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Generic Internationalization Strategies of Emerging Market Multinationals: The Case of Chinese Firms

Kun Tan

Newhuadu Business School, Minjiang University, China

Abstract This paper investigates how the choices of strategic directions by Chinese multinational enterprises have led them to adopt distinct strategies in internationalization. The study takes a multiple case study approach. It was found that the generic strategies of Chinese internationalization are local optimizer; low-cost supplier, advanced-market seeker, and global consolidator, each of which depends on a multinational enterprise's preference in combination with its strategic directions e.g. target countries, value chain movement, branding, and mode of entry. Finally the generic strategies as a common framework for studying the internationalization of emerging market multinationals are proposed.

Keywords Internationalization, Emerging Market Multinationals, Strategic Direction, Generic Internationalization Strategy, China

1. Introduction

The past decade has witnessed tremendous growth in foreign direct investment (FDI) outflows and the remarkable rise of multinational enterprises (MNEs) from emerging economies. FDI outflows from emerging economies reached a record level of $553 billion in 2014, accounting for 39% of global FDI outflows compared with only 12% at the beginning of the 2000s [1]. Emerging market multinational enterprises (EMNEs), as vehicles of FDI outflows from emerging economies, are expanding overseas at an increasingly large scale and at an ever-accelerating speed. In 2014 there were 123 MNEs from the BRIC countries (Brazil, Russia, India, and China) on the Fortune Global 500 list, as compared with about 20 companies from these countries a decade ago.

The evolution of EMNEs has gained attention of scholars in international business (IB) and strategic management, prompting them to rethink and develop models and theories relating to the internationalization of firms. Although there was some interest in emerging market multinationals since the early 1980s [2] [3] [4], attention to this topic became an import research in international business in the 2000s [5] [6] [7] [8] [9] [10] [11], because emerging-market firms are quickly catching up and internationalizing in recent years. Scholars are starting to take stock of what is actually known about EMNEs and what is speculation [12].

Particularly, the rise of emerging economies such as China and India has generated a number of EMNEs, providing an opportunity for scholars to review the theories of MNEs' internationalization in contemporary context [13]. For example, Paul and Mas [14] examined the common factors that had contributed to the emergence of Chinese and Indian multinationals in the global market including their focus on exports, manufacturing growth, science and technology, etc. One of the evolving research entails adopting both strategic view and international business studies, a pilot study of which derived from case studies of Indian companies proposes the generic strategies for EMNEs as they embark on an international expansion.

In this research, the major question is raised as what are the generic strategies of the internationalization of Chinese firms? What are the strategic directions including the targeted countries, value chain movement, branding, and mode of entry that Chinese firms are executing in their overseas expansion? How do the choices and combination of strategic directions ultimately lead to the distinct path of Chinese internationalization? What are the firm-specific factors that have influence on the generic strategies of Chinese internationalization?

We consider these questions through examination of the strategies of Chinese EMNEs as they propel increasing FDI outflows world widely. We argue that the models explaining the generic strategies of Indian multinationals can be extended and modified to the study of Chinese multinationals. We begin by selecting and describing cases of Chinese EMNEs in typical manufacturing industries. We then examine the strategic directions for each of these Chinese EMNEs in its internationalization, which include a multinational's targeted countries, value chain activities in host country, choice of original equipment manufacturer (OEM) versus own branded manufacturer (OBM), and the mode of entry. On the basis of this analysis, we identify and discuss the generic internationalization strategy that can be illustrated from Chinese EMNEs. Further discussions on several firm-specific factors e.g. the industry a multinational is concerned of, the experience of its overseas operations, R&D intensity as indicator of firm-specific advantage are used to develop practical and theoretical insights from the internationalization of Chinese EMNEs. We conclude the paper by offering a few directions for future studies of the internationalization strategies of emerging-market multinationals. We believe this study will be helpful for deepening our understanding of the internationalization of EMNEs by bringing the analysis of multinational's generic strategy into the focus.

2. Literature Review

International business studies are emerged from investigations of developed economies in North America and Europe. Consequently, mainstream IB theories on internationalization have been developed based on studies of developed-country multinational enterprises (DMNEs). Such theories, for example, monopolistic advantage theory [15], product life cycle theory [16] [17], the eclectic or ownership-internalization-location (OLI) paradigm [18] [19] [20] [21], and the internationalization process model [22] [23] [24], have provided a strong foundation for explaining the presence of MNEs. Some scholars thus argue that the emergence of EMNCs can also be explained with these theories. For example, Dunning et al. [25] relies on OLI framework to explain the existence of EMNEs, which have become multinationals despite their limited firm-specific advantages. Rugman [26] argues that EMNEs do not have firm-specific advantages, and their internationalization depends on the country-specific advantages in low-cost labor, finance, economies of scale, and natural resources.

On the other side, a widely accepted taxonomy of strategies such as multi-domestic, transnational, and global strategies of DMNEs exists [27] [28], few schemes have described the strategies of EMNEs in building up their global presence [29]. Researchers suggest that the multinationals from emerging markets have pursued distinctive approaches to internationalization and they enjoy different specific advantages than multinationals from developed countries. At this point, the resource-based view of firms originated from strategic management has enriched IB studies in explaining the behavior of EMNEs [30], since the traditional strategic management approach has not yet yielded substantive knowledge within research on internationalization as a strategic process adopted by MNEs [31]. Mathews [32] introduces the linkage, leverage, learning (LLL) framework, which is consistent with the extended resource-based perspective, to provide the explanations of the rapid appearance of EMNCs. Luo and Tung [33] describe that EMNEs use international expansion as a springboard to obtain new resources and capabilities via the alliances or acquisition of firms to upgrade capabilities at home and catch up to DMNCs.

The rise of new multinationals from emerging markets provides researchers an opportunity with extension and modification of the models and theories of internationalization [34]. Buckley et al. [35] find strong support for the argument that aspects of the special theory e.g. the institutional factors influencing outward direct investment help to explain the behavior of Chinese MNEs, since Chinese internationalization has both a conventional and an idiosyncratic dimension. Yiu et al. [36] studies the international venture of Chinese companies and highlights the importance of incorporating the institutional component of a multinational including networking with domestic institutions and entrepreneurial organizational transformation into existing theories of the MNEs. Goldstein [37] argues that as emerging market multinationals are embedded in their political, social, and ethnic networks, their internationalization of business offers valuable lessons for practical and theoretical implications. Guillen and Garcia-Canal [38] note the decline of American model of the MNEs and to what extent we need a new theory to explain the growth of EMNEs, with analysis of the distinctive internationalization of EMNEs with regard to the competitive advantages, political capabilities, expansion paths, preference of entry mode, and organizational adaptability. The study of EMNEs can thus bring context more explicitly and comprehensively into theory and deepen our understanding of how firms internationalize.

Ramamurti [39] indicates that multinationals from emerging markets follow particular paths of international expansion, which modifies some of the predictions of existing theories of MNEs. EMNEs internationalize differently since the global environment facilitates speed-up internationalization, the industry characteristics lead to different patterns, the companies exploit differences rather than similarities in foreign expansion, and they have ownership advantages that are different from DMNEs. Consequently, he suggests the generic strategies for EMNEs' internationalization, each of these generic strategies, for example the vertical integrator, local optimizer, low-cost partner, global consolidator, and global first-mover have resulted in distinct internationalization paths of EMNEs [40] [41]. Each generic strategy leverages different country-specific advantages and firm-specific advantages and results in distinct internationalization path of emerging market multinationals. Ramamurti [42] proposes a framework of generic internationalization strategy as a common platform for the analysis of EMNEs' internationalization and explains how the research of EMNCs can help better understand the MNEs' internationalization process, the contextual factors, and firm-specific and location-specific ownership advantages.

However, the framework is developed from the case study of Indian multinationals, which requires more rigorous empirical studies aimed at gathering and analyzing large sample data at the firm level [43]. Generic strategies are not unique to the internationalization of Indian EMNEs, they are also relevant to other EMNEs, with distinct aspects of each emerging economy resulting in some generic strategies being more viable than others [44]. Williamson and Zeng [45], who analyzed four of the biggest Chinese multinationals, namely Hisense, Wanxiang, CIMC, and Huawei, and argued that several strategies of Indian multinationals could also be observed from the internationalization of Chinese firms. Further research on a number of Chinese firms is needed for developing alternative configurations of generic strategies that contribute more explanatory power regarding the internationalization of EMNEs.

The core of the analysis of generic strategies of EMNEs' internationalization is a company's strategic direction in its international expansion. In the incremental internationalization model, Johanson and Vahlne [46] [47] explain the selection among countries and regions in which to enter, which is also analyzed in Ramamurti's framework of EMNEs. The incremental internationalization model also explains a firm's selection of its operation in the host country e.g. production base, sales subsidiaries, procurement center, which in the generic strategy is described as the movement and relocation of value chain activities. Besides, in the linkage-leverage-learning model, Bonaglia et al. [48] discuss the implications for OEM firms originated from emerging countries that aim to upgrade to OBM status to compete on the basis of global brand rather than just on their manufacturing capabilities. The choice of OEM versus OBM direction is probably one of the most challenges for Chinese companies while they are seeking foreign markets for international growth. Finally, the rapid expansion of Chinese companies in the 2000s through merges and acquisitions of brands and production operations other than greenfield investment has been widely discussed in several research. All of these directions e.g. targeted country, value chain movement, OEM or OBM products, and the mode of entry are analyzed in this research in consideration about the generic internationalization strategies of Chinese EMNEs.

3. Research Methodology

In this research, we analyze the strategies of Chinese EMNEs' internationalization through multiple case study method. Firstly, we defined the multinational enterprises (MNEs) operationally and screened out a number of multinational enterprises from typical Chinese manufacturing industries. We subsequently examine the strategic directions toward internationalization for each of these cases to find any results and make further discussions about the strategies of Chinese internationalization.

Since the scope of this study is focused on the more surprising and interesting Chinese manufacturing firms, companies in service and resource sector are excluded. A number of typical Chinese manufacturers are included as telecommunication equipment manufacturers, computers and peripherals manufacturers, semiconductor manufacturers, home appliances manufacturers, consumer electronics manufacturers, automobiles and motorcycles manufacturers, and auto parts manufacturers. The Global Industry Classification Standard [49] and Hang Seng Industry Classification System [50] are followed here. The above industries can be categorized into high-tech industries, medium-tech industries, and medium-low-tech industries according to the OECD classification [51].

In International business studies, a MNE is defined as an enterprise with subsidiaries in one or more countries, or having a ratio of foreign to total operations, for example, sales, assets, and employees above an arbitrary number from 10 to 25 percent [52]. The foreign sales ratio (FSR) is probably the most widely used indicator for a MNE, because reporting this is mandatory for public companies whose sales in foreign countries are exceeding 10% of their total sales. While Vernon [53] defined a MNE as operating in at least six countries, most scholar currently accept a definition of a MNE as operating in two or more countries [54]. The number of operating countries (NOCs), as an indicator of a MNE, is defined hereby as the number of foreign countries where the company operates through its majority-owned subsidiaries. For Chinese companies, foreign countries are the countries and regions they are operating outside the Greater China region e.g. People's Republic of China, Hong Kong, Macau, and Taiwan. Ultimately, 50 manufacturers were screened out as the cases of Chinese EMNEs, with foreign sales ratio exceeding 20% and number of operating countries not less than one foreign country as in the year of 2013. Therefore, our analysis presented in the following sections focuses on these 50 Chinese manufacturing EMNEs.

We obtained the qualitative and quantitative data from public sources such as companies' annual reports, companies' website, public news reports, as well as two of the biggest databases in Chinese economy and business: CSMAR and iFinD. The CSMAR (China Stock Market & Accounting Research) database system, which consists of several parts including macroeconomics, China's listed companies, stock market, bond market and banking etc., provides services for China economic analysis and research more than ten years. The iFinD system provided by Zhejiang Tonghuashun Corporationis is another major database for the analysis of public companies on China Stock Exchange.

We followed the recommendations presented in Eisenhardt [55] and Yin [56] for analyzing case study data. We constructed case study for each of the companies to summarize its strategic directions toward internationalization, identifying the countries of its overseas operation, the activities in the value chain of the subsidiaries, the branding of its products in approaching foreign markets, and the entry mode through which it established foreign presence. In addition, we examined the industry a firm is concerned of, the years of experience a firm's overseas operations, as well as a firm's R&D intensity. These analyses are used to develop practical and theoretical insights from Chinese EMNEs. In case-based research, the objective of the analysis is not to test hypotheses but to illuminate areas that are obscure in the study of the internationalization of emerging market multinationals.

4. Insights from Case Study: Strategic Directions

4.1. Target Countries

Table 1 illustrates each of the strategic directions of Chinese EMNEs' internationalization. The target countries are the locations of FDI activities conducted by an EMNE, which is classified into south–south or south–north paradigm in this study. South–south FDIs originate in emerging economies and flow into other emerging economies. By contrast, the destinations of south–north FDIs are developed countries. "North" is broadly defined as developed countries, including North America, Europe (excluding Eastern Europe), Australia, New Zealand, and Japan. "South" comprises emerging economies in South America, Eastern Europe, and Asia, and includes developing and transition economies, as defined by the United Nations Conference on Trade and Development (UNTCAD). At the firm level, south–south FDI occurs when an EMNE establishes its overseas subsidiaries in emerging economies, while south–north FDI occurs when an EMNE's overseas subsidiaries are located in developed countries.

Our analysis of each of the 50 Chinese manufacturing EMNEs showed that 5 firms are only engaged in south–south FDI, 25 firms in south–north FDI, and 20 firms in both south–south and south–north FDI. There were more overseas subsidiaries of Chinese EMNEs located in developed countries than in emerging economies, which reflected that south-north FDI is the major path of Chinese internationalization. Among the developed countries, the United States and Western European countries such as Germany, France, and Netherlands were the primary FDI destinations of Chinese manufacturing EMNEs.

4.2. Value Chain Movement

A firm's value chain forms part of a larger stream of activities, including inbound logistics, operations, outbound logistics, marketing and sales, and services related to product creation. Porter [57] refers to this as a value system. Value chains have been examined in studies of DMNEs based on the argument that some of their activities could be relocated to foreign countries that provide a comparative advantage [58]. They have also been considered in the study of EMNEs that have received less attention than DMNEs [59]. Value chains are an important consideration for EMNEs, because a firm only becomes multinational if the location of its operations in different countries strengthens its competitive advantages. In this study, up-market activities in the value chain refer to marketing and sales, distribution, R&D, and service in contrast to down-market activities such as production and procurement of resources. Up-market movement in the value chain occurs when an EMNE conducts up-market activities through its overseas subsidiaries to gain access to markets, brands, or technologies in foreign countries. Down-market movement occurs when an EMNE diversifies and extends its production or procurement of resources into foreign countries.

Our examination of the functions of the overseas subsidiaries of 50 Chinese manufacturing EMNEs revealed that 33 firms were only engaged in up-market movement, 1 firm was only engaged in down-market movement, and 16 firms were engaged in both up-market and down-market movements. Furthermore, the results showed that Chinese EMNEs were much less likely to relocate their production overseas than to explore markets, seek R&D resources, or provide services to customers in the host countries. Given the large-scale and low-cost production resources in the home country, it was rare case for Chinese multinationals to move down the value chain through internationalization. Up-market activities, including marketing, distribution, R&D, and service are thus at the core of the internationalization process of Chinese EMNEs. It seems likely that Chinese EMNEs are moving up their value chains by establishing subsidiaries in other countries whose technological or marketing knowledge can be used to address the comparative disadvantages of their home country.

4.3. Branding

An original equipment manufacturer (OEM) is a firm that manufactures a product that is specified and rebranded for sale by another firm. An own brand manufacturer (OBM) typically refers to a firm that sells its own branded products to its customers. A key strategic decision for a Chinese company relating to its international expansion is whether to use its own brands as an OBM producer or act as an OEM contractor for foreign brand owners, since each of these options offers different advantages and disadvantages.

In the study of 50 manufacturing EMNEs, there were 24 OEM manufacturers, 17 OBM manufacturers, and 9 manufactures engaged in dual-branding products. Among them, 6 OEM manufacturers, namely, USI, Sunway, BYD Electronics, Wafer, SMICS, and Victory specialize in electronic manufacturing services (EMS), providing services related to designing, testing, manufacturing, assembling, and repairing electronic components for other brands owned by DMNEs. Particularly, 10 companies as auto parts manufacturers supplying auto parts to global vendors were also considered as OEM manufacturers, since their brands were not badged on the automobiles sold to end users. Chinese EMNEs in manufacturing sectors have entered international markets to establish themselves as OEM partners more than as OBM players. It is likely that expertise in mass production acquired through OEM arrangements stimulates the internationalization of Chinese EMNEs to exploit their competitive advantages in other countries.

4.4. Mode of Entry

When a firm decides to make a direct investment in a foreign country, it can choose to build its own establishment from scratch or acquire an existing firm. The former strategy is known as greenfield investment and the latter is referred to as mergers and acquisitions (M&A). Greenfield investment entails the establishment by a firm of a wholly owned subsidiary in the host country. When a firm engages in M&A, it buys the business of another firm without creating a subsidiary or a joint venture in the host country. The decision on which of these entry modes to adopt in the process of internationalization has become one of the challenges confronting MNEs as both greenfield investment and M&A entail advantages as well as disadvantages.

Of the 50 Chinese manufacturing EMNEs, 27 firms entered foreign countries through the Greenfield investment route, 10 firms through M&A, and 13 firms both in Greenfield investment and acquisition of foreign business in the targeted countries. Greenfield investment is the preferred entry mode for internationalization of most Chinese manufactures. Examples include ZTE, SMICS, Fuyao Glass, Midea, Hisense, and Konka. 10 firms that achieved their international expansion through M&A were TCL Communications, Qianjiang, Geeya, Himile, TQM, Huaxiang, USI, New Beiyang, Tatfook, and Launch. A total of 23 Chinese EMNEs engaged in M&A in foreign countries, which partly supports the argument of the increasing use of M&A as a mode of entry in the internationalization of Chinese firms in recent years [60] [61].

Table 1. Generic internationalization strategies of Chinese EMNEs

Chinese EMNEs	Number of EMNEs	Target Countries	Value Chain Movement	Branding	Mode of Entry	Generic Internationalization Strategy
Coship, Kingsignal, Geely, Qianjiang, Jialin, Lifan	6	South-South	Up-market and Down-market	OBM	Greenfield	Local optimizer
Sailun, Himile, Zhongding , Jingu Wheel, ZYNP, TQM, Yinlun, Wanfeng Wheel, Huaxiang, ZXY, USI, Sunway, BYD Electronic, Jiuzhou, Wafer, Good-Ark, SMICS, Tongli Electronics, Victory, GGEC, New Beiyang, Great Wall Kaifa	22	South-North	Up-market	OEM	Greenfield and M&A	Low-cost supplier
Hytera, Tatfook, O-Net, Accelink, SunFlower, Hikvision, Rapoo, Launch	8	South-North	Up-market	OBM	Greenfield and M&A	Advanced-market seeker
Lenovo, ZTE, TCL Communication, Joyson Electronics, Fuyao Glass	5	South-North and South-South	Up-market and Down-market	OBM	Greenfield and M&A	Global consolidator
Easepal, Midea, Yankon, TCL Multimedia, Hisense, Konka, TPV, Elec-Tech, Geeya	9	South-North and South-South	Up-market and Down-market	OEM and OBM	Greenfield and M&A	Dual strategies

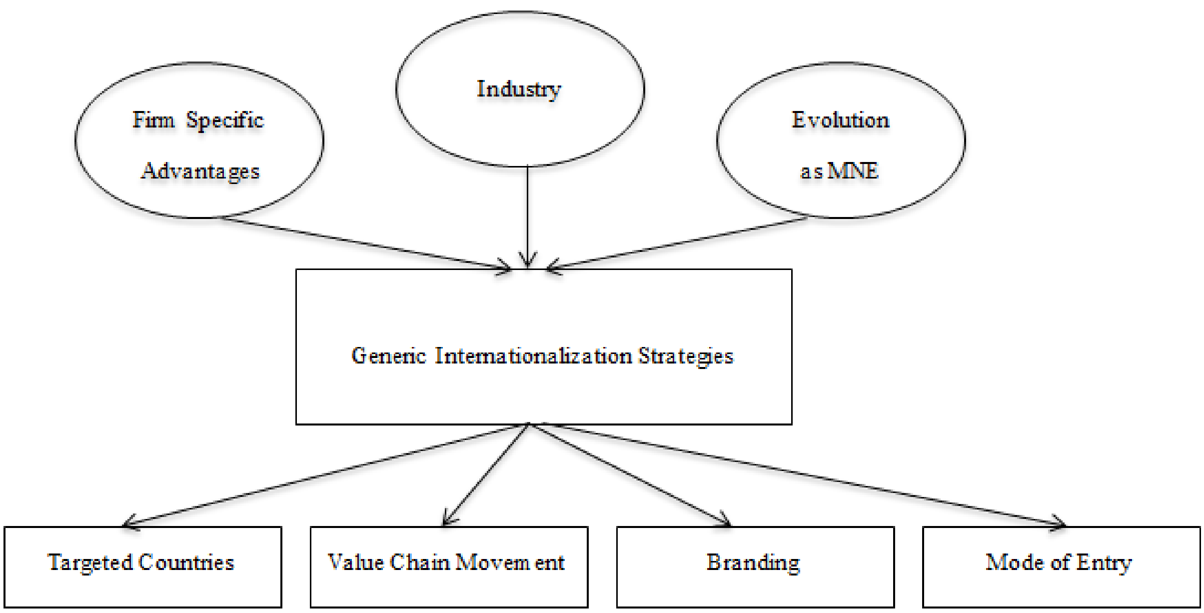

Figure 1. Revised model of EMNE's generic internationalization strategies

5. Insights from Case Study: Generic Internationalization Strategies

Based on the above analysis of Chinese multinational's strategic directions toward internationalization, we examined and identified the generic strategy for each of the companies (as summarized in Table 1). As in the following section, each of the generic strategy illustrated from Chinese cases targets south-south or south-north expansion, moves up or down the value chain activities, provide OEM or OBM products in international markets, enter foreign countries through greenfield investment or M&A. A multinational's preference in combination with these strategic directions thus results in distinct strategies for Chinese EMNEs including local optimizer, low-cost supplier, advanced-market seeker, and global consolidator.

To be noted in the case study, few firms may pursue one strategy in pure form or do so to the exclusion of other strategies, however it is conceptually useful to specify each of the strategies and its properties. We illustrate each generic strategy with cases that have come closest to pursuing that strategy. Particularly, the identification of which generic strategy a firm had pursued was based on the analysis of its major business segment. In case of Chinese automobile and motorcycle manufacturers, it was found that a firm pursued an internationalization strategy in its small business segment is different from the strategy while internationalizing its major business.

5.1. Local Optimizer

A combination of strategic directions of south–south FDI, up-market and down-market movements across value chains, OBM branding, and entry into foreign countries through greenfield investment can be deemed as the local optimizer strategy. This generic internationalization strategy typically entails the establishment of an EMNE's subsidiaries and operations in other emerging economies. Our analysis revealed that the target countries of their FDI were emerging economies and not developed countries, and most of the investments were made through greenfield investment projects. Emerging market multinationals pursuing a local optimizer strategy expand to emerging economies to gain access to local markets by selling products with their own brands. This strategy is likely to entail both up-market and down-market movements as a result of conducting value-added activities, including marketing, distribution, and production though their subsidiaries in other emerging countries.

Chinese EMNEs pursuing a local optimizer strategy include telecommunication equipment manufacturers e.g. Coship and Kingsignal, automobile manufacturers e.g. Geely and Lifan, and motorcycle manufacturers e.g. Qianjiang and Jialin. Coship, one of Chinese largest set-top box manufacturers, has set up its only overseas subsidiary in Cambodia for selling products related to cable television. Kingsignal, which manufactures signal cables, connectors, assemblies, and accessories for signal transmission within telecommunication systems, has established subsidiaries in India, Brazil, and Thailand as local bases for sales, R&D, and production of its own branded products. For most of Chinese automobile and motorcycle manufacturers, the local optimizer strategy is a common strategy by which they made, assembled, and sold their own-branded cars and motors in a large number of emerging markets such as Southeast Asia, South America, the Middle East, and Eastern Europe. Geely, the biggest private-owned automobile manufacturer in China, made its greenfield investment in Indonesia, Uraguay, Russia, Belarus, and Ukraine to set up production base and sell own-branded cars to local customers. Lifan, the first private-owned carmaker listed on Chinese stock exchange in 2000, has set up subsidiaries in Vietnam, Turkey, Estonia, Thailand, and Brazil for assembling and selling auto parts and motorcycles since 2007. Jianling, one of the oldest motorcycle manufactures in China, has made its overseas footprint since 1995 and established a strong presence in South American countries.

5.2. Low-cost Supplier

A combination of strategic inclination toward south–north FDI, up-market movement, and OEM branding was deemed as the low-cost supplier strategy. The strategic directions toward internationalization pursued by low-cost suppliers are distinct from those of local optimizers. Whereas emerging economies are the target markets for local optimizers, low-cost partners target advanced markets in North America, Western Europe, Australia, and Japan. Emerging market multinationals pursuing a low-cost supplier strategy attempt to move up the value chain by relocating valued-added activities such as marketing, R&D, and services to their overseas subsidiaries located in advanced economies. These multinationals are either large-scale OEM manufacturers for other brands owned by their western partners or major suppliers of parts of product to the strong and established players in the sector.

In our study, 44% of Chinese EMNEs were pursuing a low-cost supplier strategy. These included 9 manufacturers of information technology products, 3 manufacturers of consumer products, and 10 auto parts manufacturers. Of the 22 low-cost suppliers, 12 firms expanded internationally through greenfield investments, 5 firms were internationalized through M&A, and 5 firms engaged in both greenfield investment and M&A. Notably, a few low-cost suppliers such as USI, BYD Electronics, ZXY, Wanfeng Wheel, Jingu Wheel, and Sailun invested in both advanced and emerging markets for production and sale of their products targeting local customers. This differs from the advanced-market seekers strategy adopted by another group of Chinese EMNEs, as discussed in the following.

As telecommunication equipment manufacturer, the electronic manufacturing services (EMS) firms, namely BYD Electronics, USI, Sunway, and Jiuzhou, provide design, sourcing, manufacturing, and logistic services related to electronic components to international mobile phone manufacturers. As semiconductor manufacturer, SMICS, Wafer, and Good-Ark, which provide integrated circuit foundry services for global semiconductor brands, have established subsidiaries in the United States for sales and marketing activities, to gain access to R&D resources, and to provide services in proximity to their business partners. Tongli Electronics and Guo Guang Electric Company (GGEC) have built up long-term partnership with a number of world-renowned brands and established themselves as OEM provider in audio products. Victory Precision, a manufacturer of TV bezel and frames, sells products to global TV brands and its foreign sales amounts to 50% of total sales.

As computer peripherals manufacturer, Great Wall Kaifa, which is probably the biggest manufacturer of hard disk drive in global computer market, receives over 90% revenue from foreign markets by selling its OEM products. New Beiyang, the largest maker of special printer and scanner in domestic market, serves as major suppliers of OEM thermal printers to global POS system brands in Europe and North America. The low-cost supplier strategy is also adopted by a large number of Chinese auto parts makers including Sailun, Himile, Zhongding, Jingu Wheel, ZYNP, TQM, Yinlun, Wanfeng Wheel, Huaxiang, and ZXY. These firms have established overseas subsidiaries in the United States and Germany to supply their auto parts to American and German car manufacturers that have long dominated the global industry.

5.3. Advanced-market Seeker

The strategic directions toward south–north FDI, up-market movement, and sale of OBM products in advanced markets were deemed as the advanced-market seeker strategy. This is a relatively new phenomenon in the internationalization process of EMNEs, which is probably the typical case that can be explained by the linkage-leverage-learning (LLL) model (Mathews, 2006). The target locations of these multinationals for direct investment are the advanced economies, particularly the United States and Western Europe. The objective of operating in advanced economies for them is primarily to gain access to rich markets with their own branded products, contrary to low-cost suppliers. Another significant property of this strategy is an emerging market multinational’s seeking for knowledge and resources of marketing and technology to move up their value chain in order to increase global competitiveness. These advanced-market seekers are usually “small and young” multinationals that focus on a few niche markets and have limited experience of a wide range of international operations as illustrated in below cases.

SUNOWE, Rapoo, Hikvision, Launch, Hytera, Tatfook, O-Net, and Accelink are on the list of advanced-market seekers among Chinese manufacturing EMNEs. Zhejiang Sunflower Light Energy Science & Technology LLC (SUNOWE), a manufacturer of renowned photovoltaic solar products, provides products and services to its customers in the United States, Germany, Switzerland, Italy, and Australia. Rapoo Technology, a manufacturer of keyboards, mouse devices, and other wireless peripherals of computers and mobile phones, has established a subsidiary in Netherlands for selling its own branded products to European customers and successfully transitioned from being an OEM to an OBM provider since 2012. Hikvision, specializing in video surveillance products such as cameras, digital video recorders, and video management software, made the same transition from OEM to OBM in 2006, and since then has built up a strong marketplace in United States, Netherlands, Italy, France, Spain, and Australia. Launch, in automotive diagnostic equipment and service sector, expands aggressively into developed markets in Europe since acquisition of a German company in 2004. All of the above Chinese telecommunication equipment manufacturers, namely, Hytera, Tatfook, O-Net, and Accelink have established R&D centers in the United States or Western Europe to acquire access to cutting edge industrial technologies. In addition, although most advanced-market seekers have made Greenfield investments overseas, Hytera, Tatfook, and Accelink entered advanced markets by acquiring companies in host countries.

5.4. Global Consolidator

The multinationals, which entered the foreign markets by offering own-branded products, combines the strategic directions of south-south and south-north FDI, up-market and down-market movement, and greenfield investment and M&A, are deemed as the global consolidator strategy. Chinese multinationals pursuing this strategy are probably established multinationals with well-known brands and strongly competitiveness in the market place, all of which operated in more than five countries and have not less than 25% revenue from foreign customers in these cases. They have usually relocated their up-market activities within advanced economies and moved their down-market activities to other emerging economies, either through greenfield investment or cross-border acquisition. These global consolidators, who have enjoyed dominant positions in their home markets, aim to consolidate their competitive advantages from both advanced and emerging economies.

Chinese EMNEs in global consolidator strategy in this study include Lenovo, ZTE, Joyson Electronics, Fuyao Glass, and TCL Communication. Lenovo, which is one of the world's largest vendors of personal computers and mobile devices, operates worldwide through its overseas subsidiaries in more than twenty countries. ZTE Corporation, the largest telecommunication company on Chinese stock exchange, delivers products and solutions to global telecommunication operators through its wholly owned subsidiaries established in thirteen countries. In addition to their globally dispersed marketing and sales chains, both Lenovo and ZTE have set up R&D facilities in the United States, Europe, and Japan, as well as production facilities in a few emerging economies such as India, Brazil, and Eastern Europe. However, their choices of entry mode for internationalization are quite different. Whereas Lenovo engaged in M&A of its western competitors, ZTE engaged in greenfield investment as an entry mode.

Joyson Electronics and Fuyao Glass, two of the largest auto parts suppliers in China, chose the United States and Germany as markets for selling and distributing their products to big customers. They have also established production facilities in Eastern Europe, Romania and Russia respectively. TCL Communication, a smart phone manufacturer, operates TCL brand as well as Alcatel One Touch brand acquired in France in 2004. It is among the first Chinese companies that internationalized through M&A in the early 2000s. TCL Communication has subsidiaries in France, U.S, Russia, Mexico, and Brazil for sales and distribution of mobile handsets, which amounts to more than 90% of the company's total revenue.

5.5. Dual Strategies

The generic internationalization strategies of Chinese EMNEs, as described above, are not mutually exclusive. Thus, a firm may simultaneously pursue more than one generic strategy. Chinese multinationals that have adopted dual strategies are also listed in Table 1. Easepal, Midea, Yankon, TCL Multimedia, Hisense, and Konka, which are among the biggest manufacturers of home appliances in China, have employed a low-cost supplier strategy by providing their OEM products to advanced markets. They are also executing a local optimizer strategy in emerging markets particularly in Southeast Asia, to sell their own-branded products to local customers. TPV Technology, a manufacturer of personal computer monitors and TVs, serves as a major OEM manufacturer for globally leading personal computer brands, also distributes its products under its own brands such as AOC and Envision in low-end markets. TPV thus combines a dual strategy of low-cost supplier and local optimizer to increase its overseas sales and revenue from both advanced and emerging markets.

Elec-Tech and Geeya are examples of Chinese EMNEs that have pursued dual strategy as both low-cost supplier and advanced-market seeker to maximize their benefits from multiple businesses in international markets. Elec-Tech International, like most Chinese manufacturers of small household appliances, maintains an OEM partnership with western brands to retain access to advanced markets. It has also engaged in the light-emitting diode (LED) business since 2009 and has expanded its operations to the United States, Germany, and Japan to achieve growth of its LED business overseas. Geeya Technology, an OEM supplier of digital TV receivers and boxes to partners in advanced markets, expanded its business to include home speakers and portable radios by acquiring various brands, e.g. Goodmans, View21, and Bush, from a British consumer electronics manufacturer in 2011. How to balance or optimize the dual strategy is another critical issue for both Geeya and Elec-Tech in order to achieve continuous growth from the internationalization of operating multiple businesses in a worldwide range.

6. Discussions

As above, several generic strategies including local optimizer, low-cost supplier, advanced market seeker, and global consolidator are illustrated from the case analysis of Chinese EMNEs' internationalization. The analysis demonstrates the multinationals' choices of strategic directions in internationalization lead to one type of generic strategies. As each of EMNEs possesses distinct characteristics, the question of which characteristic has influence on a multinational's internationalization should be addressed. This is related to one of the major questions arising from scholarly works on emerging market multinationals that concerns the antecedents of firms' internationalization. For example, the debate on whether EMNEs have specific advantages similar to those of DMNEs is ongoing in recent years. In this section, we will examine firm-specific factors e.g. a firm's stage of evolution as a MNE, the concerned industry, and firm-specific advantage and discuss how it can be illustrated from Chinese internationalization.

6.1. Stage of Evolution as MNE

Firstly, firm's evolution as a multinational enterprise is one of the contextual variables that have shaped the internationalization of EMNEs. In contrast to DMNEs that have decades of operational experience beyond their home countries, a large number of EMNEs have expanded overseas in recent years. A comparison of EMNEs at different stages of evolution helps to understand when and why some firms choose internationalization strategies that differ from those of others. A firm's evolution as a MNE is a firm's experience of FDI, which is measured by the duration in years, up to 2014, since its establishment of its first overseas subsidiary.

20 multinationals have illustrated that a distinctive feature of Chinese EMNEs' internationalization is the multinationals' approach to advanced markets in low-cost supplier strategy during the initial stage within 8 years of FDI experience. Besides, there are 4 multinationals in local optimizer strategy and 5 multinationals in advanced-market seeker in the initial stage of internationalization. Most Chinese companies choose to rely on OEM partnership in seeking for market growth, which is with less risk.

Notably, Chinese multinationals as global consolidator without exception have internationalized in both emerging and advanced countries more than 9 years since their first presence, which includes Lenovo, ZTE, Joyson Electronics, Fuyao Glass, and TCL Communication. It takes a long process for EMNEs to relocate their value chain activities as well as build up strong brand name in global markets.

However, substantive experience of international operations does not guarantee that "old" EMNEs share a common strategy, as demonstrated by GGEC, Jialing, and Kongka, all of which have 18-19 years of FDI experience. Jianling, as local optimizer, has exclusively targeted South America by producing and selling own-branded motorcycles at low-end markets since 1995. GGEC, as low-cost supplier, manufactures OEM parts of sound and speakers for well-known brands in advanced countries for years.

6.2. The Concerned Industry

It was evident that EMNEs from different industries implemented different strategies in their efforts of internationalization. Chinese high-tech manufacturers such as computers and peripherals manufacturers, telecommunication equipment manufacturers, and semiconductors manufacturers have primarily pursued either a low-cost supplier strategy or an advanced-market seeker strategy, except for few multinationals in global consolidator strategy. The choice of strategic direction by Chinese high-tech manufacturers is relatively straightforward, whether as an OEM supplier or an OBM provider, to access rich markets in developed countries in North America and Europe.

Different from high-tech manufacturers, Chinese automobiles and motorcycles makers, and auto parts makers are primarily local optimizer and low-cost supplier respectively. These multinationals expand overseas to maximize revenues either from production and sales in emerging markets or align with partners in seeking developed markets. It is found that a distinctive characteristic of Chinese manufacturers of home appliances and consumer electronics is their pursuit of dual strategies. They simultaneously provide OEM products to advanced markets and OBM products to other emerging markets. These multinationals try to maximize their benefits from both strategies however at the same time business risks increase up.

6.3. Firm-specific Advantage

The traditional view of MNEs within international business studies is that firms investing overseas that possess firm-specific advantages (FSAs), giving them monopolistic power to offset the liabilities of foreignness that they face in host countries. FSAs include production technology, marketing expertise, brand recognition, and managerial knowledge. Of these, technology is probably the most valuable, but the one that latecomer EMNEs lack the most. A firm's technology is usually indicated by its R&D intensity, the ratio of R&D expenditure to total sales. However, a question raised in this research concerns whether or how Chinese EMNEs' internationalization is influenced by its FSAs.

From 50 Chinese cases, it is found that majority of multinationals with R&D intensity not less than 10% intends to pursue an advanced-market seeker strategy. These multinationals, namely Sunway, O-Net, Hytera, Launch, and Accelink offer customers in developed countries technology-intensive products under their own brands. On the other side, the strategies of Chinese multinationals, with R&D intensity not exceeding 2%, are typically those of local optimizers and low-cost suppliers. They target other emerging markets outside China for sales of OBM products and/or advanced markets for sales of OEM products at low price. Obviously, EMNEs engaging in different levels of R&D intensity have adopted different strategies in their international expansion into global markets.

7. Conclusions, Limitations, and Future Research

The multiple-case study of fifty emerging market multinationals in Chinese typical manufacturing sectors reveals that the generic internationalization strategies pursued by EMNEs include the local optimizer, low-cost supplier, advanced-market seeker, and global consolidator. Each of these generic strategies is derived from an EMNE's preference in combination with strategic directions in its internationalization e.g. target countries, value chain movement, branding, and mode of entry.

One of the distinctive patterns in the internationalization process of Chinese EMNEs is that a group of OEM manufacturers have targeted south–north FDI to acquire access to advanced markets. In addition, several multinationals have invested in advanced markets to seek sales and marketing of their own-branded products. Such strategies of low-cost suppliers and advanced-market seekers, as evidenced by thirty one and ten Chinese EMNEs respectively, allow emerging market multinationals to move up their value chain by relocating the marketing, distribution, and/or R&D activities in developed countries, while retaining the core of their mass production within the home country. Several cases illustrates that the transition from OEM provider to OBM manufacturer raise challenges for EMNEs' internationalization. The global consolidators as "mature" multinationals are less than as we expected in the cases of Chinese EMNEs, which suggests that Chinese firms as a whole are still in the early stage of internationalization, similar to the multinationals from other emerging countries.

Based on the case studies we raise a few propositions for the study of the internationalization of EMNEs not only from China but also from other emerging economies. The first entails gaining an understanding of the internationalization strategies of an EMNE by examining its strategic directions toward international expansion such as the target countries, value chain movement, branding, and mode of entry. We propose these strategic directions as a common schema for analyzing and identifying EMNEs' internationalization strategies. Future research, involving a large sample of EMNEs from Brazil, Russia, or other emerging countries, is required to develop alternative configurations for generalizing the framework.

One of the illustrations from Chinese cases is that an EMNE's internationalization strategy depends on several firm-specific characteristics including but not limited to a firm's stage of evolution as an MNE, which industry it is concerned, and firm-specific advantage. Another proposition is to consider generic internationalization strategies as a model (revised from Ramamurti's work) for the analysis of EMNEs, which consists of strategic directions, generic strategies, as well as firm-specific characteristics (Figure 1). We hope that by bring the generic strategies into focus, identifying the logic behind each of them, and highlighting the determinants, it will make it easier for business managers to navigate the strategies and actions while internationalizing their companies.

There are a few limitations in the multiple-case study. Our analysis of Chinese cases in manufacturing sectors leads to the conclusion that internationalization strategies relating to the firms in one industry are distinct from those in another. Further research should include more samples of EMNEs from other industries such as materials and energy, consumer service, and software and information technology service. Chinese cases have showed that multinationals in the early stage of internationalization intend to pursue certain strategy. A promising area for future research is to compare the strategies of EMNEs with those of DMNEs both in the early stage, in order to facilitate a general framework to understand the internationalization of MNEs from both emerging and developed countries. Besides, the influence of firm-specific factors on an EMNE's internationalization should be further examined from large-sample data analysis beyond the case studies.

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