Emerging Economies and Emerging Lines of Inquiry in International Business Research

An Interview of Prof Klaus E. Meyer, by Htwe Htwe Thein

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Introduction

Klaus Meyer is a leading management scholar who recently took the unusual step of relocating from Europe to China to experience firsthand the challenges of management in an emerging economy. His scholarly research focuses on the strategies of multinational enterprises in emerging economies, and he is one of the most published authors of research across multiple emerging economies. Having worked in both Europe and Asia, he provides a rare perspective on scholarly research across a wide range of different business contexts.

He is interviewed by Htwe Htwe Thein, herself a scholar interested in business development in emerging economies, most especially in Myanmar (formerly known as Burma), one of the last remaining countries not fully integrated in the global economy and a nation that has made a recent shift towards political reform and re-engagement with the international community.

In the interview, Klaus provides insightful and thought provoking observations on the notion of the 21st Century as an "Asian Century" and the global significance of emerging markets and a 'new' breed of multinational enterprises born out of these economies. Klaus also discusses the challenges and opportunities that confront multi-national enterprises investing and operating in emerging markets. He notes that these are very different from the more established markets and therefore require different and adaptive strategic approaches at the firm level. Given that Klaus is European by origin but now resides in China and has engaged in sustained research across many emerging economies, he provides both theoretical and practical insight to this analysis. The interview also extended to discussing emerging agendas in international business research and the important contribution that the study of emerging markets may provide to extending the horizons of the discipline. With reference to Myanmar/Burma, the country of birth of the interviewing author, he also offers his view on the country's economic prospects and the contribution of international business investment and activity to social and economic development.

Why International Management?

HHT: ***You are widely acknowledged as a leading scholar in International Business. Let me begin with a general question, why do we still need to use the term "international" research in management studies?***

KM: Management, like any other social activity, is heavily context-bound. People behave differently dependent on the norms and values they share within their organizations and societies, the incentives they face as a result of laws and regulations, and in fact their cognitive horizons, which again is shaped by their environment – their education, the news they read, and the TV shows they are exposed to, and so on. A lot of this happens without people being aware of their specific context; such differences only become evident once you step out of your own culture. However, businesses have to manage such differences when they go abroad.

I personally see the essence of international business scholarship in studying and explaining how and why such contextual differences matter, and how businesses manage such differences. For example, businesses develop their marketing strategies to meet local demand patterns, customer preferences, and regulation. They engage with local stakeholders such as trade unions, local government officials, politicians or NGOs, all of which have very different roles in different societies. Individuals too have to develop coping strategies to deal with cultural differences, be it as international negotiators, expatriates, or members of global teams.

HHT: ***Some might argue that most societies are increasingly diverse, even polyglot, and that cultural difference may now be an unremarkable feature of everyday life. Similarly, greater access to international travel and instantaneous communication may have led to faster and more extensive cultural diffusion. So are these differences still relevant if the 'globalizing' world is getting flatter?***

KM: Yes, it absolutely is. Globalization makes this international management agenda even more important. Some scholars and commentators associate globalization primarily with convergence.[1] Yet, that is an unhelpful view, at best. The essence of globalization is, in my view,

[1] For a classic statement of that view see Ted Lewitt (1983), but also Tom Friedman's popular book (2005) *The World Is Flat: A Brief History of the Twenty-first Century* (Farrar, Straus & Giroux) in large parts reflects such a view.

not convergence, but the reduction of barriers, which dramatically increases the frequency and intensity of interaction. I thus prefer Mauro Guillén's (2001) definition of globalization as "*a process leading to greater interdependence and mutual awareness (reflexivity) among economic, political and social units in the world, and among actors in general.*"

There are two main drivers behind this process. First, technological changes, especially advances in transportation and communication technologies, have reduced the costs of international business – not just recently but continuously over several hundreds if not thousands of years. For example, our AIB board periodically has a Skype conference with members based in the USA, Australia, New Zealand and China. That would not have been possible even a few years ago. Second, political processes have advanced regional economic integration, the reductions of tariffs and lowering other administrative barriers.

At the same time societies maintain their distinct identities, and convergence of culture and consumer behaviour is happening only at glacial speed, and only in selected product sectors such as high technology products. For example, in fast food, KFC is very successful in China – and way ahead of McDonalds – due a strategy of deep localization that involves not only adaptation of the menu in terms of product types and size of portions, but locally designed processes for supply chains and operations that integrate the best of global best practice with the needs and possibilities of the Chinese context. Just as an example, they brought together their chicken farmers from the USA and China, who subsequently started trading with each other: The Chinese started exporting chicken parts that Chinese consumers find 'boring' (like chicken breasts), while the Americans starting exporting those parts of chickens that US consumers find 'rather odd'. [2]

HHT: Even when the products are almost the same, they may not fill the same consumer needs. In emerging Asia, fast food is particularly popular with young consumers who think eating fast food is upmarket, hip and western. In other words, the same products interact with a lot of dynamic variation in terms of consumer identities and aspirations.

[2] A good insider account of KFC China has been provided by Liu (2008).

KM: Yes. Take another example, consumer electronics. Mobile phones spread like wildfire around the world, and many people see this as evidence of convergence. However, when you look closer at how people actually use their phone you still see a lot of diversity of practices.

Hence, for me the essence of globalization is the rapid increase of business interactions across cultural, political and geographic boundaries, which are co-evolving with a very gradual convergence of business contexts. Hence, globalization makes it more, not less, important to study the differences of management across countries and how businesses deal with such differences.

HHT: ***Yes, your comments bring to mind the way in which mobile phone use has exploded in India and has supported new business activity because it has been a means for citizens to escape the failure of governments and business to provide the infrastructure and investment for efficient landline telephony services.***

Moving on, I have always been fascinated by what draws a person towards a particular intellectual passion and pursuit- is it accident, circumstance, or personal values and commitments that push someone towards such an interest? So why did you choose to enter international business as your field of study and what sustains your interest?

KM: We all probably have some ideals, something we wanted to contribute to the world when we were young. For me, this has been about international understanding, about building bridges between people. In my student days, this morphed with interest in middle income economies – or what we today call emerging economies. These are places where international business can (though not always does) make a positive contribution to social and economic development.

While learning the ropes of the field, these original motivations probably have taken a back seat. However, I still hope that my scholarly writings, perhaps only indirectly, will do some good, and help people better understand and appreciate each other. At the same time, in the classroom, what I find most rewarding is not so much the sharing of intellectual knowledge, but bringing together students from a great many countries, and making them work together, sharing experience about their respective cultures.

HHT: ***That resonates with my own classroom experience. Once in my cross-cultural communication class, we discussed how hard students in Korea study to get grades good enough to get into universities,***

how they only sleep about five hours or so at night... this really surprised students from Australia and Scandinavia where the school system focuses not just on academic achievements, but also on extra-curricular activities and the learning environments both at school and at home are comparatively more relaxed.

KM: I passionately believe the best way to prevent future wars is to sensitize the next generation at an early age for the diversity of the world, and help them appreciate the richness of its diversity. Teaching IB provides a natural framework to do that while also sharing career-relevant knowledge and experiences.

HHT: ***What did set you down this path? Any formative experiences in your youth?***

KM: I grew up fairly peacefully. In fact, I hardly travelled beyond my own country until my early twenties, when I became an exchange student in California. In our community of IB scholars, that may be rather late – many of our colleagues in IB developed deep multicultural experiences much earlier.

In my early teens 'international' was largely limited to reading adventure stories from exotic places. However, perhaps two formative experiences stimulated my interest. First, at our local church, we had a pastor who had just returned from a stint as missionary from Tanzania. From him and people of his circle, we learned a lot about the perils of development in Africa, but also of the rich experiences and dedication of those providing grassroots support. Looking back, I realize that I have taken very different paths than others in that community. While many of my peers shared a deep distrust of big business, I continue to believe in the potential of business, responsibly managed, to do much good in adverse conditions.

The second experience is a trip to what is today Slovakia and the Czech Republic. I should explain that I grew up in a world (in West Germany) where we could go, North, South, and West. In the East, there was an impenetrable fence about 30 kilometres from my home town, and that was that. We could receive the TV from the other side, but it was so boring that we kids hardly bothered. Travelling East, across that Iron Curtain that divided Germany, just wasn't on the cards. Even at university, I had friends from Northern, Western and Southern Europe – but prior to 1989 basically no one from Eastern Europe. But I had one opportunity to look across that fence, in the late 1970s, and that came about only because my dad was invited to an academic

conference deep in the mountains of Slovakia, and we travelled to see many places in what was then called Czechoslovakia.

I remember cities and villages that were not exactly poor, but considerably less well off than we were in the West. Even though many of the historical town centres were well preserved, other places were in bad shape – and hotels were cheap. And the other memory is an atmosphere of repression. My dad had made friends with some scholars from the East, but when others were around, they rarely dared to speak openly. I also remember watching from our hotel room soldiers exercising, something I was not used to. This all gave me impression of a society that may have been freer than Eastern Germany, but definitely not a desirable place to live. Perhaps because of these experiences, I never toyed with the left-leaning ideas, but stuck with the market economy, which is definitely the better way to build an economy, even if it needs good regulations to function effectively and to avoid extreme wealth distributions.

HHT: ***Let's return to academic questions. Certainly, as you said, different contexts require various approaches and understanding and an appreciation of management issues in different parts of the world enriches management studies. You have been working in Shanghai, China for a year now. In the past, you have worked in different European countries. What are your observations as to the similarities or differences between the business cultures and institutional environments of China and Europe?***

KM: The international business literature has identified a wide variety of country level variables that influence business strategies and practices, most importantly various aspects of culture[3] and of regulatory institutions.[4] Moreover, we know from the variety of capitalism literature that different countries have different inherent logics of how different aspects of the institutional framework interact, and hence that you can't just take a rule or law from one country to another and expect it to have the same effect.[5]

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[3] The most important work in this area is still Hofstede (1993), though Javidan and House (2001) offer measures of culture with greatly improved methodology.

[4] See for example Kostova (1999) and Peng, Wang, & Jiang (2008).

[5] On varieties of capitalism see Hall and Soskice (2001). Interesting recent applications to Asia are provided by Tipton (2009) and by Redding and Witt (2009).

However, by necessity, such scholarly research is highly abstract, identifying key constructs that vary across countries, but they offer little direct guidance for practice. So, many of the practical challenges that one experiences working in different cultures have to do with subtle ways you interact with people, effective communication, establishing trust, finding reliable information, earning respect and so on. And of course language barriers matter a lot. I find that a lot of this knowledge is very tacit and hard to put in words. I would interact differently with my dean, or with the departmental secretary, in Denmark compared to the UK – and even more so in China (although my current dean is British, which makes life a bit easier).

Some of this has to do with 'hierarchy' or with 'job autonomy' and other constructs identified in the literature. But a lot has to do with the tacit aspects of culture that one can only acquire through experience, not from reading scholarly work. So, when I am asked by prospective students or expatriates coming to China what they should read in preparation, then I remind them of the Indian fable of the five blind men and the elephant: everyone touched a different part, and then they talked together, and jointly they developed quite a good understanding of what an elephant is like. Approach China like that: read a history book, read a political analysis, read a biography, and even read some novels – may be a novel written by a Chinese person living abroad who often are better able to communicate what life in China is like to outsiders. Putting all this together will give you a better understanding of China than scholarly pieces alone. On my website, you can find a collection of books about China that I recommend to anyone interested in China, see www.klausmeyer.co.uk/books_China.htm

***HHT**: Most management theories are developed in English speaking or European countries. Are there any problems or difficulties in exploring the rest of the world (especially East Asia) using theoretical lenses, concepts and terms developed outside of that region?*

KM: Management is fundamentally a contextually driven activity, as are most human activities. Developing theories or practices at one place and expecting them to work in another place is actually quite naïve, it only works at very high levels of abstraction. Once you try to construct an empirical study, you always end up picking up behaviours that are driven by incentives, norms or other features of the specific context in which data have been collected.

My favourite illustration of this conundrum is noodle soup. Try ordering a noodle soup in Vienna, and in Hong Kong. You will find dishes called noodle soup on many menus in both cities. However, in Vienna you will be served a hot broth in which a few tiny noodles are swimming as decoration. In Hong Kong, you will be served a big portion of long noodles with enough soup to keep them wet, and which you are expected to eat with chop sticks. A noodle soup is a fairly tacit and easy to describe object. Now think of all the highly abstract concepts used in management research. Do you really think people around the world would mean the same idea when they talk of ‘trust’, ‘commitment’ or ‘fairness’?

Very good examples are various concepts surrounding values and corporate social responsibility. Most people around the world would probably agree that they should be treated fairly by businesses and government. But what does “fair” mean? Some people think first and foremost of “procedural justice”, while others reflect over the “fairness of the outcome”. I think this is essentially grounded in the difference between common law versus civil law. When I discuss or negotiate with US-American colleagues, and always struck by how much they are concerned with process issues, to the extent that they seem to lose sight of why these rules exist in the first place. The most high profile illustrations are naturally in politics, such as the US Supreme Court rulings regarding the appointment of George W. Bush as president, which was judged to be valid despite various distortions in the electoral process - notably in Florida, and despite the fact that the opponent Al Gore had more votes - based on a number of procedural arguments. In other societies, it is hard to imagine civil society respecting such a ruling as fair. Similar arguments can be made around campaign financing where focus on procedures associated with free speech lead to outcomes that most commentators, even in the US, consider an undesirable outcome.

These examples are extreme, and subject to interpretation. However, the broader issue here is this also affects the ways organizations work. Whenever an ethical issue arises, a predominant approach is to develop procedures that establish what behaviours are ‘right’ or ‘wrong’, but to pay little attention to the question whether those supposedly subject to the ethical issue are actually helped. A classic case here is child labour in emerging economies: If subcontractors to Western brands prohibit child labour that does not necessarily improve the fate of the children, because the alternative to working in the factory may be working for less money

on the family plot, or (in the extreme) to be begging – the assumption that under-14s have access to schooling does not apply in many countries.

Having lived in both common law countries (US, UK, Hong Kong) and civil law countries (Denmark, Germany – and sort of also China), I have increasingly come to the conclusion that this difference in legal systems is an important, yet underappreciated difference in international business.

HHT: Such contextual issues also frequently came up in my research on international consumer brands in Myanmar/Burma. Take for instance, the advertising of international consumer brands. Television was, initially, the most favoured medium because it was thought to be the most effective. But given frequent blackouts due to a severe shortage of electricity supply in the country, a lot of the time, television broadcasts were out. So, there was a switch to billboard advertising. There again, they ran into the problem that such promotion is highly visible in a country where business investment was contentious and activists were calling for divestment and boycott between 1996/97 up until 2010 or so in order to pressure the military regime. These things, crucial infrastructural constraints and political contexts, are not covered especially well in the western-based textbooks which often tend to assume the same conditions for business activity and strategy.

KM: Yes, that is a good example how institutional context influences business practices. In fact, here you have a particular set of host country institutions interacting with a particular set of institutional actors operating outside the country – such as the norms created in the US or Europe that are applied to MNEs originating from those parts of the world to their operations in Asia.

HHT: You have published extensively on foreign investment/market entry in emerging economies. How has the 'emerging economies' research agenda evolved since you started working in this field?

KM: Recently, Copenhagen Business School asked me to give an anniversary talk and reflect how the 'emerging economies' research agendas have evolved since I started working in this field in the 1990s. In my talk, I point out several issues.

The first theme is '*From Marketing for Global Reach* to *Marketing to Diverse Customers'*. In the 1990s, foreign entrants were focusing on up-market locations like urban centres, they adapted their products to local demand (e.g. 'strip down'), they fitted processes to local resources (e.g. people intensive marketing), and they used crude segmentation and multi-tier branding to reach

different customer groups. This difference to today is stark, when I walk down Huaihai Road or Nanjing West Road here in Shanghai, I continue to be amazed by the number of high-end shops. All the world's luxury brands are here, and from what I hear they sell more than they do in New York or London.

So, basically there are three different trends in the consumer markets. First, in the luxury segment, conspicuous consumption drives people to buy the best, and only the best. In China, and many other emerging economies, status is very important, and people show that they made it in society by the brands they associate with. And these brands are almost always European, or at least foreign. Second, in the mass market, local firms are challenging the foreign brands with ever better domestically made products; the same increasingly applies to the non-luxury premium segment, at least for products that are not particularly suitable as status symbols. This trend is happening in different countries at different times. Third, the 'bottom of the pyramid' is growing as more and more people rise out of poverty and can afford very basic goods. With very few exceptions, this is a segment where local firms dominate, and perhaps a few emerging economy multinationals.

The second theme is '*From Exploiting Low Cost Labour* to *Harnessing Local Talent*'. In the 1990s, manufacturers entered emerging economies in search of cheap labour, and keywords like off-shoring and out-sourcing were all the rage. Nowadays, the debates have moved on, as increased integration of the global economy is enabling new forms of division of labor. In particular, multinationals are ever more finely disaggregating their global value chains both organizationally and geographically. In consequence, local firms have been emerging, especially in India, which offer specialist business services for activities like back-office, manufacturing, IT, logistics, and so on.

HHT: ***Therefore, you could say that it isn't a hierarchical set-up of headquarters and subsidiaries any longer. The business units in various countries are complementary to the core function, rather than subservient.***

KM: Right. The geography of MNE operations used to mainly follow costs, now it is to a much larger degree following specialized skills.

The third theme is '*From Innovation Close to Home to Global Innovation Networks'*. Two decades ago, most MNEs were based in North America or Western Europe, and their predominant business model was to aspire for technological perfection, grounded in innovation close to home, and sales worldwide. Overseas operations were used to relocate production to reduce manufacturing costs, yet keeping the most highly value added activities, such as brand building and R&D close to home. Now, not only manufacturing but also innovation is taking place increasingly in emerging economies.[6]

At the first step, this innovation concerned process innovations in the production process itself, not so much the products themselves. Then, innovation activities have moved to developing products and processes that are suitable for customers in emerging economies. Traditionally, a locally adapted product would simply take out some of the most expensive features of any gadget for sale in emerging economies. Now, the product development process itself is more focused on the needs of emerging economy consumers, including their budget constraints, their needs for robust products, and the types of differentiation they appreciate. In other words, engineers in emerging economies do not aspire to design the most sophisticated car, phone or machine tools, but one that is 'good enough' for the emerging economy customer.

HHT: ***Good enough- as well as products that are, at last, suited to emerging economy consumers rather than simply importing or imposing global products/designs. This is a very positive development, I strongly believe and perhaps reflects the rising global significance of emerging economy consumers.***

KM: An extension of this trend is the transfer of innovations from emerging economies, in the first instance across to other emerging economies, but in the long run also to developed economies. There is a lot of talk about 'reverse innovation', the idea that new products first appear in emerging economies, and then are transferred 'back' to advanced economies. I must admit, however, that so far I have seen very few examples, except for a few oft cited examples of medical devices. However, I am fairly confident; such products will emerge before long.

HHT: ***So before too long we may see products or designs initially made for EE consumers exported to developed nations. Perhaps this is also happening for social systems and management practices? I***

[6] On innovation in developing countries see for example George, McGahan and Prabhu (2012) and Khavul and Bruton (2012). Specifically on reverse knowledge transfer see Govindarayan and Ramamurti (2012).

recall a Time magazine article published some time ago that discussed this trend in the human resources area. It discussed how managers originating from EE economies (the home grown managers from, say, India) are now occupying top-level management positions in global companies and attributed many of their managerial skills to their experiences in emerging economies. Their knowledge of coping and innovating in emerging economy environments added to their management repertoire, which was a big asset in the developed world.

KM: exactly, this brings me to the fourth theme, which is 'from *Managing Expats* to Managing *Global Careers'*. In the 1990s, my colleagues in international human resource management were studying phenomena such as preparing, training, leading, compensating, and returning Expats. In addition to managing their expensive expats, MNEs were concerned how they could localize their leadership and manage knowledge transfers while maintaining control over their subsidiaries abroad. By the year 2010, career patterns have evolved, and the traditional expat, who would spend three to five years overseas and then return 'home', is becoming increasingly rare.

Along with more diverse – and complex – flows of knowledge within MNEs, we will also see more diverse career paths. As knowledge becomes more spread across business units across the world, global leadership will require managing processes that facilitate circular knowledge sharing within the MNE, rather than knowledge sharing from headquarters in the USA or elsewhere in the developed world to affiliates in distant locations. A consequence of this in the long run will be that careers in MNEs do not necessarily start at headquarters, but they could start somewhere in an emerging economy, for instance here in Shanghai. The ultimate challenge for global MNEs will be to internationalize their board to ensure that the top decision makers truly understand the diversity of the global economy; yet very few MNEs have gone very far along that route yet.

HHT: Related to emerging market economies, let me ask a question of great personal interest to me. My country, Myanmar, is currently undergoing profound changes. Based on your experience in emerging and transition economies, do you have any advice to share with a reformist policy maker in any future government of Myanmar, say in terms of attracting good FDI versus bad FDI?

KM: Thank you for this very challenging question, which reminds me how difficult it is to connect contemporary research to such obvious, practical question. There has been extensive

research on the benefits of FDI for host economies, but it does not lead to clear and simple policy implications.[7] However, my reading of the pertinent literature suggests that the stability of the institutional environment, and that includes politics, is a major factor in economic development, and that the same institutional frameworks that promote the domestic market economy also attract foreign investors.

HHT: ***Well, now that the political deadlock has been resolved to some extent, the investors look to be very enthusiastic about the country's potential, so that's all good. But, what worries me is that the wrong kind of FDI could come in instead of beneficial FDI that actually leads to development and progress for all citizens. By that, I have to quote Daw Aung San Suu Kyi, who has asked for FDI which generates employment, in particular for Burma's huge youth population and for sustainable and ethical investment.[8] Also, the country needs balanced development in all sectors of the economy, and not just in the extractive sector, or else the country might suffer from what has been termed the 'resource curse'.***

KM: If you are concerned about creating employment, then you would have to focus primarily on labor intensive industries such as textiles and garments. Of course, competition is tough in these industries as Myanmar would be competing head on with established manufacturing sites in Vietnam, China or Indonesia.

Else, the question is what sort of skills would Myanmar be able to develop that would enable its workforce to compete internationally. These are complex questions that really call for more comprehensive analysis. Perhaps, one way to start thinking about this question is to consider how to add value to natural resources that are accessible in Myanmar. For example, would Myanmar be able to develop its precious stones industry so as to export not raw jade and rubies but jewellery? Could Myanmar develop a fish processing industry that would export canned or frozen seafood harvested (and perhaps farmed) in the rich fishing grounds of the coast in the Indian Ocean?

HHT: ***I would say the country needs both – FDI that generates employment and/or enhances skills. For this to happen, we need a sound business environment that has rule of law and good governance.***

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[7] I did a comprehensive literature review on this question (Meyer, 2004) as did others (Blomstrom and Kokko, 2002)

[8] In her address to the ILO in June 2012, Aung San Suu Kyi highlighted Myanmar's problem with youth unemployment.

Part C: Emerging Market Multinationals

***HHT**: Multinational Enterprises from emerging economies (EE-MNEs) are a major challenge, both for scholars but also for management practice. I believe you have done some work on this yourself. In broad terms, what have been the major shifts over the last decade or so in the market entry strategies of MNEs in emerging markets?*

KM: This is an exciting new research agenda. There have been well over a hundred papers on this topic published in good journals over the past five years, though as far as I can see only a handful of truly new ideas have come up.

First, EE-MNEs typically lack the sorts of famous brands and leading-edge technologies that are 'normally' drivers of MNEs overseas FDI. In contrast, they seem to have other advantages such as managerial competences in areas of risk management, managing of low skill labour on large scale, and access to natural resources in emerging economies themselves.[9]

Second, many EE-MNEs, even at an early stage of their international activity, use acquisitions of companies in developed countries to acquire brands and/or technology to compete not only in the host country, but in wider global markets. In fact some of these acquisitions aim at strengthening positions in the home market: With increasing competition in the fastest growing economy, scores of Chinese firms have acquired small and medium sized German firms with technologies and brand names that help strengthen their position back in China. Access to the crowded and not exactly dynamic European market is often only a secondary motive.[10]

Third, many EE MNEs, especially Chinese ones, are closely associated with their home country government, which helps them accessing resources, like finance from state-owned banks. Therefore, firms aligning themselves with governmental policy agendas are reportedly finding it easier to attract resources that facilitate outward FDI.[11]

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[9] This argument has been developed for example by Ramamurti (2012).
[10] The argument has been put forward by several authors focused on Chinese MNEs, most notably Luo and Tung (2007) and Deng (2009). The notion of acquiring asset overseas to strengthen the position in the home market in China has been discussed especially by Zeng and Williamson (2003).
[11] Again, the key contributions to this literature are studies of Chinese MNEs such as Buckley et al. (2007), Morck et al., (2008) or Luo et al. (2010) or Ramasamy et al., (2012). However, it is not just institutional pressures at home but also those in host countries that affect their international strategies (Cui & Jiang (2012).

Fourth, many EE MNEs, especially small and medium sized ones, are closely embedded in business networks that act to both foster and constrain their international growth.[12] This should not really come as a surprise because we know from studies of SMEs elsewhere that they use networks extensively, and we know from comparative studies that in emerging economies networks are particularly important.

Fifth, EE MNEs have different forms of ownership than the outside shareholder firms dominating Anglo-American economies. Many are organized in business groups of interdependent companies, often controlled by individuals or families, sharing resources and 'internalizing' markets. Others are fully or partially owned by the state, especially in extractive industries and in the financial sector.[13]

HHT: ***What is unique about the development and business strategies of emerging market MNEs?***

KM: I am actually not sure there is that much that is truly 'unique'. If you compare contemporary EE MNEs with contemporary MNEs from industrialized economies, you need to take two issues into consideration.[14] First, the global economy has changed; it is today much easier to get to distant markets, to do due diligence on local firms, and to acquire them. Two or three decades ago barriers to trade and investment were substantially higher, and that naturally affects the range of paths companies can choose to internationalize. Second, the EE MNEs discussed in the media are mostly, despite their size, still relatively immature as players on the global stage. There are some exceptions such as firms from South Africa or Hong Kong, but generally that holds true. So, if you compare EE MNEs to the household name MNEs from industrialized economies, you are comparing young and old, and the young obviously are in a different stage of their development.

I therefore have suggested that a more powerful explanation of why EE MNEs are possibly different should start from the maturity of the MNE. The well-established internationalization process model depicts international investment decisions in the context of

[12] There are examples of this from a wide range of countries including India (Prashantham and Dhanaraj, 2011), China (Zhou et al., 2007) and Eastern Europe (Manolova et al. 2007).
[13] On business group affiliation and family businesses see especially studies on Indian MNEs (Bhaumik et al., 2010) and Taiwanese MNEs (Tan & Meyer, 2010). On the effects of state ownership studies on Chinese MNEs, such as Ramasamy et al. (2012) and Chen & Young (2010).
[14] This response summarizes an argument developed by Ramamurti (2012).

the firms past process of learning and commitments. EE MNEs, even a very large one, are often still at an early stage of their learning about international business. Hence, their specific investment decisions may be better explained by how they contribute the capability building process of the firm, rather than the capability exploitation motives that have been the primary focus studies of the MNE in the past. [15]

HHT: ***In January 2012, the "Economist" magazine discussed emerging market MNCs as the "rise of state capitalism". Do you agree that state directed and owned firms are typical of emerging market MNEs or is this over-simplification? I ask this because I assume that things like country of origin, ownership etc. affect the strategies of emerging market MNEs?***

KM: State-owned companies have very different roles in different societies, and I am sceptical to what extent we can generalize much across countries. In China, the state has a very important role, as most of the largest companies listed on the stock exchange are in fact partially state-owned, and where such state-firms play a major role in the country's outward FDI. Then you have the phenomenon of sovereign wealth funds (SWF), many of which are based in the Middle East or in China. So, state-ownership is important in some emerging economies, but not everywhere. Consider for example India or South-East Asia where state-owned firms exist in much narrower niches, and the drive for outward investment come mainly from business groups associated with major families.

Hence, we certainly need more research into state-owned or state-associated companies and their role in the global economy. However, I expect that such research will not easily find many generalizable patterns: the state owns firms for different reasons, and manages the firms in different ways. Therefore, the moderating effect of state-ownership on key strategy variables is also likely to vary.

HHT: regardless of limited generalizability, the study of state-owned or linked enterprises looks to warrant a significant place in the future of IB research. Aside from the growing participation and influence of, for instance, Chinese SOEs I could even extend the applicability of research on the role of states in MNEs to the 'Western' developed economies, in terms of sovereign wealth funds and state linked enterprises. There are also the sensitive issues of geopolitical alignments and security issues. For instance, in Australia a new national broadband telecommunications network is being constructed

[15] This argument is further developed in Meyer and Thaijongrak. (2013). .

by a state controlled enterprise. Interestingly, a Chinese MNE telecommunications company (Huawei) has been excluded from tendering for contracts because of concerns about national cyber security.

Part D: Concluding Reflections

HHT: ***Will emerging market MNEs fuel the 21 century as an 'Asian century'? I am aware that it is a vague term, but it does signify the rapid and growing influence of Asian economies and of the EE-MNEs in shaping the global economy.***

KM: Let me answer this question from a historical perspective. At the onset of economic reform in 1978, China was contributing about 2% of World GDP. Today, some 35 years later, China contributes about 10% of GDP. That sounds like a profound transformation of the world economy. Considering these numbers, where will China be – relative to the US and everyone else – at the end of the 21st century? For such a long term forecast, we should go back into history – what is the really long term contribution of China? As recently as 1770, China contributed between 25 and 30 percent of World GDP, based on various estimates. Henry Kissenger (2011) even gives a number of 30 percent for the early 19th century. Historical estimates for India reach almost similar magnitudes.

So, the simplest prediction for a long-term forecast would be that by the end of the 21st century South, South-East and East Asia will return to its long-term position, and count for more than half of the global economy. Does that mean that we should call the 21st century the 'Asian Century'? Or does it simply signify a return to normality after the spectacular disruption of the world economy by European industrialization-led economic growth in the 18th and 19th century?

HHT: ***Thanks for that. Now that you have provided a historical background to the emergence or perhaps what could be seen as the re-emergence of China, we can view this in much better perspective. And also, an Asian-led 21st century could mean not just the re-emergence of China, but also India. That two combined, that's quite a big force to reckon with. What I am glad about is that if the 21st century is to be the 'Asian century' then this is going to provide a plurality in terms of ways of thinking and economic and cultural practices.***

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