Internationalization of Emerging Market Firms

Vikas Kumar
Discipline of International Business
University of Sydney

MNCs from Emerging Economies
University of Melbourne
24-25 September, 2009
Emerging Markets – A Heterogeneous Group
(Goldman Sachs study 2003)

*cars indicate when BRICs US$GDP exceeds US$GDP in the G6

GS BRICs Model Projections. See text for details and assumptions.
Internationalizing Emerging Market Firms – Heterogeneous?

YES!

Government Intervention
High OR Low
Industry Level

Ownership Advantages
High OR Low
Firm Level

International Strategy

Institutional Reforms
High or Low
Country Level

RANBAXY
Suzlon
Infosys
PETROBRAS
LUKOIL
TATA
Mahindra
WIPRO
Huawei Technologies
leovo
CEMEX
EMBRAER
Acer Group
Ownership Advantages: Market and Non-market based

• Natural Factor Endowment
• Large Pools of Human Talent
• Government Support
• Business and Social Networks
• Experience of Operating in Harsh Conditions
• Political Capital – effective lobbying ability

Are non-market based advantages transferable?
Government Intervention

Performance of Internationalizing Indian Firms

Contractor, Kumar & Kundu JWB 2007

Performance of Indian Pharma Firms

Kumar & Singh TIBR 2008
**Institutional Reforms**

**Performance of Group Affiliated Firms**

*Zattoni, Pedersen, & Kumar CGIR 2009; Gaur & Kumar BJM 2009*

<table>
<thead>
<tr>
<th>Early Phase (90’-95’)</th>
<th>Late Phase (96’-06’)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BG</td>
<td>+</td>
</tr>
<tr>
<td>Pvt.</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>+</td>
</tr>
</tbody>
</table>

Business Group benefits tend to atrophy

---

**Table:**

<table>
<thead>
<tr>
<th>Degree of Internationalization (Foreign Sales to Total Sales)</th>
<th>Performance (ROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>35%</td>
<td>45%</td>
</tr>
<tr>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>55%</td>
<td>65%</td>
</tr>
<tr>
<td>65%</td>
<td>75%</td>
</tr>
<tr>
<td>75%</td>
<td>85%</td>
</tr>
<tr>
<td>85%</td>
<td>95%</td>
</tr>
<tr>
<td>95%</td>
<td>Unaffiliated</td>
</tr>
<tr>
<td>5%</td>
<td>Affiliated</td>
</tr>
</tbody>
</table>

---
Typology

High Institutional Reforms

Ownership Adv

<table>
<thead>
<tr>
<th>Government Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
</tr>
<tr>
<td>Weak to Internationalize</td>
</tr>
<tr>
<td>Li &amp; Fung</td>
</tr>
<tr>
<td>Acer</td>
</tr>
<tr>
<td>Samsung</td>
</tr>
<tr>
<td>MTN Wireless</td>
</tr>
<tr>
<td>Hyundai</td>
</tr>
<tr>
<td>Enersis Gener</td>
</tr>
<tr>
<td>H</td>
</tr>
</tbody>
</table>

L to H transition

Adv to Adv transition
Typology

Low Institutional Reforms

Ownership Adv

L

H

Government Intervention

L

H

Infosys

Wipro

TCS

Tata Motors

Suzlon

Ranbaxy

Dr. Reddy’s

Lenovo

Haier

ICBC

CITIC

CNPC

Jollibee Foods

Mabe

Tata Steel
How successful will Internationalization of Emerging Market Firms be?