



## Introduction

# International knowledge flows in the context of emerging-economy MNEs and increasing global mobility



## 1. Introduction

With fast growth rates and an accelerated pace of economic development, emerging economies are not only attracting a large share of international investment, but their firms have also become major investors in the global marketplace, with established operations in both developed and developing countries. The increasing importance of emerging-economy multinationals (EMNEs) in the world economy offers an exciting research setting and has stimulated much research interest. The rapidly growing literature in this area has examined a variety of issues, including motivations, entry-mode selections, and location choices by EMNEs in comparison with developed-country MNEs (Cui & Jiang, 2012; Fleury & Fleury, 2011; Ghauri & Santangelo, 2012; Liu, Buck, & Shu, 2005; Lu, Liu, Filatotchev, & Wright, 2014; Luo & Tung, 2007; Matthews, 2006; Ramamurti & Singh, 2009; Wang, Hong, Kafourous, & Wight, 2012; Witt & Lewin, 2007). Numerous studies show that strategic asset-seeking is one of the most important motives for EMNEs, and OFDI has become a commonly recognized strategy through which EMNEs catch up with technological leaders and upgrade their innovation capability in order to compete for future leadership in both domestic and international markets (Awate, Larsen, & Mudambi, 2015; Cui, Meyer, & Hu, 2014; Deng, 2009; Lu, Liu, & Wang, 2011).

While existing studies have provided new insights into various issues relating to EMNEs and have enhanced our understanding of this phenomenon, we know little about how EMNEs achieve knowledge-seeking motives in the process of internationalization and what strategic assets have been sought by EMNEs. There is indeed a need to understand how EMNEs' unique characteristics and their home-country conditions shape international knowledge-seeking activities and knowledge flows when EMNEs venture abroad. In particular, there is a lack of empirical evidence on how cross-border knowledge acquisition takes place and whether this contributes to firm performance in the case of EMNEs.

This special issue fills this gap and presents a number of contributions by scholars on knowledge-seeking activities, as well as the means and outcomes of EMNEs' international knowledge flows. The researchers adopt different perspectives and research methodologies. In this introduction, we set the context for the special issue, suggesting that research on the international knowledge flows of EMNEs should incorporate the characteristics of EMNEs and their home-country conditions as well as global mobility, providing an overview of the papers included in the special issue, and highlighting possible directions for future research.

## 2. Unique characteristics of EMNEs and international knowledge flows

As EMNEs venture abroad, the world economy becomes more integrated than ever before, and the accelerated globalization has created unique opportunities and challenges for EMNEs. In particular, home-country environments and intensified globalization have served as a training ground for EMNEs regarding how to acquire external knowledge beyond their organizational boundaries. Emerging economies are characterized by fast rates of economic growth, dynamic competitive environments and unique institutional settings, and where the role of governments can be significant in enabling firms to build competitiveness at home and abroad, for instance through policy support or the provision of financial support for state-owned firms investing abroad (Cuervo-Cazurra & Ramamurti, 2014). As a result, emerging economy (EE) firms have benefited from their home-country environments to build unique competitive advantages, such as the ability to deal with price-sensitive customers and challenging distribution environments. They have also developed unique ways to learn and acquire new knowledge before investing overseas.

Many emerging economies, such as BRICS, have experienced fast growth and attracted a substantial amount of inward FDI. EE firms were exposed to foreign competition before venturing abroad, as they faced either direct competition from foreign MNEs operating in their home country or engaged in international competition through increased exporting and importing activities, or they had prior experience in direct business interactions with MNEs at home (Gentile-Lüdecke & Giroud, 2012). Through learning from, and competing with, well-established MNEs in their home country, EE firms have developed unique learning capabilities and accumulated knowledge regarding international operations (Lu et al., 2014). These contextual home-country factors have influenced EMNEs' knowledge-seeking objectives in their internationalization patterns and enabled them to form a solid foundation in managing international knowledge acquisition when venturing abroad. Partly because of these unique characteristics, studies suggest that EMNEs tend to have knowledge-acquiring strategies that are different from their developed-country counterparts; the latter aim to exploit ownership advantages abroad instead of knowledge exploration, although the balance between resource/knowledge-seeking and market-seeking strategies also depends on other factors, such as the level of economic development of

the home economy, as demonstrated by [Hoskisson, Wright, Filatotchev, and Peng \(2013\)](#).

There are two main characteristics of knowledge-seeking activities associated with EMNEs. First, knowledge-seeking strategies abroad are often linked to the catch-up strategies which characterize many EMNEs. To achieve competitive catch-up, EMNEs tend to use rapid entry modes such as merger and acquisitions (M&As), which represent the quickest way to acquire knowledge assets abroad. Thus, the pace of knowledge flows in EMNEs may be faster than that of MNEs from developed countries. EMNEs also target developed countries that offer new knowledge, different business models and best practices, and use a variety of approaches to manage knowledge transfer at the post-entry stage.

Second, in contrast to traditional MNEs, EMNEs lacking strong firm-specific advantages are less likely to transfer knowledge and expertise to overseas operations. Their own absorptive capacity is still essential in raising their potential to learn and absorb knowledge sourced abroad. As a result, it is likely that the balance between knowledge exploration and exploitation in the process of internationalization differs for EMNEs compared with well-established MNEs. The 'high road' adopted by many acquirers from emerging economies, where target companies are initially granted more autonomy, reflects their lack of international management experience and capabilities ([Peng, 2012](#)).

Overall, therefore, home-country advantages, the related unique characteristics of EMNEs and in particular the role of M&As as knowledge-seeking strategies, as well as the potential advantages drawn from previous interaction with established MNEs, represent fertile ground for research on the international knowledge flows of EMNEs. Much remains to be explored regarding the extent to which EMNEs are successful in learning and acquiring knowledge through the M&A entry mode, and the mechanisms, systems and rules adopted to absorb and utilize such knowledge.

### 3. Global mobility and EMNEs' knowledge acquisition

The intensified process of globalization has been accompanied by a significant increase in human mobility ([Docquier & Rapoport, 2011](#)). The number of international migrants increased from 75 million in 1960 to 214 million in 2010 ([United Nations, 2010](#)). This implies that an increasing number of individuals constitute a culturally diverse workforce embedded in multicultural contexts ([Brannen & Thomas, 2010](#)). Emerging economies have attracted a large number of returnees who, having moved to foreign countries in the past, are now returning to their home country after several years of education and business experience abroad ([Liu, Lu, Filatotchev, Buck, & Wright, 2010](#)). This increasing trend of global mobility may have profound implications for the international knowledge flows of EMNEs. While recent research in cross-cultural management has highlighted the importance of employees with a multicultural background ([Brannen & Thomas, 2010](#); [Fitzsimmons, 2013](#); [Hong, 2010](#)), this line of research has not been extended to the domain of international knowledge flows ([Liu, Gao, Lu, & Wei, 2015](#)). In particular, we know relatively little about how international migrants with a multicultural background affect the international knowledge flows of EMNEs and whether such knowledge flows differ from those of developed-country MNEs in the presence of global mobility ([Cui, Li, Meyer, & Li, 2015](#); [Gao, Liu, & Zou, 2013](#); [Liu et al., 2010](#)). There is a lack of empirical evidence as to whether, and how, highly-skilled migrants such as returnees help enhance knowledge learning and transfer when EMNEs operate in host countries. This omission limits our understanding of the international knowledge flows of EMNEs.

The increasing number of highly-skilled migrants provides a unique opportunity for EMNEs to tap into a diverse workforce and

utilize the advantages of returnee migrants. It is also cost-effective for EMNEs to recruit returnees who have already been exposed to different organizational and national cultures and can more readily be embedded in a multicultural context, since there may be less need to provide multicultural training, and the time needed to accumulate international experience is reduced. As a result, there are several advantages associated with international migrants in terms of international knowledge flows.

First, highly-skilled migrants were exposed to internationalization strategies and practices while they studied or worked abroad. Consequently, these migrants may act as a channel for knowledge and institutional diffusion, thus facilitating their firms' knowledge acquisition. In this regard, the extent of international knowledge flows not only depends on organizational structures, but also on the special characteristics of managers and employees, including their international experience and cultural background. Managers with an international background are able to accumulate human and social capital, leading to industry and management know-how in international markets. Previous experiences, capabilities, knowledge and learning mobilized by highly-skilled migrants may enhance EMNEs' learning capability when operating abroad ([Cui et al., 2015](#); [Liu et al., 2010](#)). Highly-skilled migrants are likely to apply and diffuse the prior episodic knowledge and work experience obtained when studying or working in foreign countries to a new institutional context. Therefore, these individuals may act as enablers who facilitate international knowledge transfer between local firms and EMNEs in host countries. Many recent internationalization cases of Chinese and Indian firms were led by returnee top executives. These returnee CEOs represent a new source of international knowledge flows and help leverage EMNEs' competitive advantage accumulated through learning at home. The international experiences of highly-skilled migrants, to some extent, help compensate for the lack of experiential knowledge and overcome the liability of newness and foreignness in achieving EMNEs' knowledge-seeking motives abroad.

Second, it is well documented that acquiring new knowledge across international boundaries is a complex process, especially when knowledge receivers and senders are embedded in different cultural and social contexts in which knowledge is developed and exchanged ([Buckley, Clegg, & Tan, 2006](#); [Harzing & Feely, 2008](#)). Thus, highly-skilled migrants with a multicultural background help overcome cognitive barriers to knowledge flows and enhance the effectiveness of knowledge acquisition. In particular, highly-skilled migrants' cultural background and language skills help them to engage with local counterparts more effectively than those without such a background. These individuals may act as boundary-spanners and help facilitate knowledge flows ([Liu et al., 2015](#)).

Lastly, highly-skilled migrants with language and cultural competencies can facilitate the building and maintaining of trust with local counterparts and act as bridges between local firms and EMNEs ([Liu et al., 2015](#)). In particular, understanding local cultures and norms, as well as the institutional environment, enables highly-skilled migrants to draw on local technological and marketing knowledge more effectively than those without ([Cui et al., 2015](#)). Cultural advantages associated with highly-skilled migrants enable them to build a solid foundation for knowledge transfer, thus contributing to effective knowledge learning. Our discussion suggests that incorporating increasing global mobility into the domain of international knowledge flows will help shed new light into the special features of EMNEs' learning and knowledge acquisition.

To summarize, recent research points to the unique characteristics of EMNEs in the context of a more integrated world economy; this raises questions regarding EMNEs' cross-border knowledge flows, and represents an opportunity to advance existing

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