Emerging Market Companies as Globalizers

Introduction

As seen in Chapter 2, there has been an explosion of emerging world globalizers into the international scene in the past 20 years. Since 1995, BRIC countries (Brazil, Russia, India, and China) alone have seen their combined share of revenue in the Global 500 catapult from less than 1 percent to 10.4 percent (Black and Morrison, 2010). The number of emerging market transnational corporations tripled from six to an average of 18 of the largest 100 in the decade between 2001 and 2011. If anything this underestimates the role of emerging market globalizers by discounting SOEs or sovereign wealth funds. And these emerging world enterprises are globalizing at an increasing pace. Yet to suggest that all emerging world globalizers are the same drastically oversimplifies the situation—they are quite diverse, but despite this they do share some similarities. These will be explored in this chapter and several case studies will highlight their expansion successes.

Emerging world globalizers

Emerging world multinationals are defined as international companies that “originate from emerging markets and are engaged in outward FDI where they exercise effective control and undertake value-adding activities in one or more foreign countries” (Luo and Tung, 2007, p. 482). EWGs go a step further. They are those organizations that, while originally from an emerging market economy, proactively pursue value adding business activities across the world disregarding national boundaries.

First it is necessary to clarify which countries are considered emerging world. The definition is ambiguous. Guillén and García-Canal (2009) break down emerging market globalizers into those from:

- Developed nations;
- Upper middle-income economies such as Spain, Portugal, Taiwan, and South Korea;
Emerging economies such as the BRIM counties (Brazil, Russia, India, and Mexico), Chile, Turkey, and China;
Developing economies such as Indonesia, Thailand, Malaysia, and Egypt;
Oil-rich countries such as several countries in the Middle East, Venezuela, and Nigeria.

UNCTAD differs in their definition, including Spain and Portugal as developed nations rather than emerging, and breaking down countries into:

Industrialized nations: Europe, North America, Australia, New Zealand, Israel, and Japan;
Transition economies—somewhere in between a newly industrialized and developed nation economy (Russia);
New industrialized (Argentina, Brazil, Chile, Columbia, Egypt, Hong Kong, India, Indonesia, Malaysia, Mexico, Morocco, Philippines, South Korea, Singapore, Taiwan, Tunisia, Turkey, Uruguay);
Emerging economies (China, India, South Africa, Peru, and most of the world’s other countries) (ibid.).

The differentiations are by no means clear-cut. India and China are so enormous and the regions so diverse in terms of economic prosperity that categorization becomes very difficult. For the purpose of this book, however, Guillén and García-Canal’s definition will be used with the exception of Spain and Portugal being considered developed economies.

Types of emerging world globalizers

Not all EWGs are the same—the differentiation is important as their motives and methods are related to their type. As seen in Chapter 2, due to historic, political, and economic factors, there is a higher percentage of state-owned enterprises emanating from the developing world (Andreff, 2002). For example, it is estimated that the governments of China, India, Thailand, Indonesia, Malaysia, and South Korea control 60 percent of their countries’ international investments, which gives an indication of the sheer scope of SOEs on the international scene (Harris, 2009). But they are not the only internationalizing force emanating from the developing world. In addition to Sovereign Wealth Funds discussed in Chapter 2, Luo and Tung (2007) categorize emerging world internationalizers into four categories:

Niche entrepreneurs are those non-state owned organizations with a very narrowly focused product line that they operate on a global basis. They are more likely to be less interested in brands or technology and more interested in solidifying their narrow market focus either through