. (2004). 'A perspective on regional and global strategies of multinational enterprises'. *Journal of International Business Studies*, **35**, 3–18.
- Samora, R. (2011). 'Update 3-JBS says BNDES to nearly double stake to 31 pct'. *Reuters*, 18 May. Available at: <http://www.reuters.com> (accessed 2 August 2012).

- Sanders, W. and Carpenter, M. (1998). 'Internationalization and firm governance: the roles of CEO compensation, top team composition and board structure'. *Academy of Management Journal*, **41**, 158–78.
- Schwab, K. (2011). *The Global Competitiveness Report 2011–12*. Geneva: World Economic Forum.
- Shi, W., Sun, S. L. and Peng, M. W. (2012). 'Sub-national institutional contingencies, network positions, and IJV partner selection'. *Journal of Management Studies*, **49**, 1221–45.
- Sirmon, D., Hitt, M. A., Ireland, R. D. and Gilbert, B. A. (2011). 'Resource orchestration to create competitive advantage: breadth, depth and life cycle effects'. *Journal of Management*, **37**, 1390–412.
- Strange, R., Filatotchev, I., Buck, T. and Wright, M. (2009). 'Corporate governance and international business'. *Management International Review*, **49**, 395–407.
- Sun, S. L., Peng, M. W., Ren, B. and Yan, D. (2012). 'A comparative ownership advantages framework for cross-border M&As: the rise of Chinese and Indian MNEs'. *Journal of World Business*, **41**, 4–16.
- Tsao, S.-M. and Chen, G.-Z. (2012). 'The impact of internationalization on performance and innovation: the moderating effects of ownership concentration'. *Asia Pacific Journal of Management*, **29**, 617–42.
- Turner, M. (2011). 'Emerging markets M&A surges'. *Wall Street Journal*, 19 May. Available at: <http://www.wsj.com> (accessed 4 May 2012).
- Uhlenbruck, K., Rodriguez, P., Doh, J. and Eden, L. (2006). 'The impact of corruption on entry strategy: evidence from telecommunication projects in emerging economies'. *Organization Science*, **17**, 402–14.
- Wan, K.-M. and Wong, K. (2009). 'Economic impact of political barriers to cross-border acquisitions: an empirical study of CNOOC's unsuccessful takeover of Unocal'. *Journal of Corporate Finance*, **15**, 447–68.
- Wan, W. P. (2005). 'Country resource environments, firm capabilities, and corporate diversification strategies'. *Journal of Management Studies*, **42**, 161–82.
- Wan, W. P. and Hoskisson, R. E. (2003). 'Home country environments, corporate diversification strategies and firm performance'. *Academy of Management Journal*, **46**, 27–45.
- Williamson, P. J. and Raman, A. P. (2011). 'How China reset its global acquisition agenda'. *Harvard Business Review*, **89**, 109–14.
- Witt, M. A. and Lewin, A. Y. (2007). 'Outward foreign direct investment as escape response to home country institutional constraints'. *Journal of International Business Studies*, **38**, 579–94.
- Wright, G. (1990). 'The origins of American industrial success, 1879–1940'. *American Economic Review*, **80**, 651–68.
- Wright, M., Filatotchev, I., Hoskisson, R. E. and Peng, M. W. (2005). 'Strategy research in emerging economies: challenging the conventional wisdom'. *Journal of Management Studies*, **42**, 1–33.
- Xu, D. and Meyer, K. E. (2012). 'Linking theory and context: "Strategy research in emerging economies" after Wright *et al.* (2005)'. *Journal of Management Studies*, **50**, 1322–46.
- Xu, D. and Shenkar, O. (2002). 'Institutional distance and the multinational enterprise'. *Academy of Management Review*, **27**, 608–18.
- Yamakawa, Y., Peng, M. W. and Deeds, D. (2008). 'What drives new ventures to internationalize from emerging to developed economies?'. *Entrepreneurship Theory and Practice*, **32**, 59–82.
- Yang, H., Lin, Z. and Peng, M. W. (2011a). 'Behind acquisitions of alliance partners: exploratory learning and network embeddedness'. *Academy of Management Journal*, **54**, 1069–80.
- Yang, H., Sun, S. L., Lin, Z. and Peng, M. W. (2011b). 'Behind M&As in China and the United States: networks, learning, and institutions'. *Asia Pacific Journal of Management*, **28**, 239–55.
- Yang, X., Jiang, Y., Kang, R. and Ke, Y. (2009). 'A comparative analysis of the internationalization of Chinese and Japanese firms'. *Asia Pacific Journal of Management*, **26**, 141–62.
- Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D. and Jiang, Y. (2008). 'Corporate governance in emerging economies: a review of the principal–principal perspective'. *Journal of Management Studies*, **45**, 196–220.
- Zahra, S. and Wright, M. (2011). 'Entrepreneurship's next act'. *Academy of Management Perspectives*, **25**, 67–83.
- Zhou, J. Q. and Peng, M. W. (2010). 'Relational exchanges versus arm's-length transactions during institutional transitions'. *Asia Pacific Journal of Management*, **27**, 355–70.
- Zhou, N. and Delios, A. (2012). 'Diversification and diffusion: a social networks and institutional perspective'. *Asia Pacific Journal of Management*, **29**, 773–98.