The Dynamics of Emerging Economy MNEs:

How the Internationalization Process Model can guide future research

by

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Abstract

The rapid emergence of multinational enterprises (MNEs) from emerging economies calls for a re-assessment of established theories of the MNE. We assess the usefulness of the internationalization process model (IPM), also known as Uppsala model, to explain the recent strategies of emerging economy MNEs. We argue that popular stages models derived from the IP model are not helpful, but the underlying process of experiential learning driving steps of increased commitment is an important element in explaining the evolution of these MNEs over time. Focusing on the role of acquisitions within internationalization processes, we illustrate our arguments with six case studies of Thai MNEs.

On this basis, we discuss how the IPM can inform future research on emerging economy MNEs. Specifically, the IPM suggests focusing on the internal and external factors that induce firms to accelerate their cycle of international learning and commitment, in particular the roles of networks, acquisitions, human resource management, big step commitments, the home country institutional environment, and possible managerial biases.

Keywords: MNEs from emerging economies, internationalization process model, mergers & acquisitions, experiential learning, Thailand.

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Introduction

Some of the patterns of emerging economy (EE) multinational enterprises (MNEs) appear to challenge established theories of the MNE (Deng, 2012; Luo & Tung, 2007; Mathews 2006; Ramamurti, 2009). However, as we will argue, from the perspective of the internationalization process model (IPM), these patterns – mostly – are logical consequences of the stage of development of the pertinent firms. The IPM provides a longitudinal perspective on MNEs, and thus sets each international investment in its historical context within the evolution of the MNE, focusing on the underlying processes of knowledge acquisition, learning, and commitment. Therefore the IPM provides a natural foundation for the study of EE MNEs.

The IPM was originally originally developed by Jan Johansen and Jan-Erik Vahlne [J&V] based research on Nordic MNEs in the 1970s (J&V 1977). It stimulated rich streams of research over the years (e.g. Anderson 1990; Benito, Pedersen & Welch, 2009; Forsgren, 2002), and the original authors have repeatedly engaged with their critics to revise the model (J&V 1990, 2006). In its latest version, J&V (2009) broaden the model to consider not only foreign business contexts, but network positions more generally. Thus, firms commit to positions in business networks, and then learn about the network, which enables them to make further commitment decisions to that network – such as a foreign market.

A popular application of the model are "stages models" stipulating that firms 'normally' go through specific stages both in terms of the sequence of countries entered and of the operation modes used in those countries, e.g. from exports to wholly-owned subsidiaries (Bilkey & Tesar 1977; Czinkota, 1982). While J&V (1990, 2009) have distanced themselves from reductions of their model to a stages model, these models have been influential in both marketing and international business research and textbooks. We argue that such stages models are highly context specific, and distract rather than enhance our understanding of the processes of internationalization, and thus have limited potential to guide future research.

The IPM has recently been applied to emerging economies as host economies, where it was found to be particularly useful because the model deals with the longitudinal nature of foreign entry, and with the high uncertainty of the host context (Jansson &

Sandberg, 2008; Johanson 2008; Meyer & Gelbuda 2006; Meyer & Skak, 2002; Santangelo & Meyer, 2011). Applications of the IPM to MNEs *from* emerging economies are so far rare, though it has been popular among Brazilian scholars studying the evolution of Brazilian MNEs (Baretto & da Rocha, 2001; Sacramento, Almeida & Silva, 2002). Moreover, Elango and Pattnaik (2011) apply the model to explain how learning progress leads to successively larger acquisitions by Indian MNEs.

EE MNEs are new players originating from contexts where markets are often highly imperfect. In consequence, networking strategies are common, and their influence on outward business activities has been documented in several studies (Elango & Pattnaik, 2007; Prashantham & Dhanaraj, 2010; Tan & Meyer, 2010; Zhou, Wu & Luo, 2007). At the same time, EE MNEs face substantial knowledge gaps that inhibit them from competing on the global stage, and they frequently use acquisitions as a means to close these gaps (Deng, 2009; Elango & Pattnaik, 2011; Luo & Tung, 2007; Luo, Zhao, Wang & Xi, 2011; Mathews, 2006). These and other observations have led scholars to challenge existing theories (Xu & Meyer, 2012).

We argue that the IPM provides a powerful theoretical perspective on these phenomena. In particular, the IPM places organizational learning at the centre of its theorizing, and explains each specific foreign investment decision in the context of the firm's previous actions and accumulated learning. Recent research in the IPM tradition has identified a number of ways for firms to accelerate their processes of building capabilities for international business not only through internal learning, but by acquiring knowledge-based resources externally. These mechanisms that allow firms to 'speed up' their internationalization thus extend the IPM. We illustrate such external resource acquisition in internationalization processes with six case studies of Thai MNEs that recently undertook cross-border acquisitions.

On this basis, we advocate the IPM as a lens to study EE MNEs and propose to advance it along research questions around six themes: (1) role of acquisitions as means of accelerating internationalization, (2) the role of networks as conduit of learning, (3) the development of human resources, (4) the moderating role of the home institutional context, (5) the causes and consequences of large step internationalization, and (6) possible

managerial biases in decision making processes. The next section summarizes the IPM and contemporary literature inspired by it. We then illustrate how internationalization processes may evolve for EE MNEs with case studies of six cross-border acquisitions by Thai MNEs, before outlining an agenda for future research.

The IP Model and Extensions

The theoretical logic driving the model

The process of firms moving from initial steps abroad to building required resources and successfully becoming major players on the global stage is known as the internationalization process (J&V, 1977). This process often has an 'emergent' character (Mintzberg & Waters, 1985) as decision makers successively take decisions based on a mix of rational analysis, decisions under high uncertainty, and opportunistic reaction to new events (Santangelo & Meyer, 2011). J&V's original work thus builds on Edith Penrose's (1957) "theory of the growth of the firm" and on the behavioural theory of the firm (Cyert & March, 1963), especially Yair Aharoni's (1966) work on "the foreign investment decision process".

The model has been repeatedly revised and extended (J&V, 1990; 2006). Our discussion is based on the latest version set out by J&V (2009) and depicted in Figure 1. The model suggests that an investing firm initially makes a commitment to a position in a network, more specifically, a business network in a foreign market. The concept of commitment here refers to firstly, an "amount of resources committed i.e. size of investment in the market in terms of marketing, organisation, human resources and [secondly], the degree of commitment i.e. the difficulty of finding an alternative use for the resources and transferring them to the alternative use or so called sunk cost" (J&V, 1990).

**** Insert Figure 1 about here ****

Such cross-border commitments enable a firm to gain experiential knowledge about foreign business environments such as knowledge about customers, competitors and regulatory authorities. This local knowledge strengthens the firm's ability to assess and evaluate its current business activities, the extent of its existing market commitment, and the chances for further investment (J&V, 1990) such as purchasing an existing local distributor or building a new manufacturing plant in that particular market. As a result, the

organisation is able to gradually develop the required level of local capability and market knowledge to become an effective performer in that local context.

The core concept in this theoretical model is experiential learning, the experiences accumulated through firms' on-going and continuing activities. The lack of local knowledge and resources is possibly the biggest obstacle to successful international business. Yet, local knowledge is to a large extent tacit, and hence hard to acquire other than through direct engagement in the local environment. Hence, the internationalisation of firms is a dynamic process of learning where decisions over each next step are based on what decision makers know at the time. In Figure 2, we offer an alternative illustration of the IPM emphasizing the interactive nature of processes at three levels: commitment increases over time in a step-function pattern, with the steps reflection decisions over resources committed to a market or network.[1] Each commitment enables more learning, and learning in turn drives opportunity recognition, risk perception and costs of additional expansion moves (Benito & Welch, 1994; Peng & Meyer, 2011). These variables, called state variables by J&V (1977, 2009), are enablers for higher level commitment decisions.

**** Insert Figure 2: 'Gradual Deeping ...' about here ****

Stages Models

Empirical studies of internationalization processes have advanced several stages models. These models mainly focus on early stages of a firm's internationalization and suggest that the process of going abroad involves a sequence of distinct and typical steps. At the outset, firms have no interest in international business and have no knowledge; while at the final stages, they engage in greater steps, operate in many countries, and undertake high commitment activities such as the operation of foreign subsidiaries.

Stages models come in two forms. The first type distinguishes operation modes in a given host context, and specifies sequences with successively higher commitment. Most models focus on changing modes of exporting leading eventually to establishment overseas sales affiliates (Bikey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982). Others suggest a

[1] The steps do not always go up, sometimes firms reduce commitment temporarily or permanently as new information about the local context becomes available. Such commitment reductions are consistent with J&V's reasoning (Benito et al., 2009; Santangelo & Meyer, 2011).

progression from exports to contractual collaboration, to joint ventures and eventually to wholly-owned subsidiaries (Hadjikani, 1997; Millington & Bayliss, 1990). The second type concerns the sequence of countries that a firm would enter. A central concept here is 'psychic distance' (Johanson & Wiedersheim-Paul, 1975), the factors that disturb or prevent the flow of information between a firm and host countries such as differences in culture, language, level of education, political systems or level of industrial development. Stages models of this type suggest that firms begin by entering a country nearby and subsequently move to foreign markets in successively greater psychic distance.

The main critique of stages models focuses on the deterministic nature of these models (Hadjikani, 1997; Li, Li & Dalgic, 2004). While common stages may have been observed in case studies, a common empirical pattern does not imply a theoretical necessity of such a sequence. The IPM suggests a gradual deepening of commitment in line with a firm's competences, but it does not provide a theoretical argument as to why one sort of commitment should precede another (Forsgren, 2002). A second argument suggests that the relevance of psychic distance has declined over time, and hence globalization has changed business in such a way that stages models have lost their relevance (e.g. Khurana & Talbot, 1998). In other words, the stages may have been relevant in the 1970s, but with much reduced barriers firms no longer need to go through each of these stages.

A third critique concerns the operationalization of commitment by classifying operation modes along a scale of increasing commitment. Most notably, joint ventures are usually considered lower commitment modes than wholly-owned subsidiaries. But is that really true? The definition of commitment introduced above contains both the size of the resource commitment, and the ease by which these resources can be re-used for different purposes (in other words, whether they are sunk costs). Hence, firstly, one would have to control for the size (and other characteristics) of the operation. For example, a wholly owned representative office normally requires far fewer resources than a manufacturing plant in joint ownership. Secondly, a joint venture generally represents a long term commitment to a business relationship, and hence a network position. Hence, the reallocation of resources in a JV is usually more complex because it requires consensus among partners. In contrast, a wholly owned operation may require higher capital outlays,

but resources can be reorganized or even divested simply by a decision of the investor, with no need to negotiate with a JV partner.

Finally, stages models are highly specific to a firm's industry and to its institutional and historic context, as has been demonstrated in particular by studies focusing on service industries (Malhotra & Hining, 2010; Sacramento et al., 2002). The main thrust of these critiques is that stages models are not helpful in explaining patterns of internationalization because firms have various means to jump over stages, or to follow entirely different sequences of international activity. However, the essence of the IPM is not in the stages, but in the underlying processes of organizational learning that are the core to explaining the evolution of MNEs over time, which is where we turn next.

Model Extensions: Accelerated Learning Processes

The focus of the original IPM on internal and gradual learning has been challenged by several scholars. For example, Forsgren (2002) argues that the IPM "primarily deals with only one dimension which is learning through own experience. In reality, there are other possible internationalisation routes which are not explained in the model." In consequence of these critiques, international business scholars now generally concur that learning processes can occur through a wider range of mechanisms, and at a faster pace, than suggested in the original work of J&V (1977). This limitation of their original model is acknowledged by J&V, but they stress that despite this time-compression of learning due to globalization, the essence of the underlying process remains the same (J&V, 2006; 2009). Hence, the main focus of research in the IPM tradition has shifted to the mechanisms by which firms acquire knowledge of international business.

Learning through business networks. Businesses, especially SMEs, operate in business networks that provide them with access to complementary knowledge and resources (Chetty & Blankenburg-Holm, 2000; Coviello & Martin, 1999; Johansen & Mattson, 1988). Business relationships are an important conduit for learning that can supplement, or even substitute, a firm's experiential learning. In the original IPM, experiential learning occurs through firms' internal activities because of obstacles to transferring tacit knowledge. However, to some extent, even tacit knowledge can be shared within close networking relationships, despite the organizational boundaries between firms,

if they provide intensive inter-personal interactions (Forsgren, 2002). As a firm grows internationally, its networks grow as well, as does the knowledge held by its partners in the network. These expansion and learning effects mutually reinforce each other in providing access to a larger knowledge base that can support a firm's internationalization (Meyer & Skak, 2002).

A special form of business networks are those forged with foreign investors coming to one's own country. Such networks provide opportunities for domestic firms to learn about international operations, and for establishing a reputation with potential partners abroad. Some firms first learn about international business by importing, before they start exporting (Welsh & Luostarinen, 1993; Korhonen, Luostarinen & Welsh, 1996). Others start exporting through the network of a foreign-invested partner in their home country, or they establish their first affiliate overseas supplying such a partner in a third country. Scholars of Chinese businesses suggest that such "inward-outward linkages" are important to Chinese MNEs many of which first experienced international business as local partner to foreign investor aiming at the Chinese market (Buck, Liu, Wei & Liu, 2009).

The importance of networks for internationalization has been emphazised especially for SMEs (Chetty & Blankenburg-Holm, 2000; Coviello & Martin, 1999), and even more so for SMEs from emerging economies, including Indian (Elango & Pattnaik, 2007; Prashantham & Dhanaraj, 2010) and Chinese firms (Zhou, Barnes & Lu, 2010; Zhou, Wu & Luo, 2007). Hence, the benefits of networks for internationalization, and the reciprocal relationship between network growth and international growth are widely acknowledged. However, the processes of learning and knowledge transfer in business networks remain a challenging research area.

Learning by observing others. Firms, like people, can learn by observing the practices of others, and by selectively imitating them (Bruneel, Yli-Renko & Clarysse, 2010). In particular the imitation of market leaders provides a source for learning, for reducing uncertainty and for gaining legitimacy (Lu, 2002; Guillen, 2002). Late entrants thus can observe earlier entrants in a foreign context, identify their successes and failures, and incorporate such knowledge in the design of their operations. Imitation of early movers allows reducing uncertainty, because their role provides an indication of what is feasible.

Moreover, it provides legitimacy as it is easier to convince third parties, such as shareholders, of the merits of a project when their peers pursue similar paths. The organization theory branch of institutional theory thus has developed the notion of imitative behaviour as a strategy to minimise uncertainty, and hence to accelerate the speed of learning (Lu 2002), and of internationalization (Forsgren, 2002; Schwenk & Kabst, 2009). However, it can also lead to bandwagon effects as many pursue the same opportunity, and hence to overinvestment in capacity, followed by fierce price competition.

Studies of Asian businesses have been particularly interested in imitative (or 'mimetic') behaviours as drivers of international business strategies (Chan & Makino, 2007; Guillén, 2002; Lu, 2002; Makino, Lau & Yeh 2002; Yiu & Makino, 2002). Perhaps, the cultural importance and 'face' combined with high external uncertainty make imitative behaviours more common in Asia. However, the diversity of firms in terms of resources, capabilities and opportunities limit the effectiveness of imitative learning, and for empirical researchers it remains challenging to proof that two firms acting in similar ways actually imitate each other, rather than independently react to the same external stimuli. Hence, the critical question is to what extent followers selectively imitate successful firms, rather than just early movers (Lu & Xu, 2006).

Learning through local joint ventures and acquisitions. A more aggressive – but also more risky – approach to acquiring knowledge about foreign business contexts is to seek a local firm that possesses relevant local market knowledge and then to form a joint venture or to acquire that firm (Forsgren, 2002). In particular, buying an existing business may provide intangible assets that are difficult to acquire separately via markets, such as brand names and the networks in which by the acquired firms are embedded (Barkema & Vermeulen, 1998). An acquisition entry may even be a fast track to building legitimacy in the local context, provided the post-acquisition process is managed sensitive to local interests. Consequently, joint ventures and acquisitions are common forms of expansion for investors that need market-specific resources as has been recognized in the burgeoning literature on the choice of mode of entry (Estrin & Meyer, 2011; Hennart & Park, 1993; Slangen & Hennart 2008).

Moreover, learning processes also inform sequences of acquisitions or joint ventures. Before making a major commitment by signing contracts for a joint venture or an acquisition, potential investors have to find an appropriate partner, and thus engage in considerable local search and due diligence, which requires local knowledge. Such research benefits from a small local operation and access to local players, such as financial intermediaries and government regulators. Prior experience in a country thus facilitates finding the right partner, but it also reduces the need for the local knowledge that a partner would provide. Hence, the relationship between experience and entry mode is ambiguous (Li & Meyer, 2009). Moreover, foreign entrants wishing to build a substantive market position in a fragmented market often need to make multiple acquisitions (Meyer & Tran, 2006). Hence, Elango and Pattnaik (2011) propose learning processes over sequences of acquisitions that lead EE MNEs to engage in progressively larger acquisition projects.

Learning through strategic asset seeking FDI. Some cross-border acquisitions have objectives that go beyond the local market, aiming for positions in other markets, including the home market as well as the global economy. In other words, investors pursue "strategic assets" that help building the competitive advantage of the acquiring firm itself. To clearly distinguish market and strategic asset-seeking motives, we restrict the term 'strategic assets' to assets intended for strategic use outside the host country. They include, for example, R&D capacity, technological capability, management or marketing expertise, organisational knowledge, access to international distribution networks, design facilities or brand names (Dunning, 1993; Chung & Alcacer, 2002). A critical distinction is that the acquired resources are fungible and thus can be utilized in other parts of the operations of the acquirer (Anand & Delios, 2002).

Strategic asset seeking has frequently been observed as motive for foreign investment by EE MNEs (Deng, 2009; Rui & Yip, 2008), and has been coined as 'springboard perspective' as EE MNEs first acquire assets abroad, and then combine them with their existing assets for exploitation in a second stage (Luo & Tung, 2007; Luo et al., 2011). In addition to leading edge technologies and R&D capabilities, EE MNEs seek in particular brand names representing technological excellence (for example, brands associated with Germany or Switzerland) or fashion and style (for example French and Italian sounding brands) that are appreciated by consumers back home. In other words, some of these

acquisitions aim to strengthen positions in existing markets with new market entry being a secondary benefit. However, they also create formidable operational challenges because their effective integration requires fundamental learning in the acquiring organization itself. How EE MNEs can successfully manage the acquisition of such strategic assets remains an open question of high practical and theoretical relevance.

The four mechanisms of external learning complement the internal learning mechanisms emphasized by J&V (1977). They are, in our view, consistent with the fundamental reasoning of the IPM. The first two (learning though networks, and by observing others) have been discussed extensively in the literature. However, the latter two (local joint ventures and acquisitions, and strategic asset seeking acquisitions) are less well understood. We therefore next discuss six case studies illustrating the role acquisitions in internationalization processes, before outlining research agendas for future research.

Case Studies: Thai MNEs

Research context and method

Acquisitions represent the highest form of commitment increase. As the management of acquisitions requires considerable experiential knowledge, they normally occur at advanced stage of a process of stepwise commitment increases. We thus take six recent high profile acquisitions as a starting point, and then work our way backward to understand how they fit into the firm's internationalization process. The case studies explore Thai MNEs, an interesting context to study the emergence of EE MNEs as Thai firms have developed considerable competences at home but are still at an early stage compared to other Asian nations (Hemrit, 2011). However, Thailand's outward FDI has been constantly rising, reaching US$16.3 billion in 2009 (UNCTAD, 2011).

Earlier studies identified distinct characteristics of EE MNE investments in respectively emerging and developed economies (Cuervo-Cazurra & Genc 2008; Li & Meyer, 2009; Tsang & Yip, 2007). Hence we made the pairing of similar cases in the two types of host economies our primary selection criterion and selected acquisitions in three industries and in two types of host market (Figure 3) from a list of high profile acquisitions in 2009-2011 by firms listed on the Thai stock exchange. The two mining firms, **BANPU** and **PTT**

operate different sorts of mines and invested in Australia and Indonesia respectively. The food industry firms **Thai Union Frozen Products** and **Thai Beverage** both focus on building and exploiting brands, and their focal acquisitions added respectively European and Chinese brands to their brand portfolio. Our heavy industry cases represent examples of firms in capital intensive industries investing in respectively the UK (**Sahaviriya Steel Industries**) and Vietnam (**SCG Paper**).

**** Insert Figure 3 about here ****

We have combined archival and primary data to build our cases. As they all were high profile companies – deliberately chosen as such – rich information is available from a variety of published sources in the country, including company publications such as annual reports, websites, announcements to shareholders, and presentations, as well as data available from independent third parties such as news reports, magazine articles, financial analyst reports, trustworthy websites, and statistics from organizations such as UNCTAD. In addition, one of the researchers conducted in-depth semi-structured interviews with a senior executive in each of the case firms.[2] The interviewees were asked about a variety of aspects of their cross-border acquisition and their preceding international business activities. Interviews were conducted in Thai, and translated to English. Follow up interviews were held a few weeks later to clarify some details. Table 1 introduces the case firms, and in the appendix we provide a synthesis of each case, the focal acquisition along with its underlying motives and the internationalization process that led up to this acquisition.

**** Table 1 about here ****

As a preliminary step, we analyzed whether investment motives (using Dunning's [1998] typology) would differ for different types of host countries. It had been argued that FDI from emerging economies to developed economies would be primarily resource enhancing, while FDI into emerging economies would be primarily resource exploiting (Cuervo-Cazurra & Genc 2008; Tsang & Yip, 2007). However, the patterns in our cases do *not* suggest any clear developed-versus-emerging economies distinction in the investment motives (Table 1, bottom row).[3] In the mining industry, both acquisitions were primarily

[2] To protect confidentiality, interviewees shall remain anonymous.
[3] Note that the target markets in most cases extend beyond the host country, which we classified as strategic asset-seeking.

driven by access to natural resources; in the food industry, both case firms pursued brands and distribution channels as primary motive. A critical difference though is that the acquisition in France provided a brand with appeal beyond the host country, and hence a strategic asset enabling further international growth. Only in the capital intensive manufacturing case, the pattern corresponds to the prediction: SSI acquired strategic assets in the UK for backward integration and thus strategic-asset seeking, while SCI Paper was market-seeking, targeting MNEs manufacturing in Vietnam for export. The only systematic difference seems to be the price paid for the acquired firm as acquisitions in developed countries are far more expensive than those in emerging economies.

Case illustrations

The cases allow us to illustrate how acquisitions fit into a firm's internationalization process. We briefly consider three aspects, namely geographic internationalization paths, operation mode internationalization paths, and the role of learning.

First, the geographic pattern of the internationalization is quite diverse as psychic distance appears secondary to other considerations such as market size (SG Paper, ThaiBev, TUF) and the location of strategic assets (SSI) and natural resources (BANPU, PTT) (Table 2). The psychic distance pattern in the internationalization path is evident in BANPU, which invested first in Indonesia and Vietnam, then in China, and eventually in Australia. Also PTT and SCP seem consistent with the stages model. In contrast, TUF, ThaiBev and SSI went a distant country – respectively Japan and the UK – for their first FDI projects. Hence, there certainly is no in-build logic that firms 'have to' follow the distance pattern of the model.

**** Table 2 about here ****

Our interviews indicate that geographic distance plays an important role where transportation costs matter, while free trade areas affect industries subject to tariffs. Some case firms pursued a strategy focused on South East Asia. For example, SCG Paper expanded within ASEAN where it could easily and economically ship paper material to Vietnam for a further processing into box products. Furthermore, the ASEAN free trade agreement has reduced tariffs to zero for many of its products. In contrast, our interviewees discounted the role of cultural distance for Thai businesses:

"According to our experience, the culture of each place is different although the countries belong to the same region. For example, Vietnamese and Thai culture are somehow different although they are neighborhood countries. Indonesia or the Philippines are even more distant from Thailand in term of the culture." [interviewee, SCG paper case].

Perhaps, Thai culture is too distinct from its neighbours as it does not share the history of colonialism common to other countries in South East Asia. However, the importance of local knowledge has been stressed by most of our interviewees, both with respect to South East Asia and for countries further away. Knowledge transfer between countries and regions is however limited:

"[Our acquisitions] *had similar purpose seeking for brand, market or distribution channels in both USA and France/EU. However we still think these two markets are different. Only small part of that was useful, for example, we asked people who had experience in US market to raise issues that potentially can be considered for EU market such as experience about brand or customers in matured markets. But still, it is rather small because the nature of each market is not the same."*

Thus, following recent critique of the empirical literature on psychic distance (Shenkar, 2001; Zaheer, Schomaker & Nachum, 2012), we suggest that psychic distance research focuses on better understanding the construct, in particular by exploring aspects other than culture.

Second, the cases illustrate patterns of gradual increases of commitment at particular locations, but the sequences of operation modes vary greatly. Hence, there is no common pattern that would support the merits of a stages model of operation modes. Only at a basic level, we observe that all firms, even SSI, engaged in some form international trade (exports or imports) before investing overseas. The importance of learning through exporting has been explained for example, SCG Paper's CEO Kan Trakulhoon in a magazine in Thailand:

"*SCG's strategy is to export to the markets in ASEAN first in order to gain distribution network and knowledge about specific country. After market knowledge is sufficiently attained, we will set a manufacturing plant or acquire an established one. We will not have FDI without having initial export operation to that host country*" (Panyavong, 2011).

However, even export experience in the target country is no precondition for making a major investment; neither ThaiBev nor SSI had prior commercial experience in the country of the focal acquisition, respectively China and the UK.

The cases illustrate however a different form of staged increases of commitment, namely within acquisitions. Both BANPU and TUF pursued "staged acquisitions" (Meyer & Tran, 2006), where they first took an equity stake in a firm abroad before taking over full equity a few years later. Likewise, PTT made a partial acquisitions even though *"Straits Asia Resources offered PTT full ownership of SBI, but* [Senior VP] *Mr Tevin said the company would proceed cautiously as it is in unfamiliar territory"* (Praiwan, 2009). This may turn into a staged acquisition later on. Hence, inexperienced international investors appear to reduce their financial commitment by deliberately delaying the acquisition of full equity control. The reasons for doing so are however not yet well explained in the literature and merit further investigation.

More generally, firms are going through stages of commitment, but these stages vary greatly and are determined by a variety of industry and context-specific influences. The search for stages models of general relevance thus seems futile, yet the notion of stepwise increases of commitment in each host location provides a useful framing of internationalization processes.

Third, while the gradual deepening of commitment does not follow common stages, it has in all cases been driven by a variety of complementary learning processes emphasized by our interviewees. Knowledge has been accumulated incrementally within the each company and within each local operation over a period of time. This knowledge not only enhances objective capabilities, but shapes managerial perceptions of business opportunities. Our interviewees used words such as 'courage' or 'confidence' to describe this effect:

> *"Without series of foreign expansions which have given profound experience to BANPU – e.g. China, Indonesia, Vietnam – I do not think BANPU would have had the courage to invest in a distant country like Australia"* [interviewee, BANPU case].
>
> *"in the MW Brands case, we started exporting to Europe a long time ago. Later, we built sales offices there and eventually had FDI. Prior to the acquisition, indeed our management*

team has met key people in MW Brands many times and knew them personally. The familiarity and chemistry we had with MW Brands' team in conjunction with the knowledge we have learned about European market, have given us confidence to make a decision about acquiring MW Brands" [interviewee, TUF case].

However, learning is not only a precondition for making an acquisition, it also continues after the acquisition. In the case firms such learning processes focused on the people involved in managing the international operations. For example, TUF, BANPU and ThaiBev hold regular annual gatherings of staff from all overseas subsidiaries aimed at knowledge sharing across their international operations:

"There are several types of company conferences all year round. The annual seminar, the biggest one, is the event where key people from all foreign offices come to meet and discuss about all important issues that happened during specific period. This annual seminar lasts about 1 week. It is an opportunity for employees from different countries to gather and participate in various types of activities (team building, idea generation, presentation, ice-breaking, training and etc). These activities generally include many knowledge sharing sessions" [interviewee, ThaiBev case].

The second method of learning emphasized by several interviewees is staff rotation. For example, after acquiring Pacific Spirits UK, ThaiBev rotated its people from headquarters to the UK, Hong Kong and Scotland such that the parent firm could learn about different markets:

"*Although we had done sufficient market research about European alcohol market before acquisition, there were additional things we did not know in details because of less experience we had. Well, but the acquisition helped a lot such as information and knowledge about European customers' behavior and insight information about competitors in the industry. Additionally, on some aspects about regulatory and legal systems our ThaiBev people were unclear, but they can learn from Pacific Spirits (UK) team.*" [interviewee, ThaiBev case].

The development of human resources, in particular the training of leaders for overseas operations and the knowledge transfer between dispersed operations are thus pivotal challenges for these MNEs. Progress of internationalization strategies critically depends on the 'human side' of international business.

The IPM as Foundation for Future Research

A model or theory provides a parsimonious depiction of reality that illuminates but also disguises. Each model directs attention to selected aspects of a particular phenomenon, while abstracting from other influences. The cross-sectional analyses dominating contemporary management research highlight factors influencing specific decisions. Yet, they tend to neglect dynamic processes and the historical context of strategic decisions.

The IPM provides a different view of reality, and in particular highlights how a particular action – especially resource commitments – fits into a firm's own history and its processes of learning and knowledge accumulation in particular. Looking at EE MNEs through the lens of the IPM provides different insights than using theories designed for cross-sectional analysis. In fact, as the foregoing discussion and the case studies illustrate, some features that appear as puzzles to mainstream scholars – such as staged acquisitions – appear a logical consequence when viewed through the lens of the IPM.

At the same time, viewing EE MNEs through the IPM raises different and new research questions. In particular, we suggest that future research focuses on divergences from what the model would consider the 'normal' process of continuous commitment and learning, as firms pursue either faster or slower international growth. More specifically, *what are the internal and external factors that influence learning activities outside the country?* This broad question sets the frame for six themes that have arisen from our review and the illustrative case studies.

First, EE MNEs extensively use acquisitions and partial acquisitions for their international growth, even at early stages when they still lack experience in managing such major operations internationally. These acquisitions target not only local firms facilitating local market entry, but strategic assets that can be exploited beyond the target country (Deng, 2009; 2012; Rui & Yip, 2008; Luo et al. 2011). They thus represent strategies of accelerated corporate learning (e.g., Elango & Pattnaik 2011; Li, 2010; Luo & Tung, 2007).

In contrast, acquisitions were not considered in the original model by J&V (1977). They imply a large increase of commitment and their effective management requires

considerable experiential knowledge, which firms normally only have at advanced stages of internationalization. From an IPM perspective, this raises several questions:

- How does learning take place from one acquisitions to the next one (Elango & Pattnaik, 2011), and how are multiple acquisitions integrated to create the aspired sought portfolio of resources and capabilities?
- How do partial or staged acquisitions (Chen 2004; Meyer & Tran 2006) fit into learning processes? Do they offer learning opportunities not available through full acquisitions (e.g. interaction with the local parent), or do they offer opportunities for learning while reducing the downside risk of failure?
- How do EE MNEs mange post acquisition integration processes when they are only interested in some of the acquired assets, such as technology, and may have to divest major parts of the acquired operation (Estrin & Meyer, 2011)?

Second, networks have been recognized as an important conduit in the IPM literature, especially when focusing on small businesses (Johanson & Mattson, 1988). They have also been identified as particularly important for firms in emerging economies (Danis, Chiaburu & Lyles, 2010; Luo, 2003; Zhou & Peng, 2009), suggesting that this theme is likely of particular importance for EE MNEs. Our interviewees pointed in particular to customers, suppliers, industry association meetings and investment bankers (sic!) as important sources for market intelligence, for target identification and for due diligence. The nature of the networks varies however: SCG Paper benefits in particular from links with other firms within the Siam Cement Group, while ThaiBev – a business dominated by its founder – benefits from the founder's personal networks. The literature suggests that networks are particularly important for entrepreneurial ventures in emerging economies looking to internationalize (Prashantham & Dhanaraj, 2010; Zhou et al., 2007), and ethnic ties have been shown to influence their pattern foreign entry (Jean, Tan & Sinkowicz, 2011; Tan & Meyer 2011). In fact, Thai business groups controlled by ethnic Chinese families have been found to use ties within this community when engaging in business abroad (Hemrit, 2011). Hence, there are obvious synergies between these literatures to address questions such as

- How do EE MNEs (small and large) share tacit knowledge in internationalizing business networks?
- How do networks of compatriots in foreign locations facilitate the process of learning about foreign business contexts?
- How do EE firms manage business networks in different contexts when practices of interaction in business relationship are culturally bound? For example, the practices of building guanxi in China may not work elsewhere because interpersonal relationships are handled in a different way.

Third, while the IPM focuses on learning processes at the level of the firm, such learning has to be supported by the attraction, retention and development of individual employees as carriers of the knowledge. Unable to draw on a large pool of internationally-experienced managers in their home country, MNEs from EE thus face considerable challenges in attracting talent overseas and in developing their human resources (Cooke, 2012; Tung, 2007). As we have seen in the cases, Thai MNEs use various practices to facilitate knowledge sharing between operations, in particular to effect the reverse knowledge transfer from acquired subsidiaries to the parent organization (also see Zhang & Edwards, 2007). Our literature search identified only few studies addressing human resource management challenges of EE MNEs, suggesting that this area of research stands very much at the beginning. From an IPM perspective, key questions such research should address are:

- How and where do EE MNEs recruit and retain leaders to manage international operations when they can find few internationally experienced managers in their home country?
- How do EE MNEs manage the reverse knowledge transfer when acquiring strategic assets overseas, especially when the sought capabilities are embedded in the acquired firm's organizational culture?
- How do EE MNEs change their HRM practices, and their organizational culture more broadly, when faced with pressures from their internationalizing workforce,and/or from employees in overseas affiliates used to different cultures and practices? This is a

common challenge for example for state-owned Chinese firms acquiring mid-sized entrepreneurial firms in Northern Europe in view of their technological capabilities.

Fourth, some EE MNEs appear to take very large steps early in their internationalization. The case of SSI acquiring a steel mill in the UK as its first investment outside Thailand in particular illustrates that sometimes firms make big commitments overseas even though they have very little experiential knowledge about international business practices, and about the host country. These diversions from what we would consider the normal process of internationalization raise interesting questions:

- What are the internal factors, notably resources and capabilities, that enable firms to succeed with big step internationalization?
- What external factors induce firms to take the risk of a big step, considering for example the competitive dynamics, market opportunities, or availability of strategic assets at a (relatively) low price?
- What are the consequences of big step internationalization for the subsequent internationalization path? Do they really lead to accelerated internationalization, or do firms need longer to digest big investments, and hence delay or reduce the size of subsequent internationalization, an effect known as Penrose effect (Penrose, 1957; Hutzschenreuter et al., 2011; Tan & Mahoney 2007)?

Fifth, many authors point to aspects of the institutional environment in EE MNEs' home country that are essential to explaining the pattern of their internationalization (Cui & Jiang, 2010, 2012; Luo et al., 2011; Peng, 2012). In particular, institutions have been credited with providing resources – such as information and preferential bank loans to selected firms or industries (Luo, et al. 2010), but they have also been identified as an obstacle to the domestic growth of entrepreneurs who rather escape and pursue their ambitions elsewhere (Boisot & Meyer, 2008).

Such institutional factors may not only explain variations across countries, but create different sorts of pressures and support different types of firms, as has been noted in particular for internationalizing Chinese state-affiliated enterprises. Chen and Young (2010) find that international acquisitions by state-owned firms are in part driven by government

policy objectives, and viewed negatively by minority shareholders with primarily financial interests. Ramaswamy, Yeung & Laforet (2012) find that state-owned firms are more likely to invest in countries with rich natural resources, and higher political risk. Among our cases, PTT, a partially state-owned firm, seemed at least in part to be motivated by the national policy objectives of securing energy resources for the country. Using the IPM as a theoretical lens on these phenomena draws attention to the interaction between the institutional framework and organizational learning (Meyer & Gelbuda, 2006). For example,

- Are some home environments, especially education systems, more conducive to international learning than others, and if so why?
- How do non-economic objectives such as alignment with government policy agendas influence accelerated internationalization, and how does such an effect vary across different types of firm?
- How do regulatory, normative and cognitive pressures in the country of origin influence commitment decisions in international business?

Finally, we have seen the rapid emergence of EE MNEs. Yet, are we sure that these firms aren't making big mistakes and are actually losing a lot of money? There is plenty of evidence suggesting that acquisitions in general often fail to make money for the investing firm, and they may be better explained by managerial behaviours – in particular managerial hubris and self-serving actions (Vermeulen, 2010). While we didn't find any evidence in our cases of such distortions, there are some indications in the literature that these may be substantive concerns for EE MNEs. For example, Aybar and Ficici (2009) find that on average acquisitions by EE MNEs destroy shareholder value. Hope, Thomas and Vyas (2011) find that firms from developing economies bid higher for assets than bidders from developed countries, which they attribute to 'national pride' as a variation of managerial hubris. Hence,

- To what extent is the rapid internationalization of EE firms driven by managerial self-interest – such as the esteem of being an international player rather than a domestic one?

- To what extent are managers diverging from the IPM because they are over- (or under-)estimating their own ability to successfully manage overseas operations, and acquisitions in particular?
- How and why do governance structures and ownership affect risk preferences, and hence the pace of internationalization?

Conclusions

We have argued that the IPM originally proposed by J&V (1977) and most recently extended in J&V (2009) provides a potentially insightful perspective on EE MNEs, and a foundation for future research. Recent research on the IPM has focused on various means by which firms accelerate their international learning. We propose that this agenda may be further advanced by studying MNE from emerging economies with a focus on the factors that may induce them to diverge from a gradual process of learning and commitment increases.

As key themes for this research, we propose the role of acquisitions as means of accelerating internationalization, the role of networks as conduit of organizational learning, the development of human resources, the moderating role of the home country institutional context, and the causes and consequences of large step internationalization. Last not least, scholars should look beyond business objectives and consider managerial self-interest and government policy as moderating influences on internationalization processes.

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Appendix: Case Stories

BANPU Plc acquired Centennial Coal Company in Australia.

The acquisition of Centennial Coal of Australia by BANPU Plc (BANPU) in 2010 was the largest in Thai history. BANPU was the industry leader in the Thai mining industry, while Centennial Coal was one of the largest coal producers listed on the Australian Stock Exchange. BANPU saw its main competitive advantage in its access to the Thai market. The acquisition of Centennial was primarily driven by resource seeking motives: local coal reserves in Thailand had been depleted, driving BANPU's to seek resources overseas. In addition, the acquisition provided access to both the Australian market, and numerous other countries where Centennial had established customer relationships, for example power stations in Japan and Europe (Sharples, 2011).

The process of internationalization followed steps similar to the stages models. Established in 1993, BANPU started to export a few years later, followed by sales offices. Eventually, in 2001, BANPU invested internationally by FDI into Indonesia, followed by subsequent acquisitions in Indonesia, Vietnam (1991-2001) and China (2003-2006). The knowledge that BANPU gained about regulatory systems, government policies and business practices in Indonesia, and the relationships it gradually developed with the host government, clients and partners facilitated subsequent investments in the country. For example, our interviewee emphasized that in the mining business, 'local knowledge' of government policies and regulatory systems is crucial when investing in a specific country.

BANPU's internationalization had a distinctly regional focus motivated by its understanding of business practices and cultures in Asia. The focal acquisition in Australia took BANPU beyond its regional focus, and the CEO declared in the annual report that the "purchase of Centennial this time is such a big step that BANPU seems to break out of its comfort zone" (BANPU Plc, 2010), indicating a push further along the psychic distance, from it Thai origins.

PTT Plc acquired Indonesian coal business from Straits Resources Limited (SRL)

PTT Plc is Thailand's leading energy company operating natural gas, oil, petrochemical, refining and coal businesses, ranked 155th in the Fortune 500 in 2010. In 2009, it acquired a

60% equity stake in Straits Bulk and Industrial Pty Limited (SBI), a business unit of Straits Resources Limited (SRL), a diversified Australian resource company. The main assets of SBI were a controlling stake in a coal mining business in Indonesia, as well as further assets in Brunei, Madagascar and Mongolia.

Like BANPU's expansion, this acquisition was motivated by the Thai demand for natural resources. Hence, PTT sought "to secure the country's energy supply, including both new energy and alternative energy sources, through international investment" (PTT, 2011). Closely related was the strategic asset seeking motive of obtaining industry knowhow and experience in the coal business, which was a new industry for PTT at the time (Scott, 2009). Another strategic asset was the access to markets in third countries, especially SRL's customer relationships. In particular, 32% of sales came from Japanese power companies, of which 80-90% were long-term contracts (PTT Plc, 2009). Efficiency seeking was a subordinate motive: Geological and ecological conditions in Indonesia allow using the most cost efficient methods of coal mining.

PTT's internationalization path has mainly been driven by the availability of natural resources. In Indonesia, a critical resource has been its 'good relationship with the government'. Privatized in 2001, the Thai state still held 50% of the equity of PTT, and continued to provide active support. Hence, the relationship between PTT and the host government was embedded in the political relationship between the two nations, which was viewed positively by the Indonesian partners. After its entry into coal mining in Indonesia in 2009, PTT also acquired a coal mine in Australia in 2011, thus moving to a more distance location.

In terms of operation modes, PTT started in Indonesia with the large commitment of a partial acquisition of a fairly large organization. However, PTT systematically built its knowledge base to enter the coal industry. Ahead of the acquisition, PTT specifically recruited individuals with knowledge of thermal coal in Indonesia and with expertise of cross-border merger and acquisitions. On that basis, the acquisition of SRL then provided access to broader competences in the coal mining industry.

Thai Union Frozen Products Plc acquired MW Brands, a French firm

Thai Union Frozen Products Plc (TUF) is Thailand's largest canned and frozen seafood processor with subsidiaries in the USA, France, Indonesia, Vietnam, Japan and India. In the second-biggest overseas investment in Thai history, TUF acquired MW Brands Holding, a French manufacturer and distributer of canned seafood that was market leader for tuna and other seafood products in France, the UK, Ireland, the Netherlands and Italy (Lewis, 2010).

TUF's international growth had primarily been based on its low processing cost arising from two sources: First, Thailand provides lower cost of skilled labor and access to sea food, TUF's raw material found off the Thai coast. Second, the company's product diversification enables TUF to fully exploit the raw sea food. The main part of fish or shrimp is processed for top-end food products, while the residual is used for other products, such as pet foods. This optimizes raw material utilization, and reduces total cost of production.

The purchase of MW Brands was primarily motivated by market seeking motives as it increased Europe's contribution to TUF's total sales from 11% to more than one-third, thus reducing its dependence on the US market that previously had accounted for over half of TUF's sales. The brands owned by MW Brands represented a strategic asset that could be exploited in further European markets. In addition, the acquisition also supported efficiency seeking motives by adding four processing plants in France, Portugal, Seychelles and Ghana to its five existing facilities (in Thailand, Indonesia, Vietnam and the USA), and by increasing the fishing fleets from four to nine vessels. This expansion made TUF one of the largest canned-tuna producers in the world (Murray & Setthasiriphaiboon, 2010).

TUF's internationalization started with export to Japan and the USA in 1988. In Japan, a joint venture with a local trading partner soon followed. In the USA, exports were followed by sales offices and in 1997, TUF purchased 50% of Chicken of the Sea, which was increased to full ownership in 2006. In 2003, TUF also acquired Empress International Ltd to improve its distribution networks in the USA. Hence, the commitment of TUF in the USA increased step-wise. Similarly, in Europe, TUF moved from exports and sales offices to FDI, while in markets such as Indonesia, Vietnam or India, it has been exporting for many years before making both greenfield investments and cross-border acquisitions.

However, the country sequence did not follow the psychice distance pattern. TUF started investing in Japan, then the USA, before entering Indonesia, Vietnam and India.

Thus, despite the greater distance in terms of geography, culture, regulations and business practices, investment in the USA preceded investments in neighboring countries.

***Thai Beverage PLC acquired Yunnan Yulinquan Liquor Co. Ltd in China*.**

Thai Beverage Plc (ThaiBev) was established in 2003 by merging the liquor businesses owned by Mr. Charoen Sirivadhanabhakdi. In 2011, ThaiBev operated 18 distilleries in Thailand, 5 Scotch whisky distilleries in Scotland and 3 breweries in Thailand (Thai Beverage Plc, 2011). The acquisition of Yunnan Yulinquan Liquor Co. Ltd (YLQ) added a white spirits distillery in the Chinese province of Yunnan. ThaiBev's strategy focused on building and exploiting brand names such as Sangsom Rum, Mekhong and Chang Beer that gradually gained brand recognition outside Thailand. For example, Chang Beer had been known as sponsor of Premier League football club Everton since 2008. The brand portfolio was also the primary motive of the earlier acquisition of Pacific Spirits UK.

The YLQ acquisition was primarily motivated by the access to the alcoholic beverages market in China. After entering the white-spirits market with the YLQ brand, ThaiBev expected to tap into the beer business in China by exporting its Chang Beer from Thailand to Yunnan (Rungfapaisarn, 2009). Moreover, ThaiBev aimed to use Yunnan as a gateway to expand into other areas in China as well as Myanmar and the Northern part of Laos. The geographic proximity enabled ThaiBev to distribute its products by truck from Thailand into Yunnan (Thai Beverage Plc, 2009). Our interviewee explained that a local partner in China was essential for ThaiBev to deal with the country's government and public sector, while pursuing its market objectives.

ThaiBev started to export in 2006, and then the internationalization process advanced rapidly. Exports to the UK started in 2006, and in the same year ThaiBev acquired Pacific Spirit UK, which gave it a portfolio of brands, distribution networks and sales offices in Europe, North America and Hong Kong. The British acquisition was as the knowledge acquired from this company enabled accelerated internationalization, including the acquisition of YLQ. In this process, the sequence of countries did not follow the psychic distance pattern as Thai Bev's investment in China occurred after the one in the UK.

Sahaviriya Steel Industries PLC acquired Teesside Cast Products (TCP) in the UK

Sahaviriya Steel Industries Plc (SSI) is the largest steel sheet producer in Southeast Asia, yet its acquisition of Teeside Cast Products (TCP) in the UK was its first foreign expansion. TCP had been part of British Steel Plc, which was privatized in 1988, and acquired by the Tata group in 2007. However, TCP was loss making and was earmarked for closure with the loss of 1600 jobs (Reuters, 2011). Hence, SSI's take-over of TCP was celebrated in local newspapers as the rescue of a 'troubled' company (White, 2011).

With TCP, SSI acquired a firm previously in its supplier network, thus increasing control over its value chain through backward integration. In the first stage of cold rolled steel manufacturing, iron ore and coke coal are combined to produce slab. Slab is used to produce hot rolled steel which is further processed into cold rolled steel, a key input to the automotive, furniture and construction industry. Due to the lack of technology and machinery, SSI had previously purchased slab from TCP and other suppliers worldwide for its operation in Thailand (Hotter& Maylie, 2011). The acquisition enabled SSI to produce the slab itself in the UK and ship it back to Thailand. This backward integration made SSI a fully integrated steel producer with both primary steelmaking and rolling facilities (White, 2011).

The acquisition of TCP was driven by strategic asset seeking motives. SSI acquired technology and expertise for making construction-grade steel. In addition, SSI was seeking organizational capabilities, such as supplier relationships and TCP's existing business network. A secondary motive was efficiency seeking as vertical integration enabled synergies, estimated to be around US$ 17.8 Million (SCB Securities, 2011). According to our interviewee, SSI experienced considerable increases and fluctuations in the price of slab. An internal supply was both more stable and cheaper, while reducing the need for working capital due to the reduction in inventory levels.

The internationalization process of SSI appears to contradict stages models as it had no prior commercial activities in the UK, and no other foreign investments anywhere. SSI pursued this cross-border acquisition after failing to implement a major domestic investment project due to environmental concerns.[5] It could not draw on experience or

[5] SSI had previously tried to backward integrate by building a new plant in Bangsaparn in Thailand. However, concerns were raised that SSI's infrastructure would obstruct natural drainage systems in the forest and lead to flooding problems in the area, while the steel manufacturing would create hazardous air pollution in the Bangsaparn district. Environmentalists and villagers protested against SSI and blocked the entrance of the deep sea port owned by SSI for three days (Satyaem, 2009). Eventually, SSI decided to terminate the project in

accumulated learning prior to this acquisition, having mainly produced for domestic consumption with exports to neighboring countries (less than 5% of sales) being unrelated to the expansion to the UK.

SCG Paper Plc acquired Alcamax Packaging in Vietnam

SCG Paper, member of the Siam Cement Group, is the largest integrated pulp, paper and packaging producer in Thailand with subsidiaries in the Philippines, Malaysia, Singapore and Vietnam. It acquired Alcamax Packaging (Vietnam), one of Vietnam's leading producers and distributors of corrugated boxes in 2011. SCG Paper's core competences lay in the reputation of its 'Elephant' brand for quality paper and box products in Thailand. Although the brand was not yet well-known in Vietnam, SCG Paper expected to extend the brand to the new market, benefitting from a positive image of Thai products in Vietnam.

The acquisition was motivated primarily by market seeking motives. South East Asia plays a critical role in many global supply chains. Products manufactured in this region are shipped around the world. This generates demand for boxes as products need boxes for packaging and shipping. Vietnam was expected to continue to attract foreign investment into such export-oriented manufacturing, suggesting a rising need for corrugated boxes. The acquisition of Alcamax provided SCG Paper not only a leading market share in Vietnam, but was seen as stepping stone for further expansion in Vietnam (SCG Paper Plc, 2010b).

The case illustrates the stepwise deepening of commitment to a market. SCG Paper started to export in 1997. Vietnam became one of its largest overseas markets, which led to the establishment of a sales office. The company gradually learnt about Vietnamese culture, business practices as well as the political and regulatory systems. Based on this knowledge, and recognizing the scale of the Vietnamese market, SCG Paper invested in paper mills in Vietnam in 2006 followed by the box manufacturing plants in 2011. Also other investments by SCG Paper focus on South East Asia, including the Philippines (2003), Singapore (2005) and Malaysia (2005) as SCG Paper pursued a regional strategy expressed in its vision "*To be a World-class paper company with strong presence in ASEAN*" (SCG Paper Plc, 2010a).

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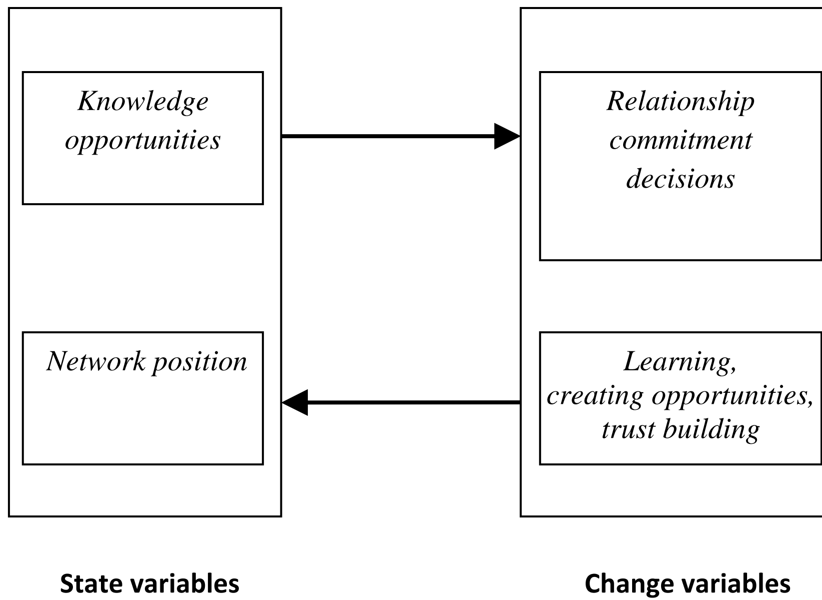
order to end the dispute. After this failure, SSI sought an alternative solution to backward integration, and thus to turn the crisis into an opportunity.

Figures

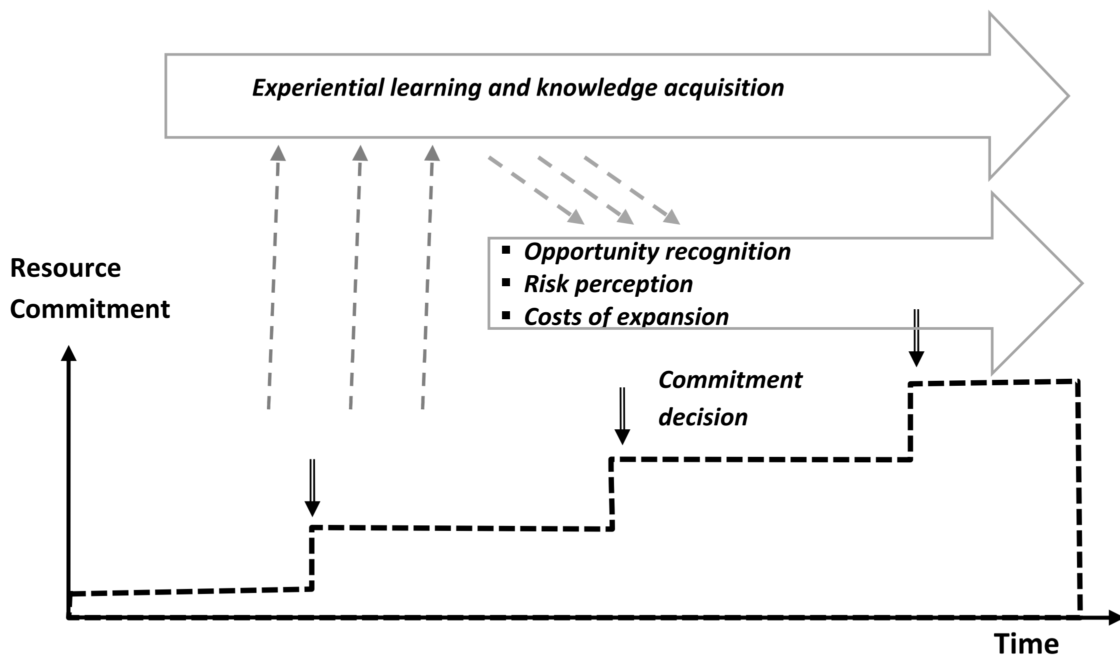
Figure 1: The Internationalization Process Model, 2009 version



State variables **Change variables**

Source: J&V (2009)

Figure 2: The Longitudinal Dimension of the Internationalization Process



Source: inspired by Benito & Welch (1994), Peng & Meyer (2011).

Figure 3: Case Selection

Industry	Host Country: *Developed Economy*	Host Country: *Emerging Economy*
Mining	[1] **BANPU** acquires Centennial, a mining firm in **Australia**	[2] **PTT** acquires Straits Bulk & Industrial, a mining firm in **Indonesia**
Light Industry	[3] **Thai Union Frozen (TUF)** acquires MW Brands, a seafood food brand company in **France**	[4] **Thai beverage (ThaiBev)** acquired Yulinquan, a white spirits brand company in **China**
Heavy Industry	[5] **Sahaviriya Steel Industries (SSI)** acquires Teeside, a steel manufacturer in the UK	[6] **SCG Paper** acquires Alcames Packaging, a corrugated box producer in **Vietnam**

Table 1: Summary of Case Studies

	[1]	[2]	[3]	[4]	[5]	[6]
	Mining	**Mining**	**Food Industry**	**Food Industry**	**Heavy Industry**	**Heavy Industry**
	In Developed Economy	**In Emerging Economy**	**In Developed Economy**	**In Emerging Economy**	**In Developed Economy**	**In Emerging Economy**
Thai Acquirer	BANPU Plc	PTT Plc	Thai Union Frozen Products Plc	Thai Beverage Plc	Sahaviriya Steel Industries Plc	SCG Paper Plc
Target	Centennial Coal Company, Australia	Straits Bulk & Industrial, Indonesia	MW Brand, France	Yunnan Yulinquan Liquor, China	Teeside, UK (from Tata Steel)	Alcamax Packaging, Vietnam
Value of the Acquisition Deal	US$ 2 billion for the 80.1% of equity it did not previously own	US$ 335 million for the 60% of equity	US$ 833 million	US$ 10 million	US$ 500 million	US$ 25 million
Date	November 2010	April 2009	July 2010	November 2009	February 2011	January 2011
Motives	Natural resources Markets	Natural resources Strategic assets Efficiency	Markets Strategic assets Efficiency	Markets	Strategic assets Efficiency	Markets
Asset Acquired	Ten thermal coal mines in Australia; three new projects of Centennial	Equity stakes in two coal mining projects in Indonesia; minor projects in Brunei, Madagascar and Mongolia	Four international brands, four processing plants in France, Portugal, Seychelles and Ghana; five fishing vessels	White spirits distillery; Yulinquan white spirit brand	Steelmaking assets and power generation facilities with technology called 'construction grade steel'	Two wholly owned subsidiaries of Alcamex: AP Packaging (Hanoi) Ltd and Packamex (Vietnam) Co Ltd.

Table 2: Geographic Internationalization Paths

BANPU	PTT	Thai Union Frozen Products	Thai Beverage	Sahaviriya Steel Industries	SCG Paper
1991: Greenfield investment in **Indonesia** 1995: JV with local firm in **Vietnam** 1996: Acquired 95% of P.T. Jorong Barutama mine in **Indonesia** 2001: Acquired four mining companies in **Indonesia** 2003: Acquired 19% of Asian American Coal in **China** 2004: Acquired 94% of PT Bharinto Ekatama in **Indonesia** 2005: JV with local firm in **China** 2009: Acquired residual 80.1% of Centennial Coal in **Australia**	2004-2007: invested in oil and gas businesses in Vietnam, **Malaysia**, **Cambodia** and **Indonesia**; as well as oil extraction in **Oman**, **Malaysia**, **Iran** and **Egypt**. 2010: acquired oil and gas explorer Coogee Resources in **Australia** 2009: Acquired 60% of Strait Bulk & Industrial in **Australia** with main operations in **Indonesia** (first entry into coal mining) 2010: Acquired International Coal Holdings Ltd in **Australia**	1992: JV with seafood distributors in **Japan** 1997: Acquired 50% of Chicken of the Sea in **USA** (100% in 2006) 2003: Acquired Empress International in **USA** 2006: acquired 76.5% of tuna packer PT Jui Fa in **Indonesia** 2008: Acquired 51% of Yueh Chyang Canned Foods, **Vietnam**; and 15% of Avanti Feeds in **India** (50% in 2009) 2009: acquired 49% of TN Fine Chemicals in **Japan** and 33% of processing plant in **Papua New Guinea** 2010: Acquired MW Brands in **France** with operations in several **European** countries.	2006: Acquired Pacific Sprits in the **UK** 2007: failed attempt to acquire a firm in **China** 2009: Acquired Yunnan Yulinquan Liquor in **China**	2011: acquired Teeside Cast Products in **UK** (no prior international investments)	2003: Acquired majority stake in United Pulp and Paper in the **Philippines** 2005: invested in new plants in **Malaysia** and **Singapore**, jointly with Rengo Co Ltd 2006: built a Greenfield paper mill in **Vietnam** 2010: Vina Kraft Paper, another greenfield investment in **Vietnam** 2011: Acquired Alcamex Packaging in **Vietnam**