



A geographic relational perspective on the internationalization of emerging market firms

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Abstract

The growth of outward foreign direct investment from emerging markets has led to increased scholarly attention on the internationalization of emerging market firms (EMFs). We break from the recent strategic approach on internationalizing EMFs to develop a problematization approach, which permits us to introduce a geographic relational perspective. We use this perspective to highlight process thinking, complex social realities, and relational practice as means by which to better develop theory on the internationalization of EMFs. Our emergent approach emphasizes the need to view EMF internationalization as deeply situated in multifaceted contextual influences, as influenced by path dependence and as manifested in practice. These three relational tenets (contextuality, path dependence, and practice) are central to our geographic relational approach's ability to generate new challenging research questions for understanding EMF internationalization. Consequently, we add novelty to the international business domain by bringing space and process to the forefront of the EMF research agenda.

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INTRODUCTION

Substantial scholarly attention has been given to the internationalization of emerging market firms (EMFs).¹ Comprehensive reviews not only point out such research's progress and its limitations, but also highlight future research opportunities (Alon, Anderson, Munim, & Ho, 2018; Deng, 2012, 2013; Jormanainen & Koveshnikov, 2012; Luo & Zhang, 2016). These opportunities relate to a need to enrich theories of EMF internationalization above and beyond current knowledge that is largely based on research on developed market firms (DMFs).

Given the upward trend in outward foreign direct investment (OFDI) from emerging markets, we believe this is an opportune

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time to propose new ways of thinking about the international expansion of EMFs. Responding to existing reviews that suggest that the generation of new knowledge in studying EMFs is limited, we develop a problematization approach (Alvesson & Sandberg, 2011, 2013). We contend that a primary reason behind the limited progress in EMF research is that scholars investigate EMF OFDI predominantly as a strategic decision. The existing research on EMFs is consistent with research traditions on multinational corporations (MNCs) and internationalization. Scholars following this tradition have sought to bridge research on the internationalization of DMFs to that of EMFs. Although existing research on DMFs has been a useful starting point, we endeavor to propose ways in which the generation of new knowledge can be boosted to yield a new set of impactful research on EMFs.

International business (IB) scholars have been advocating for novel approaches (Buckley, Doh, & Benischke, 2017; Delios, 2017; Poulis & Poulis, 2018). We address these calls by introducing a geographic relational perspective as a new lens to complement extant theories. Rooted in relational thinking in economic geography, a geographic relational lens combines insights from research on foreign investment, social networks, and organization studies (Bathelt & Gluckler, 2003; Jones & Murphy, 2011; Yeung, 2005). It integrates social, political, economic, and cultural influences on EMF internationalization, to encourage researchers to rethink taken-for-granted assumptions and established logics, which, in turn, provides opportunities to generate interesting, innovative, and influential studies (Hernandez & Guillen, 2018).

The opportunity to implement novel theoretical approaches comes from an emergent global phenomenon – namely, the internationalization of EMFs (Nadkarni, Gruber, DeCelles, Connelly, & Baer, 2018). We expand relational economic geography creatively by cross-fertilizing core ideas from IB and economic geography. Consequently, we focus on two interesting but underexplored questions: (1) What does the geographic relational perspective add to what we already know? (2) How does this perspective help to answer the questions that we cannot answer well with established approaches?

We endeavor to contribute to the literature on EMFs in two ways. First, we add to the literature by introducing a new theoretical lens, which addresses calls for an expanded theory on EMFs (Buckley et al., 2017; Delios, 2017; Peng, 2012). Second, we

develop three relational tenets – (1) contextuality, (2) path dependence, and (3) practice – and propose new research questions to better understand EMF internationalization.

Before proceeding further, we want to make it clear that we advocate this perspective as a *complement* to existing theories rather than as a competing one. As compared to existing theories, our geographic relational approach is relatively (but not absolutely) unique (Stevens, Xie, & Peng, 2016). Our geographic relational approach hinges on explaining EMF internationalization from the distinctive contexts of EMFs. As is well recognized in the literature, EMFs mirror the unique aspects of emerging markets: inadequate institutional support, strong home government influences, nascent internationalization, scarce technological and managerial resources, and close ties to their origin (Alon et al., 2018; Deng, 2012, 2013; Luo & Zhang, 2016; Marquis & Raynard, 2015; Peng, 2012). These differences pose challenges to existing theories in understanding EMF internationalization (Ramamurti & Hillermann, 2018), which motivates us to advocate the geographical relational perspective.

EXTANT RESEARCH ON EMF INTERNATIONALIZATION

Research on EMF internationalization has progressed well, but as with any nascent field, there are opportunities to deepen and enrich it. To refine the research agenda, we need to address criticisms that “the research to date has been fragmented and piecemeal” (Deng, 2012: 423), and that we have “theoretical inconsistencies in our knowledge about these firms” (Jormanainen & Koveshnikov, 2012: 720). We argue that problematization can help to blaze new trails.

From Gap-spotting to Problematization

To refine the research agenda, we consider how Alvesson and Sandberg (2011, 2013) contrast “gap-spotting” with “problematization” research. Gap-spotting research rarely challenges the underlying assumptions of a field, because it constructs questions rooted in the current literature of a field. Alvesson and Sandberg (2011) propose that researchers seeking to identify alternative explanations can engage in the methodology labeled “problematization,” which aims to identify new questions by overturning incumbent assumptions and justifying alternatives.



Building from this problematization approach, we characterize the dominant conceptualization of EMF internationalization as being a strategic decision. The central strategic decisions explored in this approach are the antecedents in the decision-making process for internationalization, and the choices of location and entry mode. This strategy-oriented research has tended to bridge concepts developed from understanding the internationalization of DMFs, to the experience of internationalizing EMFs, which limits opportunities to use the EMF context and practice to generate new questions and insights. We hence introduce a geographic relational perspective, which integrates social, political, economic, and social influences on internationalizing EMFs. To be clear, we do not deny the important role of strategic decisions in EMF internationalization, but we call for an expanded theory to explain how the social and economic drivers influence the internationalization of EMFs. We aim to better understand the role of the unique features of emerging markets in generating variance in the EMF phenomenon.

To implement this research, we follow the three steps articulated by Alvesson and Sandberg (2011, 2013). The first is to delineate the domain of literature to be investigated. We identify 13 influential articles, each of which has been cited at least 600 times (see Table 1). Buckley et al. (2007) and Luo and Tung (2007) conduct two path-breaking studies. Buckley et al. (2007) investigate the determinants of Chinese OFDI and the degree to which three explanations can be nested within a general theory of FDI. Luo and Tung (2007) argue that when faced with market and institutional constraints in their home countries, EMFs are motivated to pursue international expansion as a springboard to escape these pressures and gain strategic resources. We identify and review several salient works that draw on these two studies (Cui & Jiang, 2012; Deng & Yang, 2015; Ramasamy, Yeung, & Laforet, 2012; Wang, Hong, Kafouros, & Wright, 2012; Xia, Ma, Lu, & Yiu, 2014). The empirical results in these studies also support the point that strategies play a crucial role in decisions such as location choice and entry mode.

In the second step, we draw on authoritative reviews. We focus on the perspectives in five review articles (Alon et al., 2018; Deng, 2012, 2013; Jormanainen & Koveshnikov, 2012; Luo & Zhang, 2016). We supplement the reviews by examining several salient articles that appeared after the reviews were published (Buckley et al., 2018; Li, Yi, & Cui,

2017; Luo & Tung, 2018; Sun, Peng, Lee, & Tan, 2015). In this step, we pay attention to the language used, the logics employed, and any emergent inconsistencies between the focal literature and other related literature. This examination reveals that this research stream has at its roots the dominant conceptualization of EMF internationalization as a strategic decision. Much of the literature links factors such as EMF motivations, resources, and capabilities as influences on location and entry mode choice. In addition, strategy-oriented constructs such as strategic intent, competitive catch-up, institutional constraints and enablers, and the liability of foreignness are frequent themes.

Identifying Impediments

In the third step, we identify three reasons why a strategic decision framing of EMF internationalization may be an *impediment* to research. The first constraint is that the focus on strategic choice and decision-making has led to less attention on contextual influences on OFDI from emerging markets. The primary research focus has been on country-level contexts (Beugelsdijk, Brakman, Van Ees, & Garretsen, 2013; Xu & Meyer, 2013) and issue-specific contexts (Muehlfeld, Rao Sahib, & van Witteloostuijn, 2012; Li, Chen, & Blader, 2016). The neglect of other important levels and dimensions of context, such as region, society, time, space, and place, reflect this limitation (Beugelsdijk & Mudambi, 2013; Child & Marinova, 2014).

Taken together, these multifaceted influences include a range of contextual factors that can affect the decision to invest overseas (Iammarino & McCann, 2013). Given EMFs' roots in institutionally underdeveloped home countries and their liability of foreignness from host countries, we argue that internationalizing EMFs need to pay heavy attention to emerging place-based and spatial contexts (Xu & Meyer, 2013).

To illustrate this point, we can compare Canadian and Chinese mining companies investing in the United States. Multifaceted contextual influences and local contexts are more important to the Chinese firm than to the Canadian firm, because of perceptions that Chinese mining firms can act as policy instruments of the Chinese government to secure access to overseas resources and wield political influence (Deng, 2013; Luo, Xue, & Han, 2010). Recently, the Belt and Road Initiative has brought new contextual challenges, sometimes characterized as the Red Scare, which is not faced by MNCs from other developed and emerging countries.

**Table 1** Top 13 most-cited articles on the internationalization of emerging market firms.

References	Citations	Research type	Summary
Luo and Tung (2007)	2387	Conceptual	Argue that EMFs use international expansion as a springboard to acquire strategic resources and reduce their institutional and market constraints at home
Buckley et al. (2007)	2359	Empirical, archival data	Investigate the determinants of Chinese OFDI and the extent to which three special explanations of capital markets, ownership, and institutions need to be nested within the general theory of FDI
Child and Rodrigues (2005)	1494	Conceptual	Examine the patterns of, and motives for, internationalization by prominent market-seeking Chinese firms, suggesting four primary areas to extend theorizing on the Chinese case
Zhou et al. (2007)	1060	Empirical, survey data	Argue that home-based social networks play a mediating role in the relationship between inward and outward internationalization and performance of Chinese born-global SMEs
Cuervo-Cazurra and Genc (2008)	1044	Empirical, archival data	Analyze the advantages and disadvantages of developing-country MNCs in comparison to developed-country MNCs, finding that EMFs have unique advantages in competing overseas
Deng (2009)	792	Multiple case studies	From an institutional perspective, argue that Chinese cross-border M&As in advanced countries are motivated to acquire strategic assets to address competitive disadvantages
Luo et al. (2010)	790	Conceptual	Nested within a political economy perspective, elucidate why and how emerging market and especially Chinese governments stimulate OFDI, economically and institutionally
Morck, Yeung, and Zhao (2008)	740	Conceptual	Examine China's savings rate, corporate ownership structures, and capital allocation, suggesting that capital market constraints limit firms that most likely have value-creating OFDI opportunities
Rui and Yip (2008)	733	Multiple case studies	Present a strategic intent perspective to analyze the foreign acquisitions by Chinese firms, suggesting the goal of acquiring strategic capabilities to offset their competitive weaknesses
Yiu, Lau, and Bruton (2007)	721	Empirical, survey data	Verify that the relationship between firm-specific ownership advantages and international venturing is moderated by the degree of home-industry competition and export intensity
Guillén and García-Canal (2009)	720	Conceptual	Analyze and compare different processes through which EMFs become MNCs and to what extent a new theory is needed to explain their international growth
Yamakawa, Peng, and Deeds (2008)	690	Conceptual	Explore the drivers of new ventures from emerging markets to enter developed markets based on three theories – industry-based, resource-based, and institution-based views
Kolstad and Wiig (2012)	675	Empirical archival data	Perform an econometric analysis of the host-country determinants (market sizes, natural resources, and institutions) of Chinese OFDI in the period 2003–2006

The citation number is based on Google Scholar, as of September 12, 2019.

Some firms from China, such as Huawei, face challenges to successful international expansion in multiple markets because their legitimacy as independent economic actors is threatened by direct government action, as exacerbated by the weak domestic institutional settings in which Chinese firms are embedded (Child & Marinova, 2014; Clegg, Geppert, & Hollinshead, 2018).

Meanwhile, we can well imagine that firms from other emerging markets such as Brazil or India face different challenges and contexts than firms from China. As another example, Indian firms, like those from China, have a strong propensity to use M&A for internationalization. Yet, unlike the experience in most other developed and emerging economy

contexts, firms from India show a general pattern of positive returns to their international acquisitions (Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010). Research based on the situation-specific and multifaceted contexts from which and into which EMFs venture can help us better understand the operations, micro-processes and performance of their internationalization (Johns, 2017; Li et al., 2016).

A second constraint is that a strategic approach to location and entry mode choice may offer relatively few insights into decision-making processes. EMF internationalization needs to be examined based on ongoing processes in developing capabilities to become multinationals (Hernandez & Guillen, 2018; Ramamurti, 2012). Our literature review



indicates that hypotheses on EMF internationalization are typically tested in cross-sectional studies of individual location choices and entry modes.

The internationalization of EMFs involves a series of complex interactions between EMFs and associated socio-economic stakeholders at home and abroad. Longitudinal methods and process research are required to understand how the decisions are made and put into action (BCG, 2016; Ramamurti & Hillermann, 2018). Process thinking, although hard to operationalize, can help direct attention to the micro-processes involved and capture the development trajectories of EMFs over time (Ramamurti, 2012).

The third constraint of reducing internationalization to location and entry decisions is that this reduction downplays the micro-level analysis on internationalizing EMFs – the activities of organizational actors in their social interactions through which strategies are enacted and actionable (Balogun, Jacobs, Jarzabkowski, Mantere, & Vaara, 2014). Individual actors play a crucial role in socio-economic interactions in investments. Meaningful arguments about macro-phenomena (e.g., OFDI) can be based on micro-actions (Teece, 2007). We can obtain this insight because intra-organizational and inter-organizational links make it possible that patterns at one level can be better explained when examined together with patterns at the other level (Nguyen & Janssens, 2019; Storper, 1997). Importantly, an investigation on decisions of individual actors in their everyday actions and interactions reveals processes that help to explain dynamics in strategy formulation and implementation. Overall, micro-level work on EMF internationalization has yet to proliferate, although we have seen its growth in the strategy literature (Jarzabkowski & Bednarek, 2018).²

In summary, our critical reading of the EMF literature from a problematization lens has identified three reasons why a strategic decision framing of EMF internationalization may have hindered future research. A consequence is that research on EMF internationalization is not well-positioned to challenge prevailing assumptions, because researchers have treated this research domain not as a nascent one but as an incremental extension of the established literature. Given the opportunities to develop IB by exploiting context (Delios, 2017; Meyer & Peng, 2016), we endeavor to cross boundaries and combine different frameworks to offer new insights into the temporality and dynamics inherent in EMFs' OFDI behavior. Our goal is to

provide a model that can (1) better explain multifaceted contextual influences, (2) engage in process thinking, and (3) undertake micro-level analyses.

COMMON THEORETICAL MODELS ON EMF INTERNATIONALIZATION

Table 2 identifies and compares the theories that have been used to analyze EMF internationalization. Management and strategy theories include the institution-based view (North, 1990; Peng, Wang, & Jiang, 2008; Scott, 1995), resource-based theory (including the knowledge-based and dynamic capabilities views) (Barney, 1991; Teece, Pisano, & Shuen, 1997), and the springboard perspective (Luo & Tung, 2007, 2018). Each of these theories recognizes the importance of resources and capabilities in the overseas activities of EMFs and proposes normative mechanisms to enhance them, except for institutional theory that deals with context directly.

The institution-based view has become a leading theory on EMF internationalization (Deng & Zhang, 2018; Meyer & Peng, 2016; Peng, Sun, Pinkham, & Chen, 2009; Xu & Meyer, 2013). However, due to its structural and deterministic view of context, the current institutional approach cannot fully capture the relations between firms and individual actions in terms of responding to the new set of contextual factors that can influence EMFs during internationalization (Nguyen & Janssens, 2019; Whittle, Mueller, & Gilchrist, 2016). Institutional theory is not sufficient to demonstrate how high-level factors such as institutions, strategies, and structures are enacted, reproduced, and/or shifted through a firm's everyday actions (Alvesson & Spicer, 2019; Jones, 2014).

We find that ideas integrating the process into micro-level analysis on OFDI by EMFs are rarely represented in the literature. For example, resource-based theory identifies how resource needs propel EMFs to go abroad (Deng, 2009; Yamakawa, Khavul, Peng, & Deeds, 2013), but it lacks discussion on the international processes of EMFs in their spatial contexts. In addition, micro-based behaviors of agencies tend to be absent, even though research on micro-level practice can make convincing explanations for macro-phenomena such as the processes behind the catch-up strategy of EMFs and their acquisitions of DMFs (Abdelnour, Hasselbladh, & Kallinikos, 2017; Zheng, Wei, Zhang, & Yang, 2016). The springboard perspective (Luo & Tung, 2007, 2018) integrates learning with resource-based arguments, but it faces challenges of empirical verification and causal identification (Ramamurti, 2012). Thus far, support for the springboard

**Table 2** A comparison of the geographic relational perspective with strategy and IB theories.

Theory and key arguments	Theoretical requirements from problematization		
	Explains contextual influences	Provides a process-based explanation	Provides for micro-level analysis
<i>Management and strategy theories</i>			
<i>Institutional theory/institution-based view</i> : Home country institutions and institutional changes shape OFDI of EMFs and confer advantages or drawbacks for their venturing abroad, with an implicit determinism due to the assumed existence of a functional mechanism in macro-social systems	Yes	Partly	Limited
<i>Resource-based view/knowledge-based view/dynamic capability perspective</i> : Strategic decisions on international expansion are reflective of EMFs' resources and capabilities that lead to competitive advantages as well as their interest in acquiring new competences	Limited	Partly	Partly
<i>Springboard perspective</i> : EMFs use international expansion as a springboard to acquire strategic resources and reduce their home country institutional and market constraints through a series of aggressive, risk-taking international acquisitions	Limited	Partly	Partly
<i>International business (IB) theories</i>			
<i>Internalization/theory of FDI</i> : Strategic decisions in selecting mode of foreign entry (wholly owned vs. joint ventures) are based on the intra-firm flows of products and knowledge and transaction costs so that benefits of more internalization are offset by costs and uncertainties	Limited	Partly	Limited
<i>OLI paradigm</i> : Decisions of location choice and mode of foreign entry are based on ownership, location and internalization advantages	Partly	Limited	Limited
<i>Sequential stage model</i> : Facing liability of foreignness, decision makers are rational; they learn from market entries and sequentially expand to foreign markets that are more psychically distant and with higher levels of resource commitment	Limited	Yes	Limited
<i>Geographic relational perspective</i> : A micro-perspective that integrates social and economic insights; emphasizes contextuality, path dependence, and practice; and acknowledges that individual action is motivated and constituted by the context of social relations and institutional structures	Yes	Yes	Yes

approach primarily comes from qualitative case evidence.

Therefore, even though mainstream theories are valuable for understanding certain strategies, these content-oriented theories are used mainly for theoretical extension, perpetuating the trend of gap-spotting research for EMF internationalization (Buckley et al., 2017).

Similarly, well-known IB theories, such as the eclectic paradigm (Dunning, 1993), internalization theory (Buckley & Casson, 1976), and the stages model (Johanson & Vahlne, 1977, 2009), are limited in their ability to satisfy the three requirements in Table 2. The first two theories were developed to explain the OFDI of DMFs, rather than that of EMFs. Given their genesis and inherent dichotomy between country-specific advantages and firm-

specific advantages (Hennart, 2012), they are less likely to adequately explain the behavior of EMFs. Although recent studies have striven to make internalization theory more dynamic and more behavior-oriented (Buckley et al., 2018; Verbeke & Kano, 2015), they tend to overlook spatial and temporal dimensions (Beugelsdijk, McCann, & Mudambi, 2010; Iammarino & McCann, 2013). In addition, as these theories view transaction costs and factor markets as primary explanatory variables, they are characterized by static analyses (Schotter, Mudambi, Doz, & Gaur, 2017), without looking into dynamic contextual influences (Child & Marinova, 2014).

Next, we rethink the stages model (Johanson & Vahlne, 1977, 2009). Its focus on uncertainty reduction and experiential learning is divorced



from the contextual embeddedness of EMFs (Xu & Meyer, 2013). Although its longitudinal nature is consistent with process analysis, the model stresses a gradual move from one stage to the next in a fixed pattern, thus failing to account for the leapfrogging of EMFs in their international expansion (Peng, 2012).

Having said that, we cannot deny that these IB theories shed considerable light on why and how EMFs internationalize. Our main point is that to the extent that research remains grounded in these core theories, there is a reduced chance to address and generate new questions that are consistent with the issues we have surfaced in our problematization. We think it is important for researchers to consider alternative lenses because of the long-accepted premise that the strategic orientation of EMFs is different from that of DMFs (Luo & Tung, 2007; Peng, 2012). For instance, relative to DMFs, EMFs are more likely to invest abroad to secure strategic assets generated abroad to support their domestic operations (Deng, 2009; Madhok & Keyhani, 2012; Zheng et al., 2016). Consequently, as described previously, Chinese mining firms are perceived to be likely to leverage OFDI to wield political influence, thus escalating national security concerns as well as the legitimacy hurdles that they must overcome in the host country. Additionally, the domestic contexts of EMFs, which can often be linked to state capitalism, have sufficient contextual meaningfulness to challenge some assumptions of mainstream theories (Kurlantzick, 2016; Sun et al., 2015).

In the current research dialogue, many researchers believe that refining mainstream theories suffices to explain the emergence and behaviors of EMFs (Ramamurti, 2012). Specifically, scholars have argued that existing theories need to be revised by incorporating boundary conditions that speak to the peculiarities of EMFs (Hernandez & Guillen, 2018; Verbeke & Kano, 2015). The studies in Table 1 put an emphasis on contextualizing extant theories by adding new variables or drawing on prior concepts to validate specific propositions, but rarely have these studies focused on new theory development.

In addition, the research domain is dominated by cross-sectional studies. Nearly 80% of the studies are quantitative (Alon et al., 2018; Luo & Zhang, 2016). This methodology is at odds with what we need to do to improve research on EMFs. Deductive methodologies are designed to refine theory rather than question assumptions (Alvesson & Sandberg,

2013), potentially hindering scholars from finding new ways of thinking about EMFs and tackling emerging problems (Nadkarni et al., 2018).

In the next section, we describe how a geographic relational perspective can help to address some of the issues we believe to be important to advance research on the internationalization of EMFs. We show how this geographic relational approach meets the three requirements (multifaceted contextual influences, process thinking, and micro-level analyses), and thus better accounts for internationalizing EMFs. In doing so, we focus on the context-sensitivities of EMF internationalization, which is conceptualized as emergent interactions with daily micro-activities and socio-organizational dimensions. Our geographic relational approach provides us with opportunities to offer new insights by challenging taken-for-granted assumptions.

A GEOGRAPHIC RELATIONAL PERSPECTIVE

Leveraging insights from research on foreign investment, social networks, and organization studies (Bathelt, 2006; Bathelt & Gluckler, 2003; Jones, 2014; Jones & Murphy, 2011; Yeung, 2005), a geographic relational perspective integrates a micro-approach and a macro-scale phenomenon on human action in a spatial dimension (Storper, 1997; Wenger, 1998). It posits that an economic agent acts “according to particular economic and non-economic goals and strategies, as well as feelings and emotions” (Bathelt, 2006: 229). This perspective contends that a firm’s strategic actions are motivated and constrained by their institutional and social relational context (Gluckler & Doreian, 2016; Yeung, 2005).

We argue that this geographic relational approach can satisfy the three requirements we surfaced through problematization. It also adds new dimensions to help understand EMF internationalization. Specifically, we are in a better position to unpack the location dimension of the eclectic paradigm (Dunning, 1993) into “place” and “space” (Beugelsdijk et al., 2013). Place refers to the geographic unit of analysis and is not limited to the country level, whereas space refers to characteristics that generate variation and heterogeneity across places (Beugelsdijk et al., 2010; Iammarino & McCann, 2013). Considering spatial moves as both a within-country and across-country phenomenon that influences business behaviors, we can offer a nuanced view of internationalization as a nonlinear, processual phenomenon involving both local



and global dimensions (Beugelsdijk & Mudambi, 2013).

A geographic relational perspective argues for an upward causal process that identifies how bottom-up actions are translated into institutional routines (Bathelt & Gluckler, 2014). Relational approaches have been used to explain various socio-economic and management issues, including innovation performance (Beugelsdijk, 2007; Floysand & Jakobsen, 2011), knowledge production (Faulconbridge, 2007), entrepreneurship (Yeung, 2009), and technology upgrading (Hansen, Fold, & Hansen, 2016). Studies using a relational lens empirically have covered a wide range of topics: foreign market entry (Gluckler, 2006), global value networks (Gluckler & Panitz, 2016), location choice (Karreman, Burger, & van Oort, 2017), dynamic interorganizational relations (Henderson & Alderson, 2016), and multi-level social ties and interactions (Brailly, 2016; Kemeny, Feldman, Ethridge, & Zoller, 2016).

A geographic relational approach's emphasis on both interpersonal and interorganizational networks as an integral part of a firm's resources and capabilities has implications for how we conceive of EMFs in their cross-border activities (Gluckler & Doreian, 2016). Based on a relational logic, a greenfield investment, for example, can be conceptualized as simultaneously pursuing goals for asset augmenting and asset exploitation (Kedron & Bagchi-Sen, 2012). Meanwhile, M&A deals can be conceived as linkages in corporate networks, with some deals emerging from social interactions (Hansen et al., 2016). This understanding of social context is expressed through the sequential organization of interactions in international processes, providing opportunities to expand conceptions of EMF internationalization.

A geographic relational approach is characterized by how actors interact with each other in multiple ways and through multiple processes that change their boundaries and their roles (Iammarino & McCann, 2013; Jones & Murphy, 2011). In drawing attention to changing boundaries, this lens highlights a key aspect of EMF internationalization, namely, how internationalization changes the scale and scope of the territory covered by an EMF. Put differently, situated in particular contexts of social relations, EMFs need to adapt to new environments and accommodate differences when home-country and host-country business practices diverge. Therefore, studying EMF internationalization through a geographic relational lens involves paying attention to what it means to align EMF domestic logics

and routines with international activities (Faulconbridge, 2007).

In addition, internationalization typically involves multiple recurring interacting processes, rather than a single process. As such, the foreign entry of a firm at one time is expected to impact subsequent decisions (Kedron & Bagchi-Sen, 2012; Qian & Delios, 2008). International activities associated with high levels of uncertainty when moving across space and territories are subject to locally embedded influences, and long adjustment periods.

Overall, viewing an EMF as a relational social and economic network provides a different conceptual perspective from existing theories. A geographic relational approach emphasizes the interplay of EMF internationalization with multiple social, economic, and territorial contexts that constrain and enable actions. Additionally, due to historical legacies and cultural discourses and narratives, EMFs that venture abroad are embedded within the pluralistic contexts where such internationalization arises (Mutch, 2016; Verbeke & Kano, 2015). For example, for internationalizing EMFs, their greenfield investments are likely to be tied to specific social ties and local contexts (Karreman et al., 2017), while M&A deals can be understood as multi-level networking, with the subsequent interorganizational links leading to information sharing between the acquired and acquiring firms and their local communities (Brailly, 2016).

Our basic contention here is that a firm's routines are shaped by its past experiences. The use of spatially embedded routines and behaviors is historically grounded in the context in which they emerged, constituting a path-dependent nature of firm actions (Martin & Sunley, 2006). The disadvantages of the home-country environments in which EMFs operate become particularly apparent when they enter developed markets (Kalasin, Dus-sauge, & Rivera-Santos, 2014; Madhok & Keyhani, 2012). As EMFs increasingly straddle multiple social domains that impose different and often incompatible expectations, they need to somehow align their strategies and practices with seemingly incompatible logics (Greenwood, Raynard, Kodeih, Micellota, & Lounsbury, 2011). Relational actions are motivated by a broad set of stakeholders including rivals, customers, governments, and societies, which imply a complex set of social, ideological, and economic logics (Balogun et al., 2014).

Furthermore, a geographic relational lens is based on emergent outcomes from the bottom up and



treats relations as episodic, with varying configurations of relations coalescing around different issues (Bathelt & Gluckler, 2003). In this sense, firm decisions serve as a starting point for a bottom-up approach comprising four interrelated steps: (1) identifying relational actors inside and outside the firm (Gluckler & Doreian, 2016); (2) determining the nature of their relations (Yeung, 2005); (3) analyzing sources of relational power (Yeung, 2005); and (4) examining how the relational actors themselves are interconnected (Gluckler & Panitz, 2016).

In summary, our research focus is on the emergence or the “becoming” that ensues from these processes, and on explaining this emergence of an international firm in terms of relational systems and actors, and their recurrent context-relevant patterns of interaction (Abdelnour et al., 2017; Gluckler & Panitz, 2016). The unit of analysis is an actor’s networks, relationships, and interactions (Gluckler & Doreian, 2016; Yeung, 2005). By looking into the processes connected to these relations in the context of influences on internationalizing EMFs, we can uncover the role of historically and spatially orchestrated activities along EMFs’ global value chains. In so doing, we can reveal underexplored dimensions in the internationalization process that connect to networks, relationships, and underlying micro-processes.

NEW RESEARCH QUESTIONS FROM A GEOGRAPHIC RELATIONAL MODEL

Model

Figure 1 provides a conceptual model on internationalizing EMFs, as developed under geographic relational logics. It highlights three distinct but intertwined relational tenets that reinforce and build upon each other over time: (1) contextuality, (2) path dependence, and (3) practice. Each relational tenet fosters the generation of new research questions on EMFs as they cope with the weaknesses and opportunities identified in our review. In Table 3, we summarize the impact that each of the three relational building blocks can have on EMFs and their internationalization, which also leads to our suggestions for numerous novel research questions.

These three building blocks are closely intertwined and deeply grounded in geographic roots, especially in their emphasis on understanding the multifaceted contextualities of the home-country

and host-country contexts for EMF internationalization. Specifically, the novelty that each of the relational tenets and their combination brings to EMF research lies in the fact that we focus on the emergence or the “becoming”, which ensures from the internationalization processes of EMFs. Research on contextuality allows a strong elaboration on how strategic decisions to invest overseas are inherently linked to multifaceted contextual influences and routines (Bathelt & Gluckler, 2003). The path-dependent logic helps us understand connections between historical legacies and ongoing social and economic relations from a process perspective (Martin & Sunley, 2006). Analyses of practice extend these points to the social and political micro-processes of EMF internationalization and denote a close linkage with the strategy-as-practice literature (Jones & Murphy, 2011; Vaara & Whittington, 2012). Research opportunities also stem from investigating how newly intersecting players cross heterogeneous geographic boundaries and how these processes vary across different networks of EMFs.

While EMFs are consistent with DMFs in terms of most of their strategies and behaviors, EMFs also have some relatively unique contextual and organizational aspects: (1) weak domestic institutional settings, (2) strong governmental influences, (3) a status as MNCs experiencing early-stage internationalization, (4) a lack of superior technological and managerial resources, and (5) close ties to the location of their origin (Deng, 2012, 2013; Marquis & Raynard, 2015; Peng, 2012; Stevens et al., 2016). The implications of these unique aspects remain underexplored empirically in existing IB theories (Alon et al., 2018; Luo & Zhang, 2016; Poulis & Poulis, 2018). We position the three relational building blocks as being well equipped to account for and then theorize about the influences that these factors have on EMF internationalization (see Table 4). Also, by clearly specifying operationalizable variables for quantification and empirical testing, a geographic relational perspective offers a theoretically distinctive and analytically tractable approach (Brailly, 2016; Gluckler & Panitz, 2016; Karreman et al., 2017; Kemeny et al., 2016).

Contextuality

Contextuality means that “economic agents are situated in contexts of social and institutional relations”, with “action as being embedded in specific contexts” (Bathelt & Gluckler, 2003: 128).

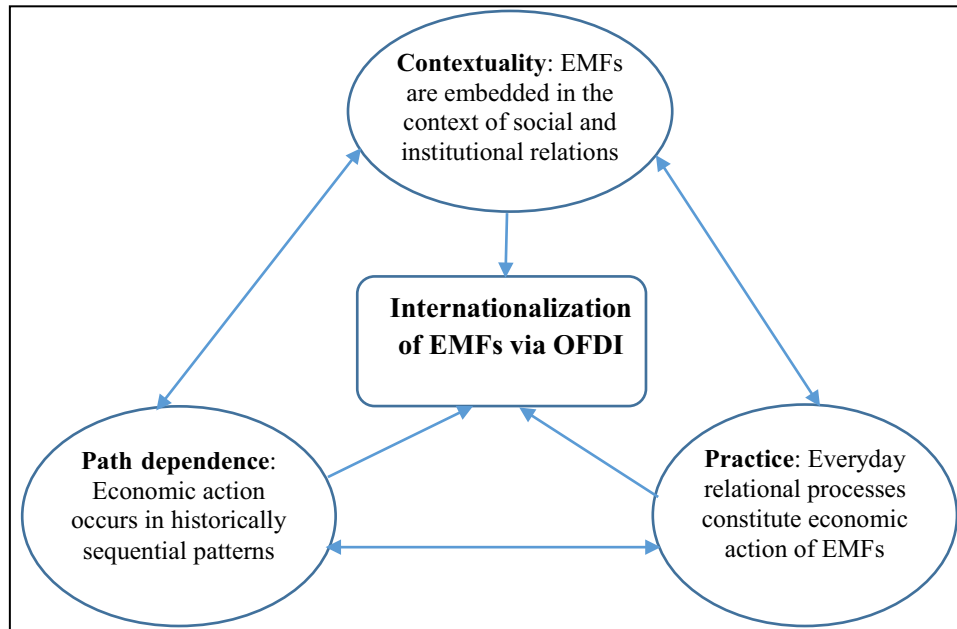


Fig. 1 A geographic relational model of the internationalization of EMFs.

Actors are proactively involved in the construction and reconstruction of institutional resources within and across national contexts (Abdelnour et al., 2017). These actions are overlain by the temporal and spatial dimensions of context (Autio, Kenney, Mustar, Siegel, & Wright, 2014).

Given the heterogeneity of firms, international expansion means that EMFs act in multiple contexts of social and institutional relations. It is through the contextualization of interpretative schemes and interaction patterns that the internationalization of EMFs is decomposed into a series of relational actions, rather than a single event. This sense-making process (Balogun et al., 2014; Whittle et al., 2016) reshapes their organizational and institutional contexts (Clegg et al., 2018). For instance, greenfield investments by an EMF are motivated not only by its resources, but also by its connections to specific social networks in local institutional contexts (Henderson & Alderson, 2016; Karreman et al., 2017). As nascent MNCs, EMFs initially lack outward-oriented business networks and intermediaries for gathering, analyzing, and disseminating intelligence about global markets (Casanova & Mirox, 2017; Li, Yi, & Cui, 2017). When investing in locations connected to migrant communities and ethnicity-based social and business networks, EMFs can approach culturally astute individuals, who are able to interpret local idiosyncrasies and establish legitimacy for EMFs (Karreman et al., 2017).

In the same vein, due to different levels of home-country governmental influence and state ownership, EMFs differ in their motives for internationalization. Bridging from delegation game arguments (Jansen, van Lier, & van Witteloostuijn, 2007; van Witteloostuijn, Brakman, & Marrewijk, 2007), we know that the home context can have far-reaching consequences for market-level competition and firm-level strategy. Following this line of thinking regarding the origins and developmental trajectories of EMFs, and connecting to our earlier points about the need to deepen understanding of the home-country roots of EMFs, research needs to explore the consequences for internationalizing EMFs of differing home-related motives to internationalize. The M&A context can be particularly suited to this path of inquiry, as M&As involve diverse socio-economic relations that can be seen in a complex interplay of macro-level politics and micro-level negotiations between acquirers, targets, and stakeholders (Geppert, Becker-Ritterspach, & Mudambi, 2016).

As an EMF acts in complicated environments, research opportunities can be identified by understanding how contextual relations are developed and processed over time and space. To capture the essence of the sense-making processes concerning how EMFs learn and grow through interactions with business networks and local communities (Hong, Snell, & Mak, 2016), we need to understand

**Table 3** New areas of research from a geographic relational perspective

Relational tenets	Possible impact	New research questions
Contextuality	<p>Need contextual intelligence to capture the essence of symbolic interaction and sensemaking processes</p> <p>Temporal and spatial dimensions of contexts at multiple levels indicate not a single event but a series of actions in internationalization</p> <p>Entry strategies emerge as a complex interaction of institutions and politics at a macro-level with negotiations and experimentations at a micro-level</p> <p>Narrative analysis as an effective way to build legitimacy, mobilize resources, and cope with emergent events</p> <p>Role of heuristics in describing emerging contexts and make cognitive judgments</p>	<p>Given different phases of internationalization with changing contexts over time and space, how do EMFs expand to other contexts?</p> <p>As knowledge is bound to people, how do an EMF's individuals act and interact with one another to foster knowledge flow and transfer?</p> <p>How can EMFs craft narratives to generate legitimacy and alter their narratives for emerging events and interactions with actors?</p> <p>How does contextual temporality influence EMF ecosystems and social and business networks?</p> <p>How do macro-institutions impinge upon the effectiveness of regional initiatives for FDI?</p> <p>In which ways are EMFs influenced by heuristics? How does a change in heuristics influence resource mobilization and coordination?</p>
Path dependence	<p>FDI occurs in historically sequential paths; locations are tied to different sources and mechanisms of dependence</p> <p>A wider geographic scope leads to the change of an EMF's community and a shift in its community and heritages</p> <p>Path dependence is experience-based, cumulative, and reflexive in nature</p> <p>Relationships between different types of organizational identities and adaptation are tied to local and changing territory</p> <p>EMFs within their respective contexts develop over time from historical patterns and processes</p>	<p>What processes facilitate and hinder a shift in an EMF's community and heritages?</p> <p>Why and how does a given FDI pattern emerge and also how is it connected to certain societal consequences?</p> <p>How does path dependence involve different spatial scales and effectively combine path-creation forces for co-evolution and interaction?</p> <p>How do EMFs that remain closely tied to the location or territory of their origin reorganize their learning processes? How does identity adaptation vary with place and space?</p> <p>How are EMFs' routines reassembled across space and how do they affect socially constructed beliefs, norms, and relations?</p>
Practice	<p>Higher-order phenomena are enacted, reproduced, and transformed through actions in "doing" business every day</p> <p>Possibility to create new paths for EMF internationalization as a dynamic process</p> <p>Need to incorporate outsider managers to shorten a position-building process</p> <p>Interplay of political issues and power shift processes in internal network of EMFs and in external geopolitical sphere</p> <p>Practice shifts the role of EMFs from decision-maker to network partner</p> <p>Role of well-connected brokers within regional networks or intermediators to access knowledge and enhance learning</p>	<p>Why and how is it possible to create new paths even if history matters?</p> <p>How are EMF logics and routines rebuilt with multiple and overlapping shifts through a position-building process in foreign markets?</p> <p>How do coordination and control mechanisms change when transitions from a hierarchical to network logic of interactions are political?</p> <p>How may border-spanning relationships of EMFs exhibit status orderings based on socially constructed meanings of trust and position?</p> <p>How do EMF managers become affiliated with well-connected intermediators within regional networks or brokers to leverage local social capital and networks in host countries?</p>

areas beyond institutional contexts, including "aesthetic preferences, attitudes toward power, beliefs about the free market, and even religious differences" (Khanna, 2014: 61).

As contexts change over time, there are different phases and dimensions in the internationalization process. Accordingly, a spatial dimension of

internationalization is associated with the spatial concentration of institutions, policies, and social norms, which affect the mobility of EMFs across regions with different social networks (Hotho & Saka-Helmhout, 2017). For instance, the processes initiated by experienced EMFs may shift local institutions and cultures, leading to the creation of an overseas

**Table 4** EMFs' internationalization and responses in a geographic relational approach

Relatively unique aspects of EMFs	Unique characteristics of EMF internationalization	Responses in a geographic relational approach and its building blocks
Weak domestic institutional settings	<p>EMFs are likely to face high hurdles in establishing legitimacy when expanding to advanced economies</p> <p>Informal/non-market logics and indigenous routines and practices continue to operate even with EMFs' internationalization</p> <p>EMFs tend to replicate business routines and continue with their existing cognitive and behavioral patterns even when expanding overseas</p>	<p>Contextuality: Bonding to higher levels of governance can signal quality of credibility and remedy negative images</p> <p>Path dependence: Analyses can explore how EMFs alter their established routines to set them on path-breaking changes</p> <p>Path dependence: Research may help understand how to effectively combine path-dependence and path-creation forces for the necessary adaptation</p>
A strong influence of the government	<p>Differences in governmental influences and state ownership mean that EMFs often differ in their motives to internationalize</p> <p>EMFs tend to have power structures that are asymmetric in favor of headquarters and a hierarchical logic of interaction</p> <p>EMFs are vulnerable to geopolitical competition and domestic political pressures, particularly in advanced nations</p>	<p>Contextuality: Research can examine how the home context yields variance in EMFs' processes of internationalization</p> <p>Practice: Helps explore how the transition from a hierarchical to a network architecture is political and affects power shifts</p> <p>Practice: Opens up questions on the political context and role of politics, e.g., subsidiaries as a specific site of micro-political contests</p>
Nascent MNCs at an earlier stage of internationalization	<p>Greenfield investments of EMFs are closely tied to specific social networks and local institutional contexts due to lack of experience</p> <p>EMFs tend to rely more on heuristics to make judgments on how to internationalize and make foreign entry decisions</p>	<p>Contextuality: Investing in the locations connected to ethnicity-based social and business networks can alleviate the impediments to their FDI</p> <p>Contextuality: Better describe how emerging contexts affect the heuristics as well as the cognitive aspects of managerial behaviors and judgment</p>
A lack of superior technological and managerial resources	<p>For strategic asset-seeking investments, EMFs are often driven by organizational learning and knowledge accumulation</p> <p>Foreign subsidiaries often serve as a source of knowledge transfer back to the headquarters and network to develop new products and services</p>	<p>Path dependence: Helps analyze how home-country effects and domestic political connections continue to have impacts on EMFs' foreign investments</p> <p>Practice: Social community building can foster intra-firm ties and reduce the host-country's concern on reverse knowledge transfer</p>
Close ties to the location of origin	<p>EMFs tend to acquire and bring advanced technologies and brands back and bundle domestic assets to upgrade domestic operations</p> <p>EMFs and their leaders typically have close regional ties at home but weak network linkages beyond their home base</p> <p>An EMF's community shifts from a national level to an international level, influencing its existing resources and home-country effects</p>	<p>Path dependence: Analysis can streamline EMFs' global value chain activities and leverage the dual advantages of global resources and home-market's power</p> <p>Practice: Explore how to capitalize on local institutional support and outsiders to reduce culture differences and benefit network ties</p> <p>Path dependence: Explore the processes that facilitate and hinder shifts in EMFs' community and heritages as well as their learning paths</p>

environment that encourages more FDI by EMFs (Autio et al., 2014; Li et al., 2017; Sun et al., 2015). Additionally, narrative approaches focus on how organizational processes create situation-specific stories that legitimize firms' actions, enabling a micro-level analysis of the social interactions through which

strategies are created and implemented (Balogun et al., 2014; Drori & Honig, 2013).

As such, storytelling and narrative approaches can be used to understand EMF internationalization by taking into account the institutional settings in which EMFs are rooted. EMFs typically face high hurdles in establishing legitimacy in host



countries (Hu, Cui, & Aulakh, 2019; Kalasin et al., 2014). With an increasing geographic scope, EMFs have to deal with an ever-increasing portfolio of institutional environments. Hence, they may devote themselves to develop better corporate governance and auditing mechanisms to demonstrate their credibility. These steps can help to address negative perceptions due to their weak domestic institutions. As EMFs communicate with diverse stakeholders about their investments, different narrative elements allow them to contextualize their internationalization (Riad, Vaara, & Zhang, 2012). Accordingly, we need to understand how EMFs craft narratives to build legitimacy for their investments and alter their narratives to cope with emergent events (Child & Rodrigues, 2011; Whittle et al., 2016).

Furthermore, given the fact that the temporal dimension of organizational contexts develops over space, we can explore the influence of board of directors on internationalizing EMFs. We can also examine how contexts influence the configurations of EMF ecosystems through social networks involving customer, supplier, and service relations. A chronological analysis of how these social ties evolve can yield insights into the dynamics of EMFs' ecosystems (Hernandez & Guillen, 2018). For example, we can explore why in similar social networks FDI by one set of EMFs can decline and stop, whereas FDI by another set of EMFs can rise and thrive. From a host-country's policy standpoint, this form of analysis seeks to understand which FDI policies are effective given the context, and who is the appropriate actor for implementing them.

Integrating both economic and social insights, a geographic relational perspective also highlights that the questions themselves are contextual. As EMFs typically do not have much international experience initially (Deng, 2012; Zhou, Wu, & Luo, 2007), they often rely on heuristics to make judgments about contextuality and create narratives for themselves and for other stakeholders to develop legitimacy (Drori & Honig, 2013; Stevens et al., 2016). Hence, we need to better describe how emergent contexts affect the heuristics that EMF managers employ to understand and cope with host-country uncertainty. By extension, we would also expect that context influences the cognitive aspects of firm behavior and managerial judgment about whether and how to mobilize and coordinate resources (Maitland & Sammartino, 2015; Whittle et al., 2016). Clearly, specific contexts vary in their

munificence regarding specialized resources and their amenability to mobilization. Scholars understand this intuitively, but deeper contextual analysis is warranted.

Given these contextual nuances, an institution-based view (Meyer & Peng, 2016; Peng et al., 2008, 2009) alone cannot foster a sufficiently multifaceted contextual understanding of EMF internationalization. A geographic relational perspective can complement the institution-based view by shifting space to the forefront of the research agenda. A geographic relational perspective, whether in isolation from or in combination with other theories, can add significant value to context-related research on EMF internationalization.

Path dependence

Path dependence holds that "the choices one faces for any given circumstance are affected by related decisions made in the past, even though past circumstances may no longer be relevant or operative" (Peng, Ahlstrom, Carraher, & Shi, 2017: 895). Path dependence reflects the notion of institutionalization and imprinting, indicating historical patterns of specific micro-level events (Martin & Sunley, 2006; Mutch, 2016). As a path-dependent sequence is one whose outcome evolves due to its own history, different investments in a particular region are likely to be subject to different mechanisms of dependence (Sunley, 2008).

EMFs' initial sources of advantages are tied to their home market. Their brands, for example, have limited competitiveness beyond the home market (BCG, 2016; Casanova & Miroux, 2017; Yamakawa et al., 2013). When expanding abroad, EMFs are likely to acquire technologies and upgrade home operations via combining acquired technologies overseas with complementary domestic assets (Fu, Sun, & Ghauri, 2018). In this sense, path-dependence analysis helps to streamline EMFs' global value chain activities and leverage the dual advantages of global and domestic resources (Deng & Zhang, 2018).

Path-dependence research can also add to our knowledge of the historical background of EMFs as connected to their FDI endeavors (Johanson & Vahlne, 2009; Peng, 2012). Due to weak domestic institutional settings, informal institutions and non-market arrangements can function as market-supporting institutions in emerging economies (Hu et al., 2019; Peng et al., 2008). Many local practices such as gift-giving and empathy are grounded in



the local context (Cuervo-Cazurra & Genc, 2008; Mutch, 2016). As overseas expansion is subject to path dependence, these practices may continue, but they may be inappropriate in advanced economies. Hence, EMFs need to alter their established routines and make path-breaking changes to them so that these routines work better in advanced markets (Kalasin et al., 2014; Peng et al., 2008). Taken in this manner, a geographic relational approach points to potential links between a path-dependence logic and core ideas in research on political action and social movements, which are viewed as effective tools for EMFs to legitimate their roles and contributions in host countries (Child & Rodrigues, 2011).

Economic and social processes are path-dependent because they follow the trajectory of past developments as connected to their social consequences (Mutch, 2016; Peng et al., 2017). Spanning geographic boundaries exposes EMFs to multiple layers of complexity and relations because they are increasingly linked to spatially complex inter- and intra-organizational networks rather than simply remaining tied to their origin (Kedron & Bagchi-Sen, 2012). These ecosystems are characterized by chains of activities orchestrated by EMFs as they disperse operations geographically (Iammarino & McCann, 2013). Focusing on the consistent effect of external institutional environments on the strategies and structures of EMFs, studies on path dependence can allow us to explore how firms capitalize on location-specific experience and learn to reduce the need for structural adaptations when making new investments.

With the growth of a firm's cross-border activities, an EMF's operating scope increases from a nation to multiple nations, which can challenge its sensemaking at home and its routines (Maitland & Sammartino, 2015; Mutch, 2016). Given the fact that many EMFs remain closely tied to their home country (Karreman et al., 2017), the processes that facilitate or hinder shifts in communities and heritages are relevant to future research. How do EMFs change their learning paths when venturing abroad, if domestic ties do not work overseas? How do they integrate strategic assets acquired in advanced economies with home-country assets, especially when reverse knowledge transfer requires changes in their structure and routines?

These questions relate to the point that internationalization often requires firms to learn how to adapt to local markets rather than solely reproduce existing cognitive and behavioral patterns. Given

the fact that the home countries of EMFs are often characterized by weak intellectual property rights protection and underdeveloped market-supporting institutions (Peng et al., 2017), adaptation will be challenging for EMFs labeled by a strong home-country-based organizational identity and routines. Managers may resist the necessary adaptation, thereby limiting foreign market learning. Hence, how EMFs effectively combine path-dependence and path-creation forces is a promising research question.

Adaptation is important because there is an opportunity to consider spatial aspects within new networks as connected to the dissemination of new ideas for EMFs (Beugelsdijk & Mudambi, 2013). Knowledge flows within EMFs may be different from those within DMFs (Chang, Gong, & Peng, 2012). Aside from the potential differences in processes, it is also important to understand these issues per se because learning is an important motivation of EMFs to invest overseas (Hansen et al., 2016; Peng, 2012). Since path-dependent behaviors can be driven by organizational learning, research on path dependence is pertinent to the foreign market entry decisions of EMFs (Fu et al., 2018). As for the dynamics of EMFs' strategic asset-seeking foreign investments, it would be interesting to analyze the influence of domestic political connections not only at entry, but also after entry. A firm's post-investment path (such as the failure, survival, and growth) is worth studying. In essence, relational factors not only influence the present contextuality of EMF internationalization, but also shape the future practice of foreign market operations (Kedron & Bagchi-Sen, 2012; Steigenberger, 2017). By highlighting the interdependence between the local ecosystem and a firm, path dependence establishes the importance of building resources and capabilities within local ecosystems to assist internationalization.

Furthermore, a widening geographic scope requires EMFs to establish and manage far-flung personnel, which increases the need to have host-country and third-country managers. Narratives associated with cross-border activities involve global and local storytelling (Riad et al., 2012). As such, we can examine how EMF narratives change as firms venture into more foreign markets, and then look at the processes that facilitate variations in organizational behavior and individual actions. For example, researchers can investigate how EMFs adopt learning-by-doing to explore how socially constructed beliefs (e.g., values and norms) are



affected when they recombine their domestic practices and routines across space (Chang et al., 2012). EMF researchers hence are well situated to shed light on adaption and routine repertoire issues because of the prominence of embeddedness and networks in their activities. Overall, as EMFs tend to be nascent MNCs, they provide us with rich opportunities to investigate how firms that are embedded in very different institutional regimes evolve into mature MNCs.

Practice

We define practice as “everyday relational processes that constitute economic action and hold communities or firms together within, and in relation to, particular geographic contexts, networks, institutional structures, power hierarchies, and/or spatial scales” (Jones & Murphy, 2011: 375). Industries and firms are organized through common social practices that legitimate, coordinate, and control organization activities (Wenger, 1998). Consistent with strategy-as-practice scholarship (Seidl & Whittington, 2014; Vaara & Whittington, 2012), research on practice complements existing explanations for how high-level systems (e.g., institutions, structures, and networks) are enacted, reproduced, and transformed through the everyday actions embedded in them (Alvesson & Spicer, 2019; Jones, 2014).

Taking a practice lens, we can demonstrate that history matters – but not in a purely deterministic way. It is possible to create new paths and view EMF internationalization as a dynamic process that people enact (Lounsbury & Crumley, 2007; Mutch, 2016; Poulis & Poulis, 2018). In particular, by demonstrating the bounded space of local managers or the local involvement of other individuals, practice offers a nuanced view on localization in EMF internationalization (Bjerregaard & Klitmoller, 2016). For instance, as social structures and shared meanings are transmitted through practice, mutually understood and agreed-upon practices help individuals create group cohesion and communications to recognize local concerns and manage differences (Jarzabkowski & Bednarek, 2018; Wenger, 1998).

An EMF is an unfamiliar actor in a new host market. Hence, we need to study foreign market entry more as a position-building process (Johanson & Vahlne, 2009). As the position-building process can lead to tensions and conflicts among key EMF stakeholders, an interesting avenue for research is to examine how EMF logics and routines are rebuilt in the process. Hence, we need to fully

recognize what kind of local forces generate localized complexity and specify what kind of behaviors and social capital EMFs can use to become locally embedded and gain local institutional support for their international growth. One practice that facilitates this process is to employ outsiders such as host-country stakeholders, legal experts, and investment-site specialists. Not suffering from a great deal of liability of foreignness, outsiders in host countries can reduce cultural differences and provide network advantages. EMF leaders typically have close regional networks but few ties beyond their home base. A leadership team that exclusively comes from the home country can be beneficial when EMFs focus on the home base, whereas a leadership team blending executives from home and host countries may be beneficial when EMFs pursue international expansion.

In addition, international expansion may lead to an increase in EMF-owned overseas firms, incurring additional questions regarding power shifts in EMFs. EMFs tend to have asymmetric power structures that favor power in headquarters, reflecting a hierarchical logic of interaction (Hu et al., 2019; Li et al., 2017). Transitioning from a hierarchy to a network architecture is highly political. It will be contested as it affects the statuses of key actors in positions of power in headquarters and in subsidiaries (Clegg et al., 2018; Lounsbury & Crumley, 2007). If an EMF transitions to a decentralized structure, how does this occur? How do coordination and control mechanisms change over time? What factors underlie the interplay of politics, power, and exchange procedures between the EMF’s internal business networks and its external ties? Also, internationalization shifts the focus from an EMF as a decision-maker to an EMF as a potential network partner (Shi, Sun, Pinkham, & Peng, 2014). Given the fact that organizations tend to engage in transactions with organizations of similar status with mutual trust, one avenue of research can be to examine the border-spanning relationships across EMFs according to status, as connected to the governance issues of EMFs in their international networks. These questions can be readily addressed using research grounded in a practice perspective.

Next, we can explore how the policy environment, political concerns, and other sources of uncertainty influence internationalization (Delios & Henisz, 2003; Stevens et al., 2016). Local firms and other stakeholders can perceive EMFs, especially those with state ties, as potential threats to



national security, thus stifling investment opportunities (Globerman & Shapiro, 2009; Witt, 2019). For example, in the 2010s, a growing number of Chinese FDI projects were being blocked in Western countries on grounds of national security (UNCTAD, 2018). Such anti-FDI sentiments grow with supra-national investment projects such as the One Belt and One Road Initiative (Witt, 2019). EMFs are vulnerable to geopolitical competition and domestic political pressures (Geppert et al., 2016). This opens a wide range of questions related to the political context (Witt, 2019). Which kinds of political strategy of EMFs work well and why? How can EMFs make full use of their function of securing jobs or use the threat of job cuts as sources of bargaining power to acquire political support in the host countries?

Practice can help us better understand firm and managerial behaviors in the context of political discontinuities (Beugelsdijk & Mudambi, 2013). Specifically, a subsidiary can be an arena for micro-political contests, as relations within the subsidiary are embedded in both the MNC and the local geopolitical contexts (Geppert et al., 2016). Detailing how to actively adapt to host-country public policy, practice-relational research can reveal how EMFs respond to institutional changes and build legitimacy over time. Although IB scholars have focused on political aspects of MNCs (Boddewyn, 1988; Stevens et al., 2016), the impact of these efforts on mainstream theory-building and research has been limited, especially when it comes to the micro-political dynamics within EMFs (Deng, 2013). For example, we can explore labor issues to better understand political dynamics, by addressing the question of how local labor relations trigger the relocation of jobs internationally (Weng & Peng, 2018).

To investigate these questions, we need contextual intelligence (Khanna, 2014) and also contextual variations of terms such as political hazards and experiential learning (Delios & Henisz, 2003; Muehlfeld et al. 2012). EMFs and their managers need to establish relations with well-connected brokers or intermediaries within regional networks to compensate for their inadequate experience due to their nascent MNC status (Kemeny et al., 2016; Shi et al., 2014). Lowering the costs of making connections and sharing ideas, well-connected local intermediaries can play brokerage roles in coordinating and influencing socially embedded economic relations.

Furthermore, due to their lack of novel technologies and managerial know-how, EMFs are motivated to access proprietary technologies in developed markets and serve as a source for new products and market developments (BCG, 2016; Fu et al., 2018). Yet, acquiring EMFs are often perceived as having less legitimacy than the acquired firms, leading to political backlash and resistance in developed markets (Casanova & Miroux, 2017; Globerman & Shapiro, 2009; UNCTAD, 2018). Therefore, when reverse knowledge transfer is a concern, what human resource policies of EMFs and internal governance procedures should be made to accommodate these concerns? How would these policies interact with the ability of EMFs to manage workforce diversity via cross-subsidiary coordination? Knowledge transfer operates under a system of social norms and interactions, which are embedded in idiosyncratic local environments and the acquired firms. Therefore, EMFs may focus on social community consolidation through mutual adaptations to foster intra-organizational knowledge flows. In an M&A, imposing the acquiring firm's dominant logic upon the acquired firm, which has the better technology, can be dysfunctional, leading to value destruction (Verbeke, 2010).

In sum, by focusing on explaining social phenomena in a processual way as accomplished locally by reflexive actors, the dimension of practice contributes to a geographic relational approach in terms of the questions it asks and the answers it provides (Jarzabkowski & Bednarek, 2018; Jones, 2014). Understanding practice requires both qualitative and quantitative analysis (Lounsbury & Crumley, 2007). In quantitative studies in this area, innovative methodologies are emerging. For instance, Gluckler and Panitz (2016) adopt generalized blockmodeling techniques for theorizing about the spatial context and the spatial mobility of interorganizational networks, as connected to deductive empirical testing. Meanwhile, Brailly (2016) uses exponential random graph models to vividly display important interdependences between individual and inter-organizational relations. Therefore, insights offered by a geo relational lens can help us to explore how the study of micro-processes lead to convincing explanations of EMF internationalization by linking micro-scale causes to macro-scale effects in an empirically tractable way.



DISCUSSION

Contributions

The literature on the internationalization of EMFs is an exciting one. We have learned much about EMFs from this literature, but we also think there is much more to learn about EMFs, especially given repeated observations on their relatively unique home-country contexts and international endeavors. To capitalize on the unique aspects that distinguish EMFs from DMFs, we suggest that researchers deviate from exclusively invoking mainstream theories as the conceptual foundation of their research on EMFs, because these theories were developed to explain phenomena related to DMFs. We propose an alternate theoretical approach that is grounded in the relational aspects of economic geography. We advocate such a geographic relational approach because it derives its conceptual inspirations from problematization that digs out what is overlooked in prior literature and builds theory based on what has been missing (Alvesson & Sandberg, 2011, 2013). Thus, a geographic relational perspective presents a good opportunity to develop new understanding on EMF internationalization.

In our view, at least two contributions emerge from our proposed approach. First, our geographic relational perspective enhances our understanding of EMFs by diversifying our knowledge base. We add to the novelty of studies of EMF internationalization with our ideas on how a geographic relational view can be a foundation for an EMF research agenda.

Addressing our first question – what is new? – this new theoretical approach is promising for three reasons. The first is that it provides a theoretical lens that is inherently processual. Focusing on processes is important because it directs attention to understanding “how and why things emerge, develop, grow, or terminate over time” (Langley, Smallman, Tsoukas, & Van de Ven, 2013: 1). The context of EMFs awaits a process research agenda because EMFs are at an early stage of internationalization, thus providing us with a rich opportunity to study how fledgling firms evolve into more mature MNCs over time. The second is that insights offered by a geographic relational approach can help us analyze how research on micro-processes can lead to more in-depth explanations of OFDI. As such, we can relate macro-scale outcomes to micro-scale causes. The third is that it helps us redirect research on the geographic nature of firms by

pointing to the importance of spatial variation that is present within countries (Beugelsdijk & Mudambi, 2013). Overall, a geographic relational lens is an important theoretical response to recent calls for expanded theories on EMFs (Buckley et al., 2017; Delios, 2017; Peng, 2012).

Our second contribution is that we open the door to new research questions by divorcing ourselves from discussions of EMF internationalization in the existing literature to offer a new theoretical framework that highlights complementary avenues for future research. We theorize on the impacts of the three geographic relational tenets on EMF internationalization: (1) contextuality, (2) path dependence, and (3) practice. We also advance new research questions associated with the organizational disruptions that EMFs face when investing overseas. In so doing, we identify opportunities in viewing the internationalization of EMFs as a relationship-building process embedded in multifaceted contexts overlain by temporal and spatial embeddedness. Situating EMF internationalization within multiple levels of context and integrating it with research on path dependence and practice, our geographic relational approach extends the strategy and IB literature by adding new dimensions, thus enhancing our knowledge of strategic decisions of EMFs and their evolution over time.

In summary, posing spatially informed theoretical and empirical questions to the context of EMF internationalization can develop distinctive insights. This statement captures the essence of our answer to our second research question: How does a geographic relational perspective help to answer questions that we cannot answer well with the established approaches?

Additional Research Avenues

Aside from what we have discussed, at least four other promising avenues for future research are worth noting. First, we have framed our ideas from the perspective of EMFs, but these ideas may also be applicable to other firms. For example, internationalization is likely to involve the destabilization of logics and routines in many kinds of MNCs, making the interdisciplinary dialogue between IB and economic geography relevant to non-EMFs.

Second, we concentrate on analyzing EMFs vis-à-vis DMFs as a whole and do not explicitly take into account the diversity of EMFs. Generally, research on the internationalization of EMFs has not emphasized within-EMF heterogeneity, but we believe the relational logic we develop here will



help to better identify how institutional settings, geographic power positions, and varying path dependencies will yield distinct development paths. To provide this kind of acuity to EMF research going forward, we believe the geographic relational perspective can provide better nuance in theory as drawn from the contexts in which EMFs are rooted.

Third, we do not differentiate entry modes. Given that greenfield investments differ from M&As in many ways (Deng & Yang, 2015; Dikova & van Witteloostuijn, 2007), future research may take a fine-grained approach to understand how different entry modes matter. Importantly, we can pay attention to how relational embeddedness shapes entry mode choices. We can also seek to understand how entry modes alter the application of the relational lens when we consider international and subnational spatial heterogeneity (Beugelsdijk & Mudambi, 2013).

Fourth, a geographic relational lens as applied to EMF internationalization can in turn contribute to the economic geography literature. This contribution can address the critique that IB researchers “have had little influence outside of IB” (Buckley et al., 2017: 1045).

CONCLUSION

A geographic relational perspective provides a theoretical basis for opening up new avenues of inquiry that explicitly take into account the distinct roles of contextuality, path dependence, and practice in the internationalization of EMFs. These three relational tenets are central to this approach’s ability to both critique and revitalize strategy-oriented studies on EMF internationalization. Overall, we add novelty to the IB domain by bringing space and process to the forefront of the EMF research agenda. EMF internationalization is one of the most intriguing areas in contemporary IB

research. We hope our research will mark a turning point for this emerging global phenomenon and lead to a more fruitful dialogue between IB and economic geography.

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NOTES

¹For definitional rigor regarding the internationalization of EMFs, we define it as “outward internationalization,” which is realized mainly through OFDI by EMFs, with cross-border M&As and greenfield investments as the two dominant entry modes (Deng, 2012; Luo & Tung, 2007; Peng, 2012).

²In the literature of EMFs’ internationalization, we acknowledge that micro factors are not completely ignored. There are case studies that have paid attention to micro elements of individual characteristics (Ge & Wang, 2013; Luo, Cacchione, Junkunc, & Lu, 2011). However, our geographic relational approach emphasizes the micro-level analyses that are mainly associated with actors’ networks, relationships, and interactions.

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