



# Temporal and Spatial Constructs in Service Firms' Internationalization Patterns: The Determinants of the Accelerated Growth of Emerging MNEs

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## ABSTRACT

The recent years have witnessed an unprecedented surge of Emerging Multinational Enterprises (EMNEs), i.e. firms from the emerging economies that have started internationalization very late and have expanded abroad in a rather accelerated fashion.

In particular, pace and international diversification emerge as distinctive features of service EMNEs' successful internationalization patterns, inducing scholars to question the applicability of traditional internationalization theories to EMNEs. The Linkage–Leverage–Learning (LLL) Model and the springboard perspective identified some of the critical EMNEs uniqueness and investigated potential antecedents of their abnormal patterns. Nevertheless, previous contributions neglected to provide a solid empirical base for measuring spatio-temporal dimensions of EMNEs' internationalization.

This paper aims to empirically investigate the dimensions affecting the pace at which EMNEs enlarge their geographic scope, by performing OLS regression analysis.

The main outcomes demonstrate the crucial role of cumulative benefits from inward internationalization and inter-regional diversification strategies in boosting EMNEs' overseas expansion, in opposition to traditional MNEs (TMNEs). The results corroborate some assumptions of emerging theories on EMNEs, and provide insight for extending traditional MNEs theories by rethinking concepts, relations and causalities.

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## 1. Introduction

Since the 1990s, the global competitive environment is growingly populated by multinational enterprises (MNEs) originating in emerging economies and developing countries such as China, India, Brazil, Turkey, Mexico, Chile and Indonesia (Child and Rodrigues, 2005; Moghaddam et al., 2014; Verma et al., 2011).

This happens particularly in regulated service industries, where suddenly firms have the opportunity to participate in government privatization programs in high-growth businesses that opened after liberalization (Yaprak and Karademir, 2010). In addition, some MNEs from emerging economies have been growingly making acquisitions and expanding their presence in the infrastructure industries and other services sectors of rich countries (Guillén and García-Canal, 2009).

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The new species of MNEs, commonly labeled as Emerging Multinational Enterprises (EMNEs), includes firms from the emerging economies that have started internationalization very late (Luo and Tung, 2007) and have expanded abroad in a rather accelerated fashion (Li, 2007, 2010; Mathews and Zander, 2007).

Contrary to Traditional MNEs (TMNEs) from developed economies internationalizing along with an incremental and sequential established chain (Johanson and Vahlne, 1977; 1990), EMNEs pursue catching-up and accelerated foreign pathways because of their vision, mission and strategic ambitions (Li, 2003; Mathews, 2006). Such enterprises, largely due to their latecomer status and need for asset-exploring, launch their initial major Foreign Direct Investment (FDI) projects in culturally distant countries (Li, 2007) and rapidly achieve a wide geographic scope (Guillén and García-Canal, 2009).

The unique characteristics of EMNEs' foreign expansion patterns stimulate the ongoing academic debate questioning the applicability of traditional internationalization theories and models to them (Child and Rodrigues, 2005; Gammeltoft et al., 2010; Kumar et al., 2013; Li, 2007, 2010).

In this vein, Li (2007) argues the incompleteness of extant MNE theories in their coverage of spatial and temporal dimensions of internationalization and identifies the distinctive characteristics of EMNEs internationalization content (i.e. ultimate intent, external context, internal profile, strategic choice and market effect) and process (i.e. simultaneity, directionality and rhythm). Moreover, as internationalization speed is arguably the most important time-base dimension, and faster speed translates into higher rates of geographic diversification (Gao and Pan, 2010; Persinger et al., 2007), EMNEs' strategies may provide insight on the nexus between spatial and temporal dimensions of foreign growth (Bartlett and Ghoshal, 2000; Mathews, 2006).

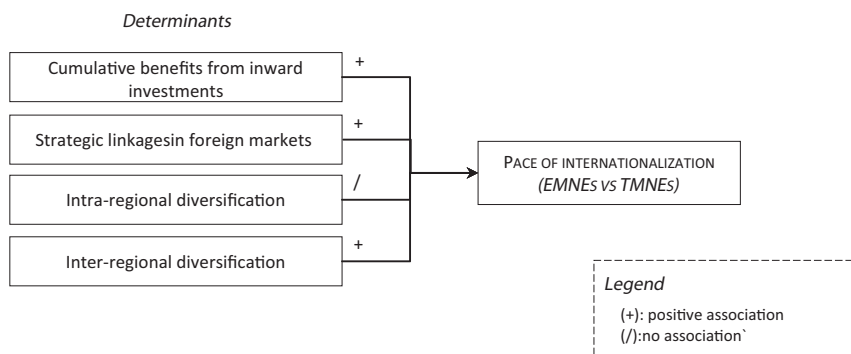
Nevertheless, extant contributions neglect to specifically address the most salient antecedents of the EMNE's accelerated internationalization catching-up process. Relatedly, Prashantham and Young (2011) also claim that a solid empirical base for the measurement of spatial and temporal dimensions of EMNEs' abnormal overseas expansion is needed.

Therefore, this paper aims to investigate the dimensions affecting the pace at which EMNEs enlarge their geographic scope, emphasizing the differences with theories and research focused on TMNEs. Paving on the Linkage–Leverage–Learning (LLL) Model (Li, 2007; Mathews, 2006; cf. Narula, 2006) and the springboard perspective (Luo and Tung, 2007; Rui and Yip, 2008) and emphasizing EMNEs' distinctive relational capabilities as determinants of EMNEs internationalization patterns. With respect to TMNEs, EMNEs relational capabilities originate from the early stages of their domestic growth thanks to the cumulated benefits from inward investments, mushroom by creating linkages with partners in foreign market and rapidly allow to enlarge the geographic scope of the firm, regardless of psychic distance. In this vein, the paper models EMNEs distinctive relational capabilities in three salient dimensions, i.e. cumulated benefits from inward investments, strategic linkages in foreign markets and disregard for psychic distance in geographic diversification, and demonstrates their impact on the speed at which EMNEs enlarge their geographic scope (Fig. 1).

By addressing the container port industry, the contribution questions the applicability of extant internationalization theories to EMNEs, extending and rethinking some of the theoretical constructs related to spatial and temporal dimensions. Due to its intrinsic characteristics, the selected sector represents an ideal site for empirically challenging the internationalization patterns of EMNEs within the services industry. The recent liberalization and privatization processes experienced by this sector worldwide (Cullinane and Song, 2002; Peters, 2001), combined with its “location-boundedness” (Boddewyn et al., 1986; Li and Guisinger, 1992), trigger latecomer EMNEs to “leapfrog” traditional temporal phases of internationalization and develop different patterns of spatial outreach (Li, 2003; Olivier et al., 2007).

This contribution makes a step forward in the EMNEs' theorization and suggests further research avenues for International Business (IB) studies on internationalization pace.

The paper also provides insights for both managers and practitioners, suggesting some viable strategic options for firms coming from emerging countries, which aim to accelerate their internationalization speed.



Source: Authors' own elaboration.

Fig. 1. Conceptual framework: the determinants of EMNEs' internationalization pace.

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