These two edited volumes represent a timely addition to the growing collection of books on emerging market Multinational Companies (EMNEs). The two volumes add to this literature in several important ways. Perhaps most noteworthy of which is by explicitly tackling what is probably the major challenge in discussion of EMNEs, namely what is different about them theoretically. Several contributors these volumes address this question head on. For example, Hansen seeks ‘the ‘Indianness’ of Indian MNEs’, and Durnev asks whether ‘we need a new theory to explain emerging market multinational enterprises?’

Together the two volumes advance our understanding of the distinctiveness of EMNEs in several ways. For one, they provide insights regarding the reasons for the emergence of such MNEs, a phenomenon that is inconsistent with both the predictions of capital allocation theory, according to which capital should flow from capital-rich (developed countries) to capital-poor (developing countries), rather than the other way around (Ramamurti and Singh 2009), as well as with the prediction of FDI theory regarding the level of economic development at which outward FDI is likely to emerge (Dunning and Narula 1996). They offer explanations that range from the ability of EMNEs to develop capabilities that are based on demand elsewhere rather than in their home countries, notably in the case of Indian MNEs, to those related to government policies that have directly and indirectly foster these activities, as the example of China illustrates. Other contributions emphasize the access to natural resources as a trigger of such activities, of which Russian and Brazilian MNEs represent examples. They thus provide alternative explanations to those offer by traditional FDI theory with its emphasis on the possession of intangible assets as the dominant driver for the existence of MNEs.

The second distinctive aspect of EMNEs on which the two volumes are particularly insightful relates to the political context that surrounds their emergence and shapes the nature of their international activities. Emerging markets represent wide range of countries with considerable heterogeneity across them in terms of the political environment that surrounds outward FDI, but these for the most part differ substantially and fundamentally from those that are typical of developed countries, and which historically at least provided the context in which theory has developed. These issues are addressed in the contribution by Buckley et al in Foreign Direct Investments from Emerging Markets when comparing and contrasting the policy approaches in emerging and developed countries towards
outward FDI. China’s interventionist approach, vividly described by Xue and Han in this volume, which encourages outward FDI both directly, by financing the activities of state-owned enterprises, and indirectly by devaluating the Chinese Yuan and reducing the costs of foreign expansion, is an example at one end of the range of political environment. At the other end is the approach described by de Buele and Van Den Bulcke that stresses promotion over control by some other emerging market governments.

As the papers in the volume on the Rise of Indian Multinationals illustrates, these MNEs represent a distinctive set of cases among EMNEs in several ways. For one, they are notable in the industrial patterns of their activities, and stand out in terms of their emergence and concentration in knowledge-intensive industries (see especially Awate, et al, 2012). Based on data from the Federation of India Chamber and Commerce Industry, Kathuria shows that international acquisitions by Indian MNEs in the IT and pharmaceutical sectors accounted for 50% of the acquisitions carried out by Indian MNEs between 2000 and 2006. This point is underscored by Pradhan and Sauvant in their chapter on the industrial distribution of India OFDI and by Taylor and Nolke in Foreign Direct Investments from Emerging Markets. That stands in contrast to the typical development of EMNEs that, initially at least, starts with low-technology activities, very often derived by imitation of developed country technology. For instance, as Almeida and Ramsey illustrate in Foreign Direct Investments from Emerging Markets, almost 70% of the foreign assets of the top 20 Brazilian companies are in raw materials industries and Kalotay makes the same point with regard to Russian MNEs. Several of the contributions in the Rise of Indian Multinationals address this question and offer explanations for this unusual phenomenon, attributed to policy of the Indian government that fostered the development of the necessary capabilities, as well as the value of education among certain circles of India society, among others.

This notable attribute of Indian MNEs is related to another notable aspect of their international activities, notably those in the IT sector, namely that they have developed and reached their current global position by serving demand outside India (Lorenzen and Mudambi, 2012). This stands in contrast to the common development of MNEs of both developed and developing origin that typically develop their capabilities initially in relation to their home country demand. In this respect, Indian MNEs represent an emerging market version of the ‘born global’ firms that is unique among EMNEs. Indeed, as noted by Pradhan and Sauvant, between 1990 and 2007 more than 60% of India outward FDI went to developed countries. This represents a notable exception to the dominance of South-South FDI, as illustrated in a number of the papers in the Foreign Direct Investments from Emerging Markets, notably the paper by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, among others. Dasgupta provides a rich description of the activities of Indian MNEs in the US and illustrates some of the challenges associated with this unusual route to foreign expansion.

Ruet’s contribution in the Rise of Indian Multinationals points to another distinctive attribute of India MNEs – in his words, they are ‘not just followers’. As has been well acknowledged and recognized elsewhere, Indian MNEs develop their technological capabilities and their own business models, with their own distinctive features, based on their exceptional ability to effectively serve the very poor.

The two volumes are notable also in of the multi-disciplinary approach they adopt to the study of EMNEs, bringing together contributions from economists, business scholars, and representatives of national and international government authorities. These contributors naturally address the issue from different perspectives and use a variety of theoretical lenses. The volumes also include contributions of authors based around the world. Another noteworthy aspect of the two volumes is that they are grounded in solid data analysis and empirical research, which provides substance and credibility to the theoretical discussions. The end result is a very rich discussion.

The two volumes are part of the rich and excellent stream of research on EMNEs, carried on by the Vale Columbia Center on Sustainable International Investment, under the leadership of Dr. Karl Sauvant. This forms part of the Vale Center’s broader research program on foreign direct investment and its impact on the global economy.
References


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