

BOOK REVIEW

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EMERGING MARKET MULTINATIONAL COMPANIES (EMNCs): CHALLENGES AND OPPORTUNITIES

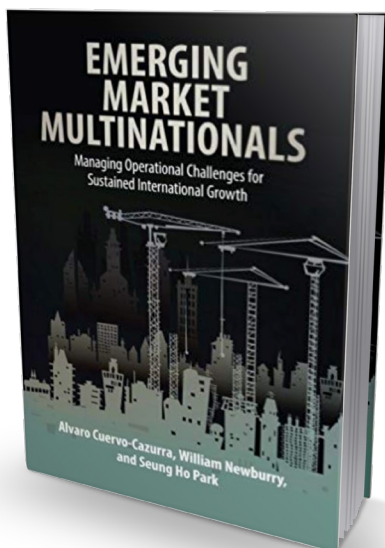
EMERGING MARKET MULTINATIONALS: MANAGING OPERATIONAL CHALLENGES FOR SUSTAINED INTERNATIONAL GROWTH

Cuervo-Cazurra, Alvaro, Newburry, William, Park, Seung-ho. New York, United States: Cambridge University Press, 2016, 221p.

This book discusses the internationalization challenges faced by Emerging Market Multinational Corporations (EMNCs). Most books tend to focus on successful EMNCs, such as those by [Yeung et al. \(2011\)](#), [Fleury & Fleury \(2011\)](#), [Panibratov \(2012\)](#), [Guillen & Garcia-Canal \(2012\)](#), [Chattopadhyay et al. \(2012\)](#), and [Santiso \(2013\)](#); however, these firms frequently face challenges, some of which are linked with their home countries' conditions, such as lower quality institutional systems and weak innovation networks. Despite these issues, many have implemented successful internationalization processes.

EMNCs face several challenges during the internationalization process. The book analyzes cases of firms' evolution over the last few years in Asia, Eastern Europe, South Africa, and Latin America. The cases covered reveal strategic mistakes made by firms during this process. The authors suggest possible solutions considered common among EMNCs though a framework separated into two main parts, analyzed in detail in separate chapters: entry mode (country selection, entry mode, and establishment) and operationalization (choice of place of operation, integration, and operation expansion).

Choosing a country is the first challenge for a firm's managers. Identifying opportunities abroad is rather tricky, due to the market's disposable information, that can be unreliable. Country selection refers to choosing the most appropriate one for building competitive advantages as well as the firm's external operational strategy to create value. The authors distinguish two situations: expanding to sell more from internationalizing to buy better inputs, as well as the implications of such expansion in terms of competitive and comparative advantages. For instance, a joint venture between Salinas, a Mexican group, and FAW, one of the largest Chinese automobile manufacturers in the low-price segment, created a challenge for Salina, in terms of transferring advantages across countries, when replicating the FAW model in Mexico. The closing case of chapter three concerns CEMEX, a Mexican construction materials company that developed a process based on a set of operational capabilities, to ensure the seamless transfer and integration of competitive advantage across countries such as Venezuela, Colombia, the Caribbean, the Philippines, Indonesia, and Spain.



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Once the country has been selected, the following step for managers is to determine the entry form, presented in chapter four, which lays out how complementary resources can favor the internationalization process. For example, technology may be a source of advantage and the marketing function may merely be a complement that enables the firm to sell its technology to the customer. The authors point out that the lack of complementary resources is a disadvantage, because this deficiency can detract the other resource advantages created, as the firm does not have a fully functioning operation abroad. The case study of the Chinese firm TCL's acquisition of Thomson, a French electronics manufacturer, demonstrates how the group became the world's largest producer of television sets. It also illustrates the impact of not checking for the right complementary resources. While Thomson could provide assets to TCL to improve its global presence, its managerial skills and high production costs were an issue. Moreover, TCL did not have experience in large acquisitions and on managing far-flung operations. The result was the closure of most of its European operations.

The acquisition process is only way to enter a country. Strategic alliances with firms may also be an option to enter foreign markets. The entire analysis is centered on the optimal transfer of resources and entry mode selection so as to obtain complementary resources. Lenovo's merger with the laptop unit of IBM is a representative case study. Lenovo wanted to expand globally—the merger with IBM's laptop and desktop brands permitted a successful entry in the global market because this decision enabled Lenovo to use IBM's logo and support for five years, along with giving it access to a 30,000-strong sales force.

Operating internationally may bring disadvantages due to differences in operation forms, referred to as a transfer disadvantage, or the disadvantage of being a foreigner. Chapter five opens with a case study on the opposition of the United States Congress to the purchase of Unocal Corporation, an independent U.S. petroleum firm, by the Chinese National Offshore Oil Corporation (CNOOC). Despite CNOOC's offer of a higher price and promise to keep Unocal operations in the US, politicians' negative perception of the country of origin, as also the association with the Chinese Government, created a disadvantage. The second case study of Havaianas, a Brazilian footwear firm, illustrates how managers overcame negative consumer perception in the country of origin and expanded globally. The firm was positioned as providing "shoes for poor people" until they invested in a new design, image, colors, and advertisements targeted at the upper classes. The domestic perception changed with the use of images of supermodels in advertisements, alongside the "Made in Brazil" tag. By exploring the aspects of sensuality, vibrancy, and humor in Brazilian

culture, they converted the "being Brazilian disadvantage" into an advantage that favored expansion abroad.

The sixth chapter opens with a sequence of operational challenges faced by subsidiaries, such as management limitations in offshore operations and reputational problems. The first one relates to the lack of people with managerial skills or experience in emerging countries, to command international operations. The case study of Huawei, a Chinese telecommunications company, illustrates these two characteristics, with the company facing problems in settling property rights and reputational aspects, in light of the institutional differences between China and developed countries or even emerging ones, impacting the firm's expectations. The firm's difficulties led to a market refocus to a China-friendly country such as Canada, even though this market was significantly smaller.

Reputation or product quality image are intangible assets based on stakeholder perception. Thus, unknown brands suffer due to a lack of familiarity and legitimacy in the countries they are entering. The country of origin itself can be a challenge, linked with people's pre-established, generalized perceptions about products and brands. The authors close the chapter with solutions for overcoming the lack of capabilities by developing a multipronged approach to compete in the new environment; establishing win-win relationships with associations, unions, and employees; and making efforts to become more locally embedded. The Embraer case study, regarding a Brazilian airplane manufacturer, shows how the company overcame reputational issues and constructed an image of high quality in a high-technology industry. By ensuring qualified technical workers from the Aeronautical Technology Institute, established by the Brazilian government, and by positioning itself in a niche market of short-range passengers, the firm achieved significant results, despite coming from an emerging country.

The relationship between the overseas subsidiary and headquarters is a typical source of concern among multinationals. However, some particularities characterize EMNCs, such as inefficiencies caused by organizational structures developed to compensate for the deficiencies in institutions and market intermediaries in the home country, make integration issues EMNCs troublesome. Besides, corporate governance is also an EMNC issue, as institutional bases in emerging countries are generally weaker. During the internationalization process, this problem is heightened by the lack of accountability, transparency, and confidence. Shared control leads to power struggles not observed among home-based firms and developed countries. Political problems, such as low confidence, instability, and corruption, in emerging countries affect the investment and

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expansion capacity of EMNCs. These facts are addressed in case studies such as that of the Chinese company Haier, the acquisition of the Japanese company Sanyo, and the Chinese communications firm ZTE.

The Indian automaker, Tata Motors, and its geographic expansion efforts are discussed in the last chapter (Chapter Eight). Two central problems are listed: promotion of learning and innovation, and skill expansion. The first is related to the necessity of internal network development in order to leverage knowledge in the operating environment. The firm's expansion in emerging countries requires new skills related to maintaining consumer expectations while facing varied demands and the host country's stakeholder requirements. The case study of Falabella, a Chilean company with a presence in the department store, supermarket, home goods, and banking segments, is also discussed at the close of this chapter.

The book concludes by pointing out that the operational difficulties of EMNCs are multiple in nature, each influencing the other: difficulties of operating in a host country, the characteristics of the home and host country, industry- and

firm-level characteristics. The authors emphasize that MNCs will, however, continue their internationalization path, while their home countries evolve in terms of economic development, as has happened in countries like South Korea and Singapore.

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AUTHORS' CONTRIBUTIONS

The author declare that participated in all stages of development of the manuscript. From the conceptualization and theoretical-methodological approach, the theoretical review (literature survey), data collection, as well as writing and finally, final review the article.