Bonaglia, Federico; Goldstein, Andrea and Mathews, John A (2007) Accelerated internationalization by emerging markets' multinationals : the case of the white goods sector *Journal of world business*, Vol. 42, Issue 4, p.369-383

Access to the published version: http://dx.doi.org/10.1016/j.jwb.2007.06.001

Accepted for publication in *Journal of World Business*,
16 January 2007

Accelerated internationalization by emerging markets' multinationals:
The case of the white goods sector

Federico Bonaglia*, Andrea Goldstein and John A. Mathews#**

OECD Development Centre, Paris and
Macquarie Graduate School of Management, Sydney

January 2007

***** OECD Development Centre, 2, rue André Pascal, 75775 Paris Cedex 16, France
Tel. 33 1 4524 9603; Email federico.bonaglia@oecd.org

** OECD Development Centre, 2, rue André Pascal, 75775 Paris Cedex 16, France
Tel. 33 1 4524 8946; Email andrea.goldstein@oecd.org

Macquarie Graduate School of Management, Macquarie University, Sydney NSW 2109, Australia
Tel. 61 2 9850 6082; Email John.Mathews@mgsm.edu.au

Abstract

The emergence of a “second wave” of developing-country multinational enterprises (MNEs) in a variety of industries is one of the characterizing features of globalization. This paper documents how emerging markets’ MNEs (EM-MNEs) may follow quite different patterns to reach, or at least approach, global competitiveness. In particular, it investigates how three EM-MNEs pursued global growth through accelerated internationalization combined with strategic and organizational innovation. Haier (China), Mabe (Mexico) and Arçelik (Turkey) emerged as multinationals in the large home appliances (so-called “white goods”) industry. The recipe for the success of these firms seems to lie in their ability to treat global competition as an opportunity to build capabilities, move into more profitable industry segments, and adopt strategies that turn latecomer status into a source of competitive advantage. At the same time, their experiences show that there are many strategies and trajectories for going global, consistent with a pluralistic conceptualization of globalization.

What are the "big questions" in International Business (IB) research? Buckley (2002) claimed that the research agenda might be running out of steam. He suggested that the IB agenda had moved through three phases in the 20th century, concentrating on new developments observable in the world of international business itself. The initial focus on foreign direct investment (FDI) and its determinants was followed by one on Multinational Enterprises (MNEs) and their rationale and sources of advantage and, since the 1990s, a third focus on globalization and its driving influences. Buckley and Ghauri (2004), suggesting that the third topic might indeed constitute a "big question" that could guide future research. In this paper we take the arguments of Buckley and Ghauri further, and make the proposition that one of the most interesting outcomes of globalization has been the rise of a "second wave" of MNEs from emerging economies -- so-called emerging markets' MNEs (EM-MNEs) – after the "first wave" documented by Kumar & McLeod (1981), Wells (1983) and Lall (1983).

MNEs appear to be driven directly by firm-to-firm contracting in a global setting – as would be expected in an epoch of multiplying global interfirm connections that offer more possibilities for firms (even quite small firms) to be drawn into the global economy. Their contemporary internationalization (in terms of rising ratios of sales, assets, and employment abroad) may be said to be one of the notable outcomes of globalization. Just how EM-MNEs may utilize the multiple connections of the globalized economy to gain a distinctive advantage *vis-à-vis* incumbents remains a topic to be explored in depth. What are the factors explaining their success? To what extent is the experience of the still few companies from the developing world that have become MNEs useful (replicable) for other firms struggling to move up the value-added and technology ladder? Our study is designed to provide some answers to these questions. We focus on the EM-MNEs in the white goods industry – a mature industry where latecomer MNEs might be expected to be able to make their mark through initial Original Equipment Manufacturer (OEM) contracts leading to internationalization via various kinds of partnerships.[1] We document the rise of Mabe, Arçelik, and Haier (from Mexico, Turkey, and China, respectively), as successful examples of latecomer firms that managed to upgrade their operations, evolving from the production of simple goods,

1 "White goods" include washing machines, fridges, dishwashers, ovens, and cookers. Major household appliances used outside the kitchen, such as video and audio systems, are known as "brown goods".

generally as OEM subcontractors, into new product lines developed through their own design, branding and marketing capabilities.

Our hypothesis is that these firms did not delay their internationalization until they were large, as did most of their predecessor MNEs from North America, Europe or Japan. Instead, many of the enterprises from developing countries *grow large as they internationalize*; conversely, *they internationalize in order to grow large*. This is a striking pattern which, if confirmed, indicates that EM-MNEs have pursued *distinctive approaches to internationalization*. We also investigate to what extent such firms have made use of the interconnected character of the globalizing economy in order to accelerate their internationalization, through both acquisition and strategic alliances to acquire new brands, technological assets and other sources of competitive advantage that expand and diversify their competence base. In particular, did internationalizing firms from developing countries use their arrival as "latecomers" on the global stage to capture advantages associated with being late, such as the new possibilities for linkage and leverage of knowledge and market access available through globalization?[2]

We first present the outlines of a framework for understanding EM-MNEs' internationalization process – as grounded in the extensive available literature on FDI and now-incumbent MNEs. We then sketch the main characteristics of the global white goods industry, to highlight how market, technology, and regulation dynamics may be opening up new opportunities for incumbents. A case study approach is used to shed light on the factors explaining the success of the three firms and link such features to the theoretical framework. We conclude with some digressions on the extent to which the experience of these firms is useful (replicable) for other firms struggling to move up the value-added and technology ladder.

1. Internationalization by emerging markets' MNEs

While the conceptual and theoretical frameworks developed in the IB literature to account for outward FDI and the sustainability of MNEs are well established, the nature of the strategies that these latecomer MNEs have pursued, and their specificity compared to those developed earlier by now-incumbent MNEs, remains a relatively neglected topic (Bartlett & Ghoshal, 2000). The ownership/location/internalization

[2] The "latecomer firm" is a resource-poor firm (both in terms of technology and market access) seeking some connections with the technological and business mainstream (Mathews 2002). For a similar perspective on internationalization of Chinese firms, see Child & Rodrigues (2005).

theory is squarely based on the experiences of large, predominantly Anglo-American, successful international firms that can easily find the resources and the capabilities to expand internationally if they wish to do so. Dunning (1981; 1988) brought together the advantages that international firms drew from extending their operations abroad, in terms of three characteristics or sources. There was the potential advantage derived from extending their proprietary assets abroad, such as brands or proprietary technologies, bringing greater fire power to bear on their domestic competitors in host markets (the "ownership" advantage). There was the potential advantage of being able to integrate activities across sectors of the world with very different factor costs and resource costs (the "location" advantage). Finally there were the potential advantages derived from building economies of scale and scope through internalizing activities spread across borders that would otherwise be dispersed between numerous firms (the "internalization" advantage).

As contrasted with the case of the so-called Uppsala school (Johanson & Vahlne, 1977; Petersen & Pedersen, 1995), the path of expansion is slow and incremental, with frequent loops of experimental learning. When they decide to invest overseas, the new breed of MNEs rarely have at hand resources such as proprietary technology, financial capital, brands, and experienced management. Moreover, for EM-MNEs the luxury of waiting does not seem to exist anymore as protection at home is eroded by market liberalization, time-to-market is reduced, and production runs must increase continuously to control costs. As Haier's CEO noted, "Margins are low here. If we don't go outside, we can't survive."[3]

Dunning and other adherents to the OLI framework have sought to adapt it to accommodate striking developments such as the rise of international mergers and acquisitions, the rise of international joint ventures and collaborative alliances, and not least the rise of fast expanding "newcomers" that appear to lack all the trappings traditionally associated with the MNE (Dunning 1995; Rugman & Verbeke, 2004). Still, the striking feature of internationalization by latecomer MNEs from emerging economies is that they do not have these OLI advantages to start with. They find that they have to internationalize, in new conditions created by globalization, in order to capture the resources needed. They internationalize in order to build their advantages

3 Quoted in "Haier's purpose", *The Economist*, 18 March 2004.

cumulatively – a reversal of the traditional perspective. Thus the considerations that apply to international expansion in the pursuit of resources (and customers) not otherwise available can be expected to be quite different from those that apply to expansion which is designed to exploit existing resources.

Utilizing a perspective that focuses on firms' resources in an international setting (Peng, 2001) we adopt an approach to internationalization that views it as an *increasing level of integration* within the global economy. We also draw on recent studies, centred on the competence-based theory of the firm, which have argued that the nature of the competence creation process has changed. The emergence of international production networks has favoured a closer integration of the process of capability accumulation, so that the internationalization strategy becomes heavily intertwined with technological and product diversification strategies (Cantwell & Piscitello, 1999). Analysing how EM-MNEs master this process can therefore also offer interesting insights into the broader debate on the relationship between corporate diversification and internationalization.

What then does the literature tell us about the emergence of EM-MNEs on the world stage? One place to start is to examine how large firms emerge to prominence in their own markets. Khanna & Palepu (2006) examine this issue, and propose three strategies. First, many EM-MNEs make their mark first in their own markets, where they can exploit their local knowledge of product markets. Good examples would be fast-food companies that offer something more attuned to local taste than McDonalds – such as Jollibee Foods in Southeast Asia. Second, the prominent EM-MNEs build on their familiarity with local resource markets – as in the case of Indian IT firms that build their strategies around deployment of local IT human resource supplies, or Taiwanese contract electronics manufacturers such as Inventec that exploit their knowledge of local supply chains. And third, Khanna & Palepu point to the strategic possibilities available to EM-MNEs in treating institutional voids as business opportunities – as in the case of China's Emerge Logistics which is able to find its way through the bewildering Chinese transport systems that would baffle a foreign player.

When we turn to the internationalization experience of EM-MNEs, we seek the features that account for their growth and emergence that do not apply in the case of more established MNEs. Bartlett & Ghoshal (2000) touch on these matters in their discussion of ‘lessons from late movers’. One feature that they found to be prominent in their sample of successful late developers was their capacity to envision a global market for their products well before they achieve the scale needed. This is what Perlmutter (1968) described as a ‘geocentric’ mindset rather than an ethnocentric mindset (doing things abroad as we do them at home) or polycentric mindset (doing things in imitation of the locals). Bartlett and Ghoshal cite the case of the Indian company Thermax that took its small boilers to a world market and adopted global standards even when its Indian domestic sales were still its greatest source of revenue. Likewise EM-MNEs are open to the possibilities of being pulled into the global economy; they cite the example of the Indian pharmaceutical company Ranbaxy, which has drawn on overseas R&D talent for example as it moves its business relentlessly up the value curve.

Mathews (2002; 2006) captures the special features of EM-MNEs in terms of the way that they use and leverage various kinds of strategic and organizational innovations in order to establish a presence in industrial sectors already heavily populated with world-class competitors. In doing so, such firms benefit from a narrow window of opportunity available to them as latecomers (since their advantages in terms of low costs or local knowledge depreciates rapidly). Firstly, they all internationalize very rapidly – so accelerated internationalization is a distinctive feature that calls for analysis. Secondly, they have been able to achieve this accelerated internationalization not through technological innovation, but through organizational innovations that are well adapted to the circumstances of the emergent global economy, providing linkages with incumbents in innovative ways. They have been able to implement these approaches through strategic innovations that enable them to exploit their latecomer and peripheral statuses to advantage.

Thus we will examine our case studies of ‘second wave’ EM-MNEs in the white goods sector with a view to identifying to what extent they reveal features in their internationalization that are particular to their latecomer status, and add interest to their stories over and beyond the characteristics that have already been well recognized for the case of established MNEs.

2. The global white goods sector

The global white goods sector is highly dynamic: demand is projected to increase over three per cent annually through 2009. Strong growth in developing economies should compensate for sluggish demand in OECD countries. The high incidence of transport costs, persistent differences in consumers' preferences and brand loyalty, as well as the presence of widely different standards, all contribute to market segmentation. Trade in smaller appliances is much more intense and of global scale, with Asian producers commanding the largest share.

At the corporate level, the industry is today much more global than it use to be fifteen years ago, when it was considered a case of "frustrated globalization" (Baden-Fuller & Stopford, 1991). The industry has undergone significant restructuring since the late 1980s, associated with a wave of mergers and acquisitions, with larger producers targeting smaller ones to acquire their brands and expand overseas (Paba, 1986; Nichols & Cam, 2005). Nonetheless, no single manufacturer commands more than 10 per cent of the world market. Higher market concentration is observed at regional level. In the U.S. the top five players cover almost 99 per cent of the total market; in Europe the top five make up close to 60 per cent. Of the world's top ten manufacturers, only a few are present in all key markets (Table 1). Others have a strong regional position or are leaders in specific product niches (often of high quality).

Table 1 Competitive orientation of major manufacturers

Global Players	Whirlpool (U.S., 1906), AB Electrolux (Sweden, 1910), General Electric (U.S., 1907)
Global Aspirants	Bosch-Siemens (Germany, 1886), Haier (China, 1984), LG Electronics (Korea, 1958)
Strong Regional Players	Matsushita, Sharp, Toshiba, Hitachi (Japan), Samsung and Daewoo (Korea) in Asia
	Maytag (U.S., 1907) in North America
	Miele (Germany, 1927), Candy (Italy, 1945) and Indesit (Italy, 1958) in Western Europe
Strong Local Players with Some Regional Presence	Arçelik (Turkey, 1955), Mabe (Mexico, 1950), Multibras (Brazil, 1994), Fisher & Paykel (New Zealand, 1934)
Domestic & Niche Players	Sub Zero/Wolf (U.S., 1945), Guangdong Midea Group (China, 1980)

Notes: in parenthesis the approximate year when the company entered into the household appliance industry.

Sources: Hunger (2003) for the classification, Sori (2005) and company sources.

We focus on this industry for a number of different reasons. The white goods sector (NAICS 3352 / SIC 363) shows common characteristics with other producer-driven global value chains, although relatively few scholars have analyzed it (e.g., Nichols & Cam 2005; Paba, 1986; Perona *et al.*, 2001). Insofar as it is a mature and increasingly global industry, we would expect to see the emergence of new MNEs. Products are relatively similar and simple to produce, although assembling different parts and subsystems requires the combination of knowledge domains ranging from mechanics to electronics and plastic moulding (Sobrero & Roberts, 2002). While there is evidence of innovation to assuage environmental and energy savings concerns, as well as the application of wireless technologies and connectivity, the basic production technology is also mature. There is therefore strong pressure to delocalize sourcing and assembly to developing countries, where not only input costs are lower but demand growth rates are higher; ownership of major home appliances is strongly correlated to economic development.

Leading white goods manufacturers' success hinges on internal resources as well as the collective efficiency of the cluster in which they operate (Sori, 2005). In fact, the choice of off-shoring location is driven not only by demand and costs considerations, but also by the presence of suppliers of specialized components. When market potential exists but key suppliers are missing, the leading companies investing abroad bring with them their specialized suppliers to fill critical gaps. This is the case of Merloni in Lodz (Poland) and Lipetzk (Russia), where an industrial cluster has developed around the white goods factory. Outsourcing, once limited to neighbouring firms in the industrial cluster, has expanded geographically, thus creating OEM opportunities for firms in emerging markets. OEMs in developing countries are also producing on behalf of Western Original Branded Manufacturers (OBMs). The processing is moving further as white goods – and not simply components – are increasingly being made in emerging markets. For example, Electrolux, which at February 2005 had 27 of its 44 white goods factories in high-cost countries, will switch 13 or 14 of them to low-cost countries over the next four years. Premium brand Miele opened a Czech factory for horizontal-axis top loader washers for the French market. Whirlpool closed its Quebec plant, retrenched staff in Italy, and is moving much of its production from Arkansas to Mexico. Indesit is adding new capacity in Poland and Russia. The biggest Asian players are also building new plants in Central Europe and Russia.

Since household appliances are experience goods, and reputation matters, brand loyalty is a very important competitive factor (Paba, 1986). It acts as an information-based barrier to entry, reduces the amplitude of short-run demand shifts and allows firms to experiment (brand reputation cannot be brushed away by a single product innovation failure). For some products, moreover, consumers are still willing to pay higher prices for goods produced in a specific country.

The search for greater efficiency, rather than pure price competition, has led to the development of common production platforms that allow using standard engineering frameworks to which parts can be added or subtracted (Nichols & Cam, 2005). The introduction of computer aided manufacturing and flexible techniques, including just-in-time, have also reduced production costs and induced changes in the plant organization of labor. Latecomers, without the prior routines that drag down incumbents, can take advantage of all such technological and organizational innovations and exploit them to drive their successful internationalization. But they face significant barriers to entry, as listed above. Great interest therefore attaches to the strategies they have pursued in order to get around these barriers.

3. Research methodology

This study employs a case-study approach, in order to generate a depth of findings that would be unavailable initially in a larger quantitative study. The case study is "a research strategy which focuses on understanding the dynamics present within single settings" (Eisenhardt, 1989, p. 534). The process of building theory from case studies is strikingly iterative. One of its strengths is its likelihood of generating novel theory, but this can also lead to weaknesses. The result can be theory which is very rich in detail, but lacks the simplicity of overall perspective and is narrow and idiosyncratic.

The three firms were selected as examples of 'second wave' MNEs from developing countries. They have established themselves as leaders on their domestic markets and entered into OEM contracts and JV with leading players in the industry, forging strategic partnerships with specialised suppliers to leverage external resources and support their search for excellence and internationalization process. Today they are amongst the most successful emerging MNEs in this industry. Besides these similarities, they have devised distinctive managerial and strategic practices to become regional and, in the case of Haier, global players.

Data was gathered from face-to-face interviews with Arçelik executives (Istanbul in December 2004 and Bucharest in May 2006), Mabe (Mexico City in August 2005), and three consulting firms working with the companies under examination (Milan in April

2005, Tokyo in July 2005 and Madrid in September 2005). In addition, UN-ECLAC kindly provided transcripts of Mabe interviews conducted in August 2005. The interviews consisted of open-ended questions gathering views and opinions, as well as factual data-gathering. Specific questions concerned the motivation and pattern of internationalization, as well as the role of strategic partners and the competences acquired throughout the process. In addition to the primary data, supplementary data was collected from secondary sources such as other published case studies, company brochures, financial newspapers, trade magazines, and other media reports. In what follows we present the three cases in the order of their globalization – from the slowest and longest established, to the most recent and most highly accelerated form of internationalization.

4. Three cases: Mabe, Arçelik, Haier

4.1 Mabe

Mabe was founded in Mexico City by Basque immigrants in 1947 to make metal kitchen cabinets. Today it is one of the leading home appliances manufacturers in Central and Latin America, producing more than 12 million appliances per year, employing about 18,000 employees in 14 factories (ten of which are in Mexico, one in Colombia, one in Ecuador and two in Brazil) and selling products worth about US$2 billion in 70 countries. The company ranks 146th in 2004 in terms of revenue amongst the top 500 Latin American companies and is ranked 66th in Mexico.[4]

Anticipating the opening up of the Mexican economy, in 1987 Mabe signed a joint venture agreement with General Electric (GE). In exchange for a 48 per cent equity share, GE became Mabe's main business partner and largest customer: it contributed the refrigerator component spun off from its joint venture with Grupo Industrial Saltillo, plus US$25 million in cash, and a commitment to provide management training and technological support (Vietorisz, 1996). Pursuant to this joint venture agreement, GE licensed trademarks and patents, provided technology and technical advice and distributes Mabe's OEM products in the US, while Mabe retained entire management responsibility. In 1987-88 Mabe rounded out its own major appliance lines (refrigerators and washing machines) by purchasing IEM Westinghouse from government and the

[4] Data come from *AmericaEconomia* and *Expansión*, respectively

entire capacity of the GE-Grupo Industrial Saltillo. As a result of the joint venture, MABE and GE built a stove factory in San Luis de Potosí to serve the US market and an R&D Centre in Queretaro.

Through the 1990s Mabe pursued an internationalization strategy in Central and South America. Through a series of targeted acquisitions, it gradually established a production base to serve the Andean region. In 1993 Mabe acquired a Venezuelan manufacturer of washing machines and gas ranges (Menaca, subsidiary of Dutch CETECO) and a manufacturer of refrigerators in Colombia (Polarix). The deals were made on behalf of the investors on the Mexican side of the Mabe-GE joint venture, but with a Mabe management contract. In 1995 the expansion into Central and South America continued with the purchase of a two-thirds stake in Durex in Ecuador, of rights to the “Centrales” brand in Colombia, and with the establishment of distribution organizations in Guatemala and Costa Rica. With the aim of better integrating operations across Andean countries, Mabe regrouped its activities into Corporación Mabe Andina, which commands a 70 per cent share of the regional market. With technological and commercial support from GE, MABE replicated in these countries the strategy that led to the leadership at home. Local, well-known brands were kept and the product range completed by expanding production capacity to sell own brand appliances.

The North American Free Trade Agreement (NAFTA) has driven the growth of Mabe, and of the Mexican home appliances sector, over the past decade. Following the collapse of the Mexican peso in December 1994, Mabe, with strategic advice from GE, quickly accomplished a major substitution of imported components by Mexican-supplied components. Mexican exports of refrigerators jumped from less than US$100 million in 1994 to about US$230 million in 1999. By the early 2000s, more than one-third of all gas ranges and mini-refrigerators sold in the United States were being manufactured in Mabe plants (Hunger, 2003). Mabe and GE claim that their side-by-side refrigerators can be found in one every four American homes. GE transferred production of low-margin minibar fridges to China in 2000. Mabe also closed its washing machines plant in Monterrey in 2003 and moved production to San Luís Potosí.

In 2003 Mabe strengthened its presence in Brazil by buying the CCE refrigerator business and gaining control over GE-DAKO, the joint-venture set up in 1996 with GE and a local stove manufacturer. Today Mabe Mercosur accounts for more than half of the group's foreign sales. In 2005, a further acquisition was made in Canada, of Camco, which is intended to increase Mabe's production capacity in North American and enlarge product and brand range. With annual sales of Cn$643 million (US$550 million) in 2004, Camco manufactures clothes dryers and dishwashers under OEM arrangements with various companies including GE, which was its largest shareholder.

Thus by 2006 Mabe had extended its international reach to several countries in South and North America, accomplishing this expansion over a 20-year period. It has achieved regional rather than global status.

Table 2 Milestones for Grupo Mabe, 1945 - 2006

1945	Mabe founded; starts producing kitchen furniture in 1948
1959	Mabe is Mexico's leading exporter of kitchen appliances
1986	Mabe-GE JV formed
1989	Mabe expands production capacity and range (IEM and GE-Grupo Industrial Saltillo)
1990	Mabe-GE opens new stove factory and its R&D Centre in Queretaro
1991	Mabe-Ceteco JV to produce appliances in Venezuela, expanding in 1993 to Colombia (Polarix)
1994	Mabe-Sanyo Compressor established
1995	Mabe expands into Brazil and Ecuador (Durex)
1998	Mabe-Fagor JV formed to produce appliances in Argentina
2003	Mabe acquires GE-DAKO and CCE in Brazil
2005	Mabe acquires Camco in Canada

In 12 years, since 1986, Mabe was producing through JVs in five external countries, all concentrated in South America, and it continued to build a strong presence in South and Central America, as a regional force. Brands: Mabe, Easy and IEM (Mexico); Regina (Venezuela); Durex (Ecuador); Inresa (Peru); Centrales (Colombia); Dako (Brazil); Patrick-Fagor (Argentina).

4.2 Arçelik

Arçelik was founded in 1955 by Vehbi Koç, founder of the eponymous group, to produce metal office furniture. It moved quickly into home appliances, manufacturing Turkey's first washing machine in 1959 and first refrigerator in 1960. By the early 2000s it had seven production plants in Turkey to produce a complete range of home appliances. In 2005 Arçelik produced 7.9 million units and had sales of €3.1 billion, making it the leading firm in Turkey's consumer durables (53 per cent of domestic sales and 54 per cent of exports) (UNCTAD, 2005b; company annual reports). Its 2005 international sales amounted to €1.2 billion.

Koç Holdings, Turkey's largest multinational, owns 57 per cent of Arçelik shares; another conglomerate, the Burla Group, controls 20 per cent, and the remaining 23 per cent are publicly traded on the Istanbul Stock Exchange. Koç Holdings is an industrial and financial conglomerate controlled by the eponymous family; it consists of 106 companies, with total assets of US$27.1 billion, consolidated sales of

US$18.1 billion, exports of US$8.5 billion, and 82 thousand employees in 2005. Koç Group accounts for 17 per cent of the Istanbul Stock Exchange capitalization. The Ramstore chain of supermarkets and retail outlets plays a key role in the group internationalization strategy.

In the 1980s Arçelik started exporting on an opportunistic basis to neighbouring countries. As Turkey agreed a schedule of phased tariff reductions with the European Community in 1988, exporting gained in importance to counter the increase in imports and make the most of heavy sunk investments in new machinery and equipment. The firm licensed technology from GE and Bosch-Siemens that could be used for domestic production only. An OEM contract in the United States was secured with Sears Roebuck in 1988 to supply refrigerators under the Kenmore name, followed nine years later by a similar, but much larger, European deal with Whirlpool for dishwaters. As a condition of these deals, Arcelik committed not to sell similar products in Europe under own brands. In 1996, 50 per cent of washing machines' exports and 30 per cent of refrigerators' were under OEM contracts.

To get around these contractual restrictions and support its internationalization, Arçelik started investing in the development of its own technology and brand, as well as the acquisition of foreign ones. Significant investment in R&D in the 1990s led to the development of own appliance designs, often resulting in significant cost reduction with respect to the licensed technologies (Root & Quelch, 1997). Following the reorganization of Holding appliance division between 1998 and 2001, the five existing firms were brought together to form Arçelik A.Ş. In October 2006 Arçelik A.Ş. increased its share in Beko Elektronik from 22 per cent to 72 per cent in order to strengthen the existing coordination between the two companies and strengthen the communication production and marketing. It was then decided to export white goods and TV under the Beko brand, since this was already known in major European markets and according to brand managers it conveyed a more 'high tech' image. (Beko Elektronik is one of Europe's largest television OEM/OBM producers. The Beko brand was introduced in Turkey in 1956 and used for "brown goods.") In light of the different market structure, Arçelik decided to develop as an OBM in the UK and in France, leveraging on the Beko name, while continuing to operate as an OEM in Germany.

The 2000s saw the flowering of Arçelik's internationalization strategy, aimed at expanding brand portfolio, market penetration and product mix in Europe. A joint venture signed with LG of Korea in 1999 led to the first air conditioner manufacturing facility in Turkey. Arçelik then bid for Brandt, a French company in receivership. Although it lost, Arçelik learnt from the failure and made major purchases of brands in 2002 – Blomberg in Germany, Elektra Bregenz and Tirolia in Austria, and Leisure and Flavel in Britain. In Romania, Arcelik acquired the refrigerator producer Arctic, invested to modernize the company's operations and expand the product range, and made the subsidiary the largest production site for cool appliances for the EU market. In 2004 Arçelik acquired the Grundig brand name, after the German firm went bankrupt (Beko Elektronik had been an OEM supplier to it previously). In June 2005 it launched the construction of a refrigerator and washing machine plant in Russia, which is expected to yield US$150 million revenues in 2007. In 2006, it started exporting dishwashers to China and is considering whether to begin production there.

Over the last four years the company has doubled its turnover. By 2004, foreign sales represented 44 per cent of total turnover (up from 16 per cent in 1997), and approximately two thirds of sales corresponded to own-brand products (Arçelik annual report, 2004). Management has set the ambitious goal of becoming the fifth-largest European producer of white goods and pass the bar of €3 billion turnover combined with expansion in Russia in 2006. The strategy is paying off in terms of larger market shares, especially in European countries, which make up 86 per cent of overall international sales. Arcelik/Beko holds a 7 per cent share of the European free-standing appliances market and 5 per cent of the OBM market. Beko products account for approximately ⅔ of Arçelik international sales and are among the top brands in many markets – including the UK (14 per cent share in refrigerators and 7 per cent share in washing machines) and Poland (5 per cent share).

Thus by 2006 Arcelik had expanded into six countries, within just a five-year period of internationalization. It is still a regional player only, in Europe, but its smart acquisition and management of brands and its continued accelerated internationalization place it on a course to achieve global status.

Table 3 Arcelik milestones, 1955 - 2006

1955	Establishment of Arcelik
1959	Production of first washing machine in Turkey
1960	Production of first refrigerator in Turkey
1988	Start of OEM exporting to US (Kenmore brand for Sears Roebuck)
1991	Establishment of R&D Centre
1997	Start of OEM exporting to Europe (Whirlpool)
1998	Promotion of 6-sigma quality program and reorganisation of KH household appliances division
1999	Arcelik-LG Klima JV established
2000	Adoption of Beko brand for exports
2001	Unsuccessful bid for French Brandt
2002	Acquisitions in EU (Blomberg, Elektra Bregenz, Leisure and Flavel)
2002	Romanian household appliance company Arctic acquired
2005	New Chest freezer production line established at Arctic
2006	New production line in Russia inaugurated (14 October); acquisition of Grundig brand

Within five years of globalization initiated, in 2000 production established in six countries. Foreign sales account for 44 per cent of total sales. Brands: Arcelik; Beko; Blomberg; Elektrabregenz; Arctic; Leisure; Flavel; Altus.

4.3 Haier

Founded (in its present form) in 1984 as the Qingdao Refrigerator Factory (the former name of the company) in Qingdao, a port city south of Beijing, Haier first business was the manufacture of refrigerators based on technology transferred from the Germany company Liebherr. [5] Haier's white goods sales have grown by 70 per cent a year over the past two decades to reach US$1.84 billion in 2004 (up from US$583 million in 2000).[6] As in the case of other Chinese champions, Haier maintains a close relationship with public sector institutions (Wu & Chen, 2001; Deng, 2004).

Haier initially focused on Southeast Asia, with investments in Indonesia, Philippines and Malaysia to produce refrigerators and air conditioners (Liu & Li, 2002). In 1999 Haier became the first Chinese company to operate a US manufacturing facility in South Carolina. In 2006 a US$100 million plan was announced to expand the plant and add 800 jobs, bringing total workforce to 1,000 employees. From its US$15 million American headquarters in mid-town Manhattan, Haier also runs a design office, employing another 400 people.

[5] Published case studies that treat Haier include Liu & Li (2002), Muroi (2005), Child & Rodrigues (2005) and Khanna & Palepu (2006); we draw also on UNCTAD (2005c).

[6] We use sales data from *Fortune* which refer to the 10 companies listed on the Shanghai Stock Exchange, including Qingdao Haier Electronics Group and Qingdao Haier Refrigerator. The sales figures consist primarily of refrigerators and air conditioners, while televisions, personal computers, mobile phones and other products are excluded. The company is part of a larger diversified group, reporting sales in excess of US$12 billion and overseas sales of US$1.2 billion. Although these are often mentioned in the press, they are not certified.

Haier also invested €80 million in Europe in 2001-04. It purchased the Meneghetti refrigerator plant in Padua, also buying Meneghetti-produced built-in ovens and hobs to market them in China under the Haier brand name. Haier saw this acquisition as providing the opportunity to develop new products from a European manufacturing base. Also in Italy, Haier set up the European headquarter in Varese, at the heart of one of the country's white goods districts where Whirlpool and other international companies have large manufacturing facilities. Besides establishing itself in OECD markets, at an earlier stage and at a larger scale than either Mabe or Arçelik, Haier is also present in emerging markets, in Asia and elsewhere. In India, after a disappointing experience in a 30/70 per cent joint venture, Haier operates two leased factories and is planning to open a new factory with a capacity for one million TV units and a R&D centre. In Africa, where Haier billboards are conspicuous in many cities, Haier operates SODINCO in Algeria and has allegedly opened plants in Egypt, Nigeria and South Africa. In June 2005, the International Department of the Communist Party of China Central Committee invited politicians from nine African nations to visit the Qingdao offices. After their visit, they promised to become "volunteer spokespersons" for Haier in Africa. Following the establishment of Haier Middle East Trading Company, a factory was opened in Jordan in 2005.

Finally, Haier has tried to acquire Maytag in June 2005, in collaboration with US private equity investors. Although the timing of the $1.28 billion bid for the US third-largest producer of home appliances was partly imposed by external circumstances – the company was already in negotiations with other interested investors – it proved rather unfortunate to the extent that it coincided with the attempt by another Chinese company, CNOOC, to buy a US oil producer, Unocal. This deal, which did not materialize eventually in the face of strong political resistance, created an environment in which even the purchase of an American company in a mature sector such as appliances was seen as worth the attention of security agencies. In 2006, Haier overtook Whirlpool as the world largest refrigerator maker and bought Sanyo's refrigerator design and development operations and an 80 per cent stake in its flagship refrigerator plant in Thailand. Sanyo will procure the products from Haier on an OEM basis for the Japanese market.

Thus by 2006 Haier had achieved the status of a global player in several white goods sectors, accomplished in just on a decade of serious internationalization efforts.

Table 4. Haier milestones, 1984 - 2006

1984	Founded as Qingdao General Refrigerator Factory under new CEO Zhang Ruimin
1991	Haier is China's leading refrigerator producer; Qingdao Refrigerator Factory merged with Qingdao Air Conditioner General Factory
1992	Haier Industrial complex established, Qingdao
1993	Haier begins to produce for foreign MNEs under OEM contracts. JV with Mitsubishi Heavy Industries to produce air-conditioners in China.
1995	JV in Indonesia with local producer of refrigerators and air conditioners
1996	Haier starts manufacturing in Malaysia
1997	JVs in the Philippines, with local company LKG, and Yugoslavia for manufacturing air conditioners; sales of own brand products launched in Germany
1998	JV with Philips of the Netherlands
1999	Establishes manufacturing facility in USA (Camden, North Carolina)
2001	JVs in Pakistan and India (Bengal); Meneghetti acquisition in Italy; establishment of Haier Middle East Trading Company in Jordan (JV with Syrian and Lebanese partners)
2002	Haier-Sanyo created in Japan; manufacturing JVs in Iran and Algeria
2004	Haier recognized as one of world's Top 100 brands (only one from China)
2005	Industrial complex established in Jordan; plants opened in Algeria, Egypt, Nigeria and South Africa
2006	Unsuccessful bid for Maytag; JV with Sanyo to supply Japanese market and control over plant in Thailand.

From the beginning of its globalization, in 1995, Haier was active in more than five countries within five years (including USA). According to company sources, by 2006 it had has set up 10 industrial parks worldwide and 22 plants overseas.

5. General features of the cases

How well do Mabe, Arcelik, and Haier fit into the framework of 'second wave' MNEs as discussed by Khanna & Palepu (2006) or Bartlett & Ghoshal (2000) or Mathews (2002; 2006)? Do they exhibit features that distinguish them from the patterns of internationalization found more generally amongst established MNEs? Actually our three cases fit the exceptional model quite well. Since the mid-1990s, these three companies have internationalized through exports, built their own resource capabilities, and rapidly expanded internationally through acquisitions of both brands and production operations, as well as greenfield investments. They have also benefited from the great dynamism of the domestic market, although in a context of trade liberalization and decreasing margins. They have succeeded in seizing opportunities available in the global economy to generate linkages with existing players, initially through OEM contracts, and built rapidly on them to establish their own brands and production facilities around the world. We shall focus on three of the characteristics identified above to make the point that these three EM-MNEs have to pursue different strategies from incumbents if they are to succeed in becoming players in the global economy.

5.1 Accelerated internationalization through linkages

To varying degrees, the three firms under study have used participation in global value chains and OEM arrangements to overcome problems of market intelligence and uncertainty regarding the quality of knowledge potentially available. These linkages have provided initial involvement in the global economy.

As noted in the milestones documented above, Mabe, the earliest founded firm under study, took the longest to establish itself internationally. Starting with the joint venture with General Electric in 1986, it took Mabe 12 years to expand to seven countries in Central and South America – but it has not expanded as yet beyond its "natural market". It is a good example of what Rugman & Verbeke (2001) and Rugman (2000) call "regional MNEs" as compared with global MNEs.

Arçelik embarked on its globalization quest later than Mabe, beginning its OEM phase in 1988 and its full-blown globalization in 2002 with a series of targeted acquisitions and new openings in Europe and Russia to expand its geographical, product and brand range. In 2006 it operated two overseas production plants (Romania and Russia), a design centre in Italy and sold in 101 countries, increasing it share of foreign sales from 16 to 39 per cent (between 1999 and 2005), and being the third largest appliance company in Europe. The strategic target is to reach €6 billion total revenue by 2010, turn Beko into one of the Top 10 global brands in the sector, and control a 2 per cent market share.

The last established firm, Haier has been the fastest to internationalize. It leapfrogged beyond OEM to internationalize through acquisitions and greenfield investments in all regions, starting in Asia in 1995, in the US in 1999 and in Europe in 2001. Within five years of its internationalization being launched, it was active in five countries (including the US); within ten years, it was actively producing in 22 countries.

5.2 Strategic and organizational innovation: knowledge leverage

The latecomer's critical starting point is its focus on securing access to resources that would otherwise have been unavailable. Mabe leveraged its knowledge of GE corporate culture to behave like a turnaround specialist at its South American subsidiaries. Sanyo is Mabe's other strategic partner in the area of compressors. Arçelik has license agreements with Bosch, Sanyo, GE, LG and compressor supplier Tecumseh. It forged a strategic partnership with Ubicom to develop 'digital living' smart appliances. Haier too has leveraged on its strategic partners (Liebherr, Merloni, GK Design, and Mitsubishi) and is entering into numerous alliances with leading providers of wireless technologies

(Helicomm, Ericsson, Metalink) and other appliance makers (Sanyo and Samsung) to co-develop home appliances with in-home wireless networking capability communications.

All three firms have also invested heavily in R&D and innovation in order to generate their own distinctiveness, as witnessed by numerous national and international awards received over the last years and the number of registered patents. The total number of registered patents as of May 2006 was: Arçelik (8 in US, 51 in Europe), Mabe (3 in US), Haier (30 in US and 3 in Europe).[7] Arçelik has opened a research centre in Italy to strengthen its relationships with Italian specialized suppliers. Its leading-edge products include refrigerators that won the European Energy+ Award for outstanding energy-efficient products. Indeed, the capacity to read incipient market signals (in this case, the preference for greener appliances), leapfrog incumbent rivals and adopt leading-edge technologies is a characteristic of latecomer MNEs. In April 2006, Haier became the first Chinese household appliance brand to win the prestigious iF Product Design Awards. Haier has set up local product-development teams in Tokyo, Germany and the United States to move into more differentiated product market segments..

In terms of organizational capabilities, the firms adopted numerous innovations to accelerate globalization. Arçelik, for example, because of the small size and limited capabilities of local suppliers, displays a higher degree of vertical integration than might be typical in the appliance industry, manufacturing more of its components in-house. The Çayırova plant houses a dedicated tool shop, staffed with 17 CAD/CAM design specialists and 33 operators, serving all other plants, which also contributes to appliance designs. The product development department employs 70 engineers and technicians, some of whom came from Bloomberg (Appliance 2005). Arçelik also played a pioneering role in the introduction of quality improvement programs such as Total Quality Management in Turkey. This led to the tripling of production with relatively low investment and the same factory floor layout. In 1992, management decided to approach Total Quality Management globally and systematically and do its first self-evaluation according to the Malcolm Baldridge model. Systematic total quality operations (6 Sigma) and three-year product guarantees were introduced in 1998, when Arçelik first qualified as a finalist in the National Quality Award. Modern quality and

[7] USPTO and European Patent Office websites, accessed on 8 June 2006.

human resource management practice have also been rapidly introduced at the Romanian affiliate, which was granted Total Productive Maintenance (TPM) certification in 2006.

Mabe too is utilizing the most advanced management techniques to boost its latecomer advantages. It characterizes itself as a "low profile, but pragmatic firm", which implemented a "learning by doing" strategy in searching and chasing opportunities for growth, through rapid organizational changes to better adapt to evolving market conditions. Instead of following an incremental pattern, moving from pure trading to distribution and finally to direct investment, Mabe decided to form a group of managers capable of identifying appropriate targets and then buying and managing them. Adoption of modern ICT and training of personnel is considered a priority and, according to company sources, each worker is entitled to at least three weeks of training per year. Mabe has also invested heavily in after-sales service support as this is seen as a key determinant of purchasing decisions for low-income groups. Serviplus, the product service division, is expanding to provide after-sales support service to customers in all countries where Mabe products are sold. Mabe also contracted one of the leading US providers of dynamic value chain management solutions (i2 Technologies) to develop and implement its eBusiness strategy and optimize supply chain management from manufacturing to distribution, marketing, sales and delivery.

Likewise Haier has engaged in global consolidation of its operations, employing a strong and unifying geocentric perspective that has enabled it to capture advantages from its global reach and coordination. The personal imprinting of CEO Zhang Ruimin on Haier was a distinctive feature of the company's early trajectory. In the mid-1990s Zhang introduced the vision to turn Haier into one of the world's top three home appliance manufacturers. To unleash the entrepreneurial energies of the workforce and compete on the basis of knowledge, he constructed so-called "accountability chains" from the market directly into those corporate services that typically never see the customer or feel the market forces, and has developed its "OEC management-control system"[8]. Haier has focused on making every employee a strategic business unit: each employee is an independent profit centre with the responsibility to make profit (Lin,

[8] In the acronym OEC, "O" stands for Overall; "E" for Everyone, Everything, and Everyday; "C" for Control and Clear (Lin, 2005). Every employee has to accomplish the target work every day with a 1 per cent increase over what was done the previous day. Every Saturday, the best 80 managers are sent to training courses at Haier University, the company-run executive education arm for its managers, conducted either by CEO or President.

2005). Another innovation came when the company's repairmen discovered that customers in rural areas used their washing machines not only to launder clothes, but to clean vegetables as well. The repairmen relayed this information to the product managers, who asked engineers to make tweaks to existing products, such as installing wider drain pipes that would not clog with vegetable peels. This helped Haier to win market leadership in China's rural provinces, while avoiding the cut-throat price wars that plagued the country's appliance industry. Haier's approach to living with its customers has worked surprisingly well abroad, too. In the US, for example, product designers visited the rooms of students put to observe how the undergraduates used their refrigerators (Sull & Ruelas-Gossi, 2004). They discovered that, in cramped dormitory rooms, students put boards across two refrigerators to create a make-shift desk. Haier responded by developing a model with a fold-out table, which enabled the coolers to double as desks. The new product was a hit.

5.3 Building global brands

As we argued before, the governance of the white goods industry presents opportunities and challenges to EM-MNEs. If mature technology, supply chain fragmentation and differences in the growth rates of domestic markets all sustain the internationalization of developing country firms, they may still find hard to acquire and/or develop brand reputation and consumers' loyalty. Moreover, despite on-going M&As and consolidation, the big players have been in the business for more than 50 years (Table 1). Over this period they have built strong brands, acquired those of competitors, and established trust relationships with retailers. What is therefore interesting in the case studies is the strategic use that the three EM-MNEs have made of both acquisitions and linkages with global economy to build such hard-won reputation. This aspect receives preciously little emphasis in the literature on EM-MNEs. It is possible to identify three mechanisms. First, acquisitions of Western brands, such as was the case of Arcelik/Beko with Blomberg and Grundig (and would have been the case with Maytag had Haier managed to buy it). Such moves can probably work only when the buyers know how to manage a brand identity –Arçelik for example has consistently been ranked Turkey's most widely known brand by AC Nielsen surveys, while Haier is the most valuable brand in China according to a *Financial Times* 2005 special survey.

Second, the three companies have supported this brand-building endeavour through long-term relationships with OECD-based specialists and the pairings seem to depend on the degree of psychic distance. In 2002 Arçelik adopted a new logo designed by the same American corporate graphic studio which had created the Koç Holding logo in 1987, and introduced the popular Çelik character, a technology spokesperson (Enberker & Ergin, 2003). The objective was to signal the transformation of the company into a serious player in a global industry hitherto dominated by Western firms and in which Arçelik wished to compete on the basis of high technology and innovation, as opposed to low labour costs. In its quest to become Latin America's predominant white goods company, Mabe turned to the Madrid office of Wolff Olins in 1995. The goal was to express a fresher, stronger brand presence, both in the category and as a corporation. Saffron replaced Mabe's muted red swoosh-mark, reminiscent of Samsung's oval (but not as strong), with a confident, simpler logo it calls "congenial". Beyond the logo, Saffron provided a visual system of bright Mexican colours, patterns and icons to create an appealing corporate personality "imbued with a bright sense of humour". Mabe is now aggressively targeting the premium segment with new, more appealing products. Haier chose a Japanese firm, GK Design – over, for instance, an American one – because of cultural affinity, although interviews with the former suggests that the latter's ambition to grow rapidly put strains on the relationship, as the haste may imperil attention to factors that GK Design considers important.[9]

Third, at least two of the firms have chosen sports as the focus of their global marketing effort, a strategy that also characterizes other EM-MNEs such as Emirates, BenQ, or Lenovo. Haier entered in 2006 a marketing partnership with the US National Basketball Association and sponsors soccer teams in Europe; as Turkey's strongest volley team, Arçelik competes in the European Champions League Men (which, interestingly enough, is sponsored by Indesit). EM-MNEs have enthusiastically endorsed this advertising strategy, which seems to be perceived as quicker and more effective channel in overcoming cultural barriers and adding a bit of passion to the company's image, for at least three reasons. Sponsorship offers them a quick and easy way to raise brand awareness and enhance brand recall. Moreover, the exclusive partnership approach provided by sports governing bodies and other commercial partners confers upon them "image transfer" (i.e. acquiring the values of the commercial partners) and other benefits of association (e.g. access to distribution channels). Success in bidding for international sponsorship contracts can also signal competence, availability of resources

9 Interview in Tokyo, 15 July 2005.

and market power. Although at first sight sports sponsoring seems a high-risk investment in terms of awareness raising, it is a complex and challenging undertaking, often undermined by weaknesses and failures and the impact of which is only likely to be optimal when it is used in conjunction with other marketing communications (Chadwick & Thwaites, 2005). Still, sports sponsoring is a form of leap-frogging insofar as it has certain 'propulsive properties' that enables companies to generate instant attention.

6. Conclusions

This paper has presented the experience of three latecomer firms which have established themselves as key regional players, in one case with global ambitions. Our aim has been to prove that these three firms have internationalized in ways that do not simply recapitulate the experiences of earlier MNEs that are the incumbents today, and to identify some of the features that make these 'second wave' MNEs distinctive. As in the successful cases documented by Khanna & Palepu (2006), Bartlett & Ghoshal (2000) and Mathews (2002; 2006), the recipe of their success has been the ability to treat global competition as an opportunity to build capabilities, move into more profitable industry segments, and adopt strategies that turn latecomer status into a source of competitive advantage. Internationalizing firms from developing countries are pursuing strategies that enable them to catch-up with established players, through leveraging off their latecomer advantages and strategic partnerships with market leaders.

We believe that these features are worth follow-up investigation by other scholars to discover to what extent they can be generalized. We see this study as merely one of many that will have to be conducted, on other industries and with other cases of EM-MNEs, before the main lines of a new "big question" in IB will be established. But we see these issues as so important, and shedding such interesting light on the wider questions of globalization and industrialization, that we offer the study in the hope that it will indeed spark more interest in this theme and generate a cumulative body of knowledge on the theme.

Although several MNEs also share some of these features in their earlier patterns of internationalization, and our three firms may not be entirely representative of the universe of developing country MNEs, our analysis has identified crucial differences from the patterns identified in the OLI framework that is taken as the standard description of the internationalization process (UNCTAD, 2006). The more the world economy becomes interconnected, the greater the pressures on firms – particularly those in the periphery – to internationalize in order to enhance their competitiveness. In this sense, globalization is being driven not just by the giant incumbent firms (as argued by Nolan & *al.*, 2002), but also by emerging firms from the periphery which capture competitive space from incumbents because of their ability to exploit the linkages available through globalization and develop a culture of continual cross-border learning and value-addition (Bartlett & Ghoshal, 2000).

What are the implications for other OEM firms which aim to upgrade to OBM status and thus compete on the basis of brand rather than just on manufacturing or logistics capabilities? If firms from emerging, transition, and developing economies are to grow and enhance their profitability, our cases indicate that they will need to vie for the role of first-tier suppliers for lead firms, to operate on a global scale, and, in certain instances, to co-locate plants near the facilities of lead assemblers. Developing research and original design capability can further strengthen competitiveness, enable firms to take responsibility for entire modules, and eventually make a transition to OBM on a regional or global scale. The major risks are related to overstretching, both geographically and functionally, especially in view of the well-documented difficulties that Japanese and Korean investors have had in the past in operating multi-country production operations (e.g., Encarnation, 1999; Sachwald, 2002). Industrial relations seem to be another area where cultural differences can become a barrier for latecomer MNEs in more advanced countries. Arçelik lost its bid for Brandt mainly because its industrial plan envisaged a larger scale retrenchment than its rival. At Haier, humiliation and ritual embarrassment grew to a company tradition and technique to boost productivity that managers could not transplant to foreign factories in US and Italy.

If the story we tell is accurate, is it also replicable? The white goods sector is a mature industry. Although OECD-based MNEs retain the lead in production and innovation activities, countries and firms from the periphery are increasingly involved in production of appliances, and not merely of their components. Moreover, demand growth is much higher in emerging markets than in industrialized countries. Leaders in the white goods industry have prospered by achieving economies of scale, better control of distribution channels and rather simple innovation. Facing declining prices, they are re-strategizing, investing heavily in R&D and innovation. Still, in other markets that have traditionally been domestic-oriented, like steel and cement, the peripheral firms are demonstrating how advantages can be secured through globalized operations and service.

As EM-MNEs now start to invest in other developing countries, the impact of their behaviours on the host economies becomes by itself worth of additional research. What forward and backward linkages do they establish? How effective are they proving as instigators of changes? Is there any notable difference in their behaviours compared to those of traditional OECD MNEs that can back the claim that South-South investment is "development-friendly"? What are the implications for domestic firms in the home country, in terms of adoption of best practice technology and organisation structure? These are interesting, though under researched questions, which we trust will be explored future research by other scholars as well as by ourselves – all contributing to making the emergence of latecomer MNEs one of the challenging "big questions" for IB research.

Acknowledgments

We thank Alice Amsden, Chiara Bentivogli, Simon Chadwick, Marco Cucculelli, Fabrizio Guelpa, Giacinto Micucci, Lucia Piscitello, seminar participants at Banca d'Italia (Rome), Centro Studi Luca D'Agliano (Milano), MIT (Cambridge, MA), OECD Development Centre (Paris), Università Politecnica delle Marche (Ancona), and Wits Business School (Johannesburg), and three anonymous referees for useful comments on earlier drafts. The usual caveats apply. In particular, the opinions expressed are the sole responsibility of the authors and do not necessarily reflect those of the OECD, the OECD Development Centre or the governments of their member countries.

References

Bartlett, C.A., & Ghoshal, S. (2000). Going global: Lessons from late movers. *Harvard Business Review*, *78*: 133-142.

Baden-Fuller, C., & Stopford, J. (1991). Globalization frustrated. *Strategic Management Journal*, *12*: 493–507.

Buckley, P. (2002). Is the International Business research agenda running out of steam?. *Journal of International Business Studies*, *33*: 365-373.

Buckley, P., & Ghauri, P.N. (2004). Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies*, *35*: 81-98.

Cantwell, J.A., & Piscitello, L. (1999). The Emergence of Corporate International Networks for the Accumulation of Dispersed Technological Capabilities. *Management International Review*, *39*: 123-147.

Chadwick, S., & Thwaites, D. (2005). Managing sport sponsorship programmes: lessons from a critical assessment of English soccer. *Journal of Advertising Research*, *45*: 328-338.

Child, J., & Rodrigues, S.B. (2005). The internationalization of Chinese firms: A case for theoretical extension?. *Management and Organization Review*, *1*: 381-418.

Deng, P. (2004). Outward investment by Chinese MNCs: Motivations and implications. *Business Horizons*, *47*: 8-16.

Dunning, J.H. (1981). *The Eclectic Theory of the MNC*. London: Allen & Unwin.

Dunning, J.H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, *19*: 1-31.

Dunning, J.H. (1995). Reappraising the eclectic paradigm in an age of alliance capitalism. *Journal of International Business Studies*, *26*: 461-491.

Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review*, *14*: 532-550.

Enberker, P., & Ergin, V. (2003). Building a New Corporate Image at Arçelik. Istanbul: Boğaziçi University.

Encarnation, D.J. (ed.) (1999). *Japanese Multinationals in Asia.* New York, NY: Oxford University Press..

Hunger, J.D. (2003). U.S. Major Home Appliance Industry in 2002: Competition Becomes Global. In T. Wheelen and J. Hunger (eds.), *Strategic Management and Business Policy*. Upper Saddle River, NJ: Prentice Hall.

Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitment. *Journal of International Business Studies*, *8*: 23-32.

Khanna, T., & Palepu, K.G. (2006). Emerging giants: Building world-class companies in developing countries. *Harvard Business Review*, *84*: 2-10.

Kumar, K., & McLeod, M.G. (eds) (1981). *Multinationals from Developing Countries*. Lexington, MA: Lexington Books.

Lall, S. (1983). *The New Multinationals: The Spread of Third World Enterprises*. Chichester: Wiley.

Lin, T. L. (2005). Control system helps China Haier Group achieve competitive advantage. *Management Accounting Quarterly*, *6*: 1-11.

Liu, H., & Li, K. (2002). Strategic implications of emerging Chinese multinationals: The Haier case study. *European Management Journal*, *20*: 699-706.

Mathews, J.A. (2002). *Dragon Multinationals: A New Model of Global Growth.* New York, NY: Oxford University Press.

Mathews, J.A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management*, *23*: 5-27.

Mathews, J.A., & Cho, D.S. (2000). *Tiger Technology: The Creation of a Semiconductor Industry in East Asia*. Cambridge: Cambridge University Press.

Muroi, H. (2005). The Haier Electronics Group of China. Japan Center of Economic Research, *Researcher Report*, No. 62.

Nichols, T., & Cam S. (eds.) (2005). *Labour in a Global World: Case Studies from the White Goods Industry in Africa, South America, East Asia and Europe*. London: Palgrave Macmillan.

Nolan, P., Sutherland, D., & Zhang, J. (2002). The challenge of the global business revolution. *Contributions to Political Economy*, *21*: 91-110.

Paba, S. (1986). 'Brand-naming' as an entry strategy in the white goods industry. *Cambridge Journal of Economics*, *10*: 305-18.

Palepu, K., Khanna, T., & Vargas, I. (2005). Haier: Taking a Chinese company global. *Harvard Business School Case*, No. 2-706-401.

Peng, M. (2001). The resource-based view and international business. *Journal of Management*, 27: 803-829.

Perlmutter, H.V. (1969). The tortuous evolution of the multinational corporation. *Columbia Journal of World Business*, *4*: 9-18.

Perona, M., Cigolini, R., Adani, M., Angellara, S., Chessa, M., & Jenna, R. (2001). The integrated management of logistic chains in the white goods industry: a field research in Italy. *International Journal of Production Economics*, *69*: 227-38.

Petersen, B., & Pedersen, T. (1995). Twenty years after – support and critique of the Uppsala Internationalization Model. In I. Bjorkman and M. Forsgren (eds.) *The Nature of the International Firm*. Copenhagen: Copenhagen Business School Press.

Rugman, A.M. (2000). *The End of Globalization*. London: Random House and New York: Amacom.

Rugman, A.M., & Verbeke, A. (2001). Location, competitiveness and the Multinational Enterprise. In A.M. Rugman and T. Brower (eds.), *The Oxford Handbook of International Business*: Oxford: Oxford University Press.

Root, R., & Quelch, J. (1997). Koç Holding: Arçelik White Goods. *Harvard Business School Case*, No. 9-598-033.

Sachwald, F. (ed.) (2001). *Going Multinational: The Korean Experience of Direct Investment*. Oxford: Routledge.

Sobrero, M., & Roberts, E.B. (2002). Strategic management of supplier-manufacturer relations in new product development. *Research Policy*, *31*: 159-182.

Sori, E. (2005). *Merloni. Da Fabriano al mondo*. Milan: EGEA.

Sull, D.N., & Ruelas-Gossi, A. (2004). The art of innovating on a shoestring. *Financial Times*, 24 September.

UNCTAD (2005a; 2006). *World Investment Report*. Geneva: United Nations.

UNCTAD (2005b). Turkish outward FDI. Paper prepared for Experts Meeting, Geneva: United Nations.

UNCTAD (2005c). Chinese outward FDI. Paper prepared for Experts meeting, Geneva: United Nations

Vietorisz, T. (1996). Transcultural Foundations of Success in Joint Ventures: The Best-Practice Case of MABE-GE. Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies, *Working Paper*, No. 96-12.

Wells, L. (1983). *Third World Multinationals: The Role of Foreign Direct Investment from Developing Countries*. Cambridge, MA: MIT Press.

Wu, H.-L., & Chen, C.-H. (2001). An assessment of outward FDI from China's transitional economy. *Europe-Asia Studies*, *53*: 1235-1254.