

**LINKING THEORY AND CONTEXT:  
“STRATEGY RESEARCH IN EMERGING ECONOMIES”  
AFTER WRIGHT ET AL. (2005)**

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## **ABSTRACT**

Emerging economies provide a laboratory for investigating the interaction between firm strategies and local contexts. Mike Wright and colleagues (2005) have shaped this research agenda by creating legitimacy for this line of research, and by outlining how research in four types of strategy contexts can advance theories. We assess how this agenda has progressed in eight leading journals in the past decade, particularly during the five years following their review, with the aims to identify broad trends of theorizing, and to outline future research challenges.

Emerging economy contexts challenge some of the assumptions of theories originally developed for markets that are relatively stable and efficient. Researchers have advanced several theoretical perspectives by addressing these challenges. Wright and colleagues focused on institutional theory as a major foundation for such work, and we find it continuing to be the most popular theoretical perspective. In addition, new perspectives have emerged focusing on respectively learning, relationships, real options, and spillovers as focal concepts for theorizing.

**Keywords:** contexts; emerging economies; literature review; strategy research

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## INTRODUCTION

Emerging economies create opportunities for businesses and business scholars alike. With context typically characterized by, among other features, inefficient markets, active government involvement, extensive business networking, and high uncertainty, they challenge the efficacy of business models and theories. Hence, scholars have been reassessing and extending their theories to examine the strategic challenges businesses face in emerging economy contexts (Hoskisson et al., 2000; Meyer and Peng, 2005).

At a critical juncture of the evolution of this field, Wright, Filatotchev, Hoskisson, and Peng (2005), henceforth WFHP, introduced a special issue on “Strategy Research in Emerging Economies” in this journal. Their paper, one of the most cited JMS papers in recent years,<sup>1</sup> specifically aims at integrating separate topics in emerging economy research, and demonstrating how this research can advance key theories in the strategy field. Firstly, they made a major contribution by creating legitimacy for an evolving field. Secondly, they distinguish firms by the contexts in which they operate in four categories: developed economy MNEs entering emerging economies, domestic firms operating in emerging economies, MNEs from emerging economies entering other emerging economies, and MNEs from emerging economies entering developed economies. Thirdly, they combine these contexts with the typology of theorizing (agency theory, transaction cost theory, resource-based theory, and institutional theory) proposed by Hoskisson et al. (2000) and organize research in the field around a matrix of these theories and contexts.

WFHP has become a focal point in scholarly communications across different emerging economies. In this paper, we honour their contribution by reviewing research published in high impact management journals to examine how recent work has advanced theories in the field, and which new themes are emerging for future research. The main challenges arise from the fact that the contexts of emerging economies vary from those of developed economies on a number of dimensions, typically including the following:

- Markets are less efficient due to less transparency, more extensive information asymmetries, and

higher monitoring and enforcement costs.

- Governments and government-related entities are not only setting the rules, but are active players in the economy, for example through state-owned or state-controlled firms.
- Network-based behaviours are common, in part as a consequence of the less efficient markets, but arguably also due to social traditions, and they influence how firms interact with each other.
- Risk and uncertainty are high due to high volatility of key economic, political, and institutional variables. Hence, businesses find it harder to predict parameters they need for strategic decisions, including for example business cycles, government actions, or the outcome of legal proceedings.

These features imply that some of the assumptions of existing theories are less appropriate for emerging economies. For example, although the assumption of rational actors optimizing their utility under full information is subject to debate, for developed markets, many scholars consider it a workable approximation that is a useful foundation to build theory. In emerging economies, however, this assumption becomes less appropriate. While people may aim to act rationally, they likely face more information asymmetries. Meanwhile, due to deficiencies in formal institutions, individuals and firms in emerging economies are more likely to follow tacit rules and are subject to more complex informal constraints on their behaviours. These contingencies provide pivotal challenges for strategy research in emerging economies.

WFHP advocate institutional theory as a major foundation to analyze these challenges, and we find it to be the most popular theoretical basis among the papers we reviewed. Other theories outlined by WFHP, namely agency theory, transaction cost theory, and resource-based theory, have often been contextualized in emerging economies and combined with other theoretical perspectives. In addition, scholars have applied and advanced new perspectives suited to address strategic challenges that are typical for emerging economies. Learning perspectives explore how firms develop capabilities to cope with new and frequently changing environments. Relational perspectives focus on social aspects of inter-firm interactions in ineffective markets. Real options incorporate uncertainty into firms' decision making models, while spillover studies investigate how local firms may benefit

from other, more advanced, firms in their local context.

Our discussion proceeds as follows. In the next section, we present a quantitative overview to illustrate how research in this field has evolved over the past decade, attained legitimacy in top management journals, and broadened its theoretical base. In section three, we discuss how various lines of theorizing have been advanced by research in the strategy contexts suggested by WFHP. In section four, we discuss how further theoretical developments may advance our understanding of strategy in emerging economies.

## **RESEARCH ON EMERGING ECONOMY STRATEGIES**

### **Scope of the Review**

In order to assess the progress of research in this rapidly evolving field, we first need to take stock of what has been achieved. We do so systematically by first constructing a database of articles on this topic published during the last decade (2001 – 2010) in eight leading management journals that represent leading edge thinking in the field. While acknowledging that some new ideas emerge outside mainstream journals, we selected these journals because they are conventionally considered “A” journals in the strategy field, or have a comparable impact factor score (above 3.5 in 2010). The eight journals are *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Journal of Business Venturing* (JBV), *Journal of International Business Studies* (JIBS), *Journal of Management* (JM), *Journal of Management Studies* (JMS), *Organization Science* (OS), and *Strategic Management Journal* (SMJ).

A research assistant first went through each issue of each journal for the 10-year period, using the following criteria: 1) the article addresses a strategy topic, broadly defined; and 2) either the topic or the context involves emerging economies, defined by Hoskisson et al. (2000). One of the authors then assessed each article and excluded those that are irrelevant—at this stage, an article would be excluded if it merely uses one or more emerging economies as the research context, but is otherwise entirely unrelated to emerging economies in terms of main issues and theories.<sup>2</sup>

The choice of Hoskisson et al. (2000) as a basis for identifying emerging economy studies inevitably involves some subjectivity. The term “emerging economies” encompasses a broad range of countries and has not been consistently defined in the literature. Most definitions of the term contain two elements. First, emerging economies have institutional contexts that are less market-supporting than those of North America and Europe, but are becoming more market-oriented. Second, the level of income falls into the middle income category, or GDP growth has been high providing rapid economic advancement. Some of the countries in Hoskisson et al. (2000) have by 2012 “emerged” as evidenced by them reaching high income status (e.g., Hong Kong, Singapore, and Israel), or having joined developed economy associations such as the OECD and the EU (e.g., Portugal, Greece, and Poland). Nevertheless, in this review, we aim to assess the evolution of this field, and therefore need a consistent set of countries over time. Thus, we pragmatically stick to the list provided by Hoskisson et al. (2000).

This process identified a total of 260 articles. We break the 10 years into two equal halves, a pre-WFHP period (January 2001 – December 2005) and a post-WFHP period (January 2006 – December 2010), reflecting the publication of Hoskisson et al. (2000) in 2000 and of WFHP in 2005. We focus on the second period to assess the trends that have emerged since WFHP.

### **The Legitimacy of the Research Agenda**

A striking feature of this research is the substantial increase in the number of emerging economy studies in the eight top journals, demonstrating that the legitimacy of the field has been well established. 161 emerging economy-related papers were published during 2006-2010, compared to 99 published in 2001-2005, a 63 percent increase overall. In comparison, the combined increase in the number of articles (including research notes) in these eight journals is less than 20 percent.

While the overall legitimacy of emerging economy research is evident, it varies across journals (Table I). JIBS accounts for the largest number of papers in both periods, and the largest absolute increase, by 41 papers from 31 to 72. Other leading outlets for strategy research on emerging economies remain SMJ and JMS, with 61 and 51 papers respectively. The biggest relative increase,

by 200 percent, has occurred in AMJ, which is significant due to the particular high profile role of AMJ in the management scholar community.

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In terms of geographic context, almost half the studies, 122 out of 260, focus on China (Table II). Other Asian economies are the subject of 68 studies, followed by Central and Eastern Europe (CEE) with 37 studies, Latin America with 13 papers, and the Middle East and Africa with only 3 studies.<sup>3</sup> In terms of trends over time, we note a rising diversity of host contexts with the biggest percentage increases occurring for the Latin America region (450 percent) and India (160 percent).<sup>4</sup>

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Most studies investigate strategies in single country contexts, thus providing mostly context-specific knowledge (Meyer, 2006; Tsui, 2004). However, a small but growing number of studies analyses the impact of national context directly through comparative studies covering two or three countries (resulting in double counting in Table II). Moreover, some studies investigate the impact of variations in national contexts across a larger number of countries, for example to assess the effect of host-country institutional development on MNE subsidiary strategies (Delios et al., 2008; Meyer et al., 2009). Such studies are common for CEE, where scholars exploit opportunities arising from multiple countries sharing key aspects of their heritage but varying on specific aspects of their recent institutional change (Barkema and Drogendijk, 2007; Brouthers et al., 2008; Shinkle and Kriauciunas, 2010).

### **Theories in Use**

We endeavoured to classify the 260 papers according to the line of theorizing that the authors aim to contribute to, using the typology proposed by WFHP. This process revealed the limitation of this

typology as contemporary strategy research is populated by a wide variety of theoretical perspectives. Therefore, we have introduced new categories to capture emergent trends, while recognizing that most categories contain several traditions. Thus Table III(a) reports eight major lines of theories, while Table III(b) summarizes theories that remain outside this classification. Most papers employ one major theoretical perspective, but slightly over a quarter (43 of the 161 papers in the second period) have used more than one lens, and this preference for integrating theories has increased over time. Therefore, we allow for double and multiple counting in our tabulation.

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The eight major theoretical perspectives are each represented by at least nine papers. Among these theories, four are rooted in economics, and the other four are strategy and organization theories. The four economics theories include two covered by WFHP and Hoskisson et al. (2000)—agency theory (AT) and transaction cost theory (TCT), as well as two new perspectives we have identified in recent research—spillover and real options perspectives. Of the four strategy and organization theories, institutional theory (IT) and resource-based theory (RBT) also appeared in WFHP and Hoskisson et al. (2000), while relational and learning perspectives are newly identified. Between these two camps, the use of strategy and organization theories exceeds the use of economics theories by 2.5 to 1. Within each camp, the new perspectives have gained substantial ground in the second five-year period, with spillover and real options perspectives almost equally represented with AT and TCT, and the relational and learning perspectives becoming much more popular than RBT.

We have supplemented our statistical review with a comprehensive citation analysis for the field to overcome the limitations of our methodology based on a simple count of papers.<sup>5</sup> The most cited papers in the first half of the decade are Peng (2003) [312 cites], Lane et al. (2001) [280], and Park and Luo (2001) [208], which are key contributions to respectively the institutional, learning, and relational perspectives. Since 2006, the leaders are Mathews (2006) [118], Peng et al. (2008) [104], and Luo and Tung (2007) [101], with the first and third developing learning and resource-based

arguments on MNEs from emerging economies, while Peng and collaborators provide an integration of recent advances of IT.

## **THEORIES, CONTEXTS, AND ISSUES**

WFHP distinguish four types of contexts, which we collapse into three because very few studies explicitly examine emerging economy MNEs operating only in developed countries or only in emerging economies. Hence, our three major contexts are: 1) MNEs operating in emerging economies (59 papers); 2) local firms in emerging economies (56 papers); and 3) MNEs from emerging economies (27 papers).<sup>6</sup>

The eight main theoretical perspectives are applied to the three broad strategy contexts, with some gaps in the matrix (Table IV). TCT, RBT, and the real options perspective have rarely been applied to local firms in emerging economies. The fact that only two studies have used RBT in this context may be surprising because it has frequently been argued that the types of resources and capabilities that enable competitive advantages in emerging economies are different (Meyer and Peng, 2005). In contrast, local firms have been analysed disproportionately using relational perspectives, reflecting the ubiquitous use of relationship-based strategy among emerging economy firms, and as recipients of technology and knowledge from foreign investments in spillover studies.

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### **Agency Theory**

Economics theories model economic decisions as made by rational utility-maximizing agents, subject to constraints such as bounded rationality and incomplete information. AT scholars apply this line of thought mainly to analyse issues of corporate governance, notably the impact of ownership forms, ownership concentration, and board compositions on corporate strategies and performance. Typically, agency problems are more complex for *domestic firms in emerging economies* than for MNEs operating in those countries, and as a result, market reforms have affected domestic firms more than

MNEs (Cuervo-Cazurra and Dau, 2009). A particular challenge in local firms is the principal-principal agency (PPA) conflicts, where, for example, large shareholders take advantage of poor legal protection of minority investors to expropriate the latter's interests (Peng and Jiang, 2010; Young et al., 2008). In China and Vietnam, the large shareholders in listed firms often include the state or state-owned enterprises (SOEs) (Le and O'Brien, 2010), while in other emerging economies, family control is wide spread. These ownership and governance structures impact firms' attitude to risk and hence key strategy issues such as the relationship between financial slack and R&D investments (Kim et al., 2008), and firms' propensity for outward investment (Filatotchev et al., 2007).

### **Transaction Cost Theory**

Transaction costs analysis focuses on the efficiency of markets and the consequences of such efficiency on preferred organizational forms. In emerging economies, it is often contextual influences that drive up transaction costs. Therefore, TCT reasoning is often applied, implicitly or explicitly, in combination with theories focused on these contextual conditions, such as real options (Brouthers et al., 2008), information perspective (Luo, 2007b), and particularly relational perspectives (Gong et al., 2007; Luo, 2007a; Zhou and Poppo, 2010).

Most TCT-related research is on *MNEs operating in emerging economies*, as six of the 10 TCT-based papers belong to this category. The focus of this research has shifted from market entry to the effectiveness of contracts and other governance and control modes in curbing the opportunistic behaviour of local partners (Luo, 2007a; Luo, 2007b). For instance, Brouthers and Bamossy (2006) examine how post-formation processes help reduce transaction cost associated with cultural differences, lack of trust, and control barriers in international joint ventures (IJVs). TCT also helps analyse more complex transaction structures such as the interaction between contracts and partner cooperation in joint ventures with multiple parents (Gong et al., 2007).

### **Real Options Perspective**

Nine studies in the post-WFHP period use real options, compared to none in the previous period. Real options theory posits that decision makers take into consideration the option value of projects based on different possible outcomes with different probabilities. A typical research question in this literature is how environmental uncertainty impacts the value of *MNEs operating in emerging economies*. For example, Cuypers and Martin (2010) argue that macroeconomic and institutional uncertainties will increase the option value of MNE affiliates in China. Li and Li (2010) find that flexibility was more valued than commitment under a high level of market uncertainty in China. Belderbos and Zou (2009) examine the conditions under which divestment of investments will occur. The real options perspective has often been applied to IJVs (Cuypers and Martin, 2010; Tong et al., 2008) and other entry modes such as licensing (Jiang et al, 2009). Given that environments in emerging economies are inherently uncertain, and the problem of information asymmetry severe, the real options perspective should also help *domestic firms in emerging economies* evaluate their acquisition strategies (Xu et al., 2010).

### **Spillover Perspective**

The spillover effects of foreign direct investment (FDI) have been of growing interest to strategy researchers. The focal issue here is how *domestic companies in emerging economies* benefit from the presence of MNEs in terms of productivity and sales growth. A typical research question thus is how technology spillovers are influenced by such factors as the source of FDI, the ownership type of local firms, and the technological sophistication of potential recipients. For instance, researchers found that MNEs from Western countries benefited Chinese firms more than FDI from the Greater China Regions (Wei and Liu, 2006), and that such difference is more pronounced in low-technology industries (Buckley et al., 2007). Meanwhile, SOEs are found to benefit more than private firms, through vertical linkages as opposed to horizontal linkages (Liu et al., 2009). To explore these firm-level questions, strategy scholars are applying new perspectives outside economics to the spillover phenomenon, such as the competitive dynamics framework (Chang and Xu, 2008; Meyer and Sinani, 2009).

### **Resource-Based Theory (RBT)**

The use of RBT has declined from 11 papers during 2001-2005 to nine during 2006-2010, of which only three are solely based on RBT. Most RBT-based papers are for an international scenario. For *MNEs operating in emerging economies*, RBT research analyses how resource advantages impact a firm's overseas strategy. For instance, Chen et al. (2009) examine how different types of resource contribution by parent firms impacts the control mechanisms they choose in IJVs.

RBT also provides a basis to explore how resource needs propel local firms to become *MNEs from emerging economies*. One question is what emerging economy firms may be able to exploit abroad, when they typically are technologically less advanced. Mesquita and Lazzarini (2008) suggest that collective efficiencies help these firms to access global markets. A second question concerns how emerging economy firms acquire complementary resources abroad to overcome their competitive disadvantage (Luo and Tung, 2007; Lu et al., 2010). For example, Gubbi et al. (2010) analyse how international acquisitions enable emerging economy firms to obtain hard-to-trade tangible and intangible resources, which often reside in target firms in advanced economies.

### **Institutional Theory (IT)**

Institutions-based perspectives have evolved as the most popular line of theorizing as they bring context into the analysis of firm level phenomena (Meyer and Peng, 2005; Peng et al., 2008). This category includes both institutional economics in the tradition of North (1990) with 18 published papers, and the sociology-based institutional theory represented by 10 papers. Many strategy researchers, representing 22 papers, integrate both traditions, or do not make a clear distinction between the two.

Of the 50 IT-based papers, 17 address *MNEs operating in emerging economies*. A natural question is how host country institutional environments, and the differences between home and host institutions, impact location or modal choices of the MNE (Meyer, 2001; Xu and Shenkar, 2002). Theoretical arguments and empirical evidence, however, are inconsistent. On the one hand, more

efficient institutions and less corruption reduce the need for local knowledge and networks, which leads to foreign investors choosing wholly-owned subsidiaries over joint ventures (Meyer et al., 2009; Uhlenbruck et al., 2006). On the other hand, better institutions reduce legal enforcement costs, and hence the costs of resolving conflicts between IJV partners, thus making IJVs more viable (Dikova and Witteloostuijn, 2007).

For organization theorists, the main question is which strategies enhance the legitimacy of an operation, which is a particular concern to MNEs under multiple institutional pressures (Kostova et al., 2008; Kostova and Zaheer, 1999). Local partners help attain legitimacy in the host context, and the magnitude of this effect depends on the legitimacy of the partner itself. Thus, older and larger partners from a related industry make greater contributions to a venture's performance (Lu and Xu, 2006), as do local partners affiliated with a regional business group (Lu and Ma, 2008).

IT is also the most frequently used lens on *domestic firms in emerging economies*, with 18 papers. A central research question is how market reforms differentially impact firms in various ownership categories and economic sectors. Generally speaking, SOEs lag behind other types of firms in responding to reforms (Park et al., 2006), while private firms tend to react swiftly to institutional changes (Chittoor et al., 2008). Institutional perspectives are also a primary basis to study the triangle of relationships between institutions, family control, and firm performance (Chung and Luo, 2008; Dieleman and Sachs, 2008; Peng and Jiang, 2010).

Nine papers use IT to analyse *MNEs from emerging economies*. Many scholars argue that home country institutions and institutional changes shape the behaviour of emerging economy MNEs and confer an advantage or disadvantage for them in overseas markets. For example, Sol and Kogan (2007) find that Chilean companies operating in Latin America were more profitable than local firms because they exploited knowhow built during pioneering economic reforms in their home country. Moreover, this effect suggests that MNEs from emerging economies may attain competitive advantages in least developed countries where they face competitors from developed economies with better technologies but less experienced with imperfect institutions (Cuervo-Cazurra and Genc, 2008).

## **Relational Perspectives**

The relational perspectives focus on the inner workings of networks and social relations in societies, and their implications for strategy. This line of work involves a number of closely related theories including relational exchange (Macneil, 1980), social contract (Heide et al., 2007), and network (Burt, 1992; Lin, 2001) theories. The majority of studies (19 of 32) employing a relational perspective combined it with other theories.

Studies of *MNEs operating in emerging economies* focus on the outcome and performance of alliances, joint ventures, and other interfirm relationships. A central theme is the interaction between relationship-based and formal mechanisms that local and foreign firms are respectively more used to (Li et al., 2010; Luo, 2007a). Despite the prevalence of relationship-based strategies, their performance implications are far from clear. Hence, several researchers examine the contingent value of networks for firm-level performance. For example, Xiao and Tsui (2007) find that the control and information benefits of structural holes are weakened in organizations that foster commitment and cooperation. Sun et al. (2010) further suggest that over-embeddedness of an early entrant in the local political system may affect the firm's local market capabilities, and thus becomes a liability after market liberalization has taken place.

For *domestic firms in emerging economies*, relational perspectives represent a strong voice, with 13 papers examining relationships at the inter-firm or firm level. First, research at the inter-firm level, such as buyer-supplier exchange, has investigated how firms can enhance the performance of relationships. Specifically, relationship-specific investments and actions facilitate the building of relational infrastructure, which ultimately enhances relationship performance (Luo et al., 2009; Wasti and Wasti, 2008). However, utilization of relationships may face diminishing returns due to the potential conflict between relationship-based and efficiency-based strategies. Li et al. (2008) suggest that foreign firms in China experience such trade-offs to a larger extent than domestic Chinese firms.

At the firm level, scholars have explored relational ties and networks as venues for resources and information (Luo, 2003; Park and Luo, 2001). For example, managerial networks have been shown to facilitate the growth and performance of SMEs during institutional upheaval in countries

such as Hungary (Danis et al., 2010) and India (Vissa and Chacar, 2009). Some studies go deeper to identify specific types of networks that enhance performance, such as managerial political networking (Li and Zhang, 2007) and ties with service intermediaries (Zhang and Li, 2010).

Relationships are relevant to *MNEs from emerging economies* in particular when they are still small and internationally-inexperienced. At this stage, entrepreneurs may work through networks to access complementary knowledge and resources to accelerate their internationalization process. For instance, Elango and Pattnaik (2007) and Prashantham and Dhanaraj (2010) document how international networks helped small and young Indian firms to build capabilities in their internationalization process.

### **Learning Perspectives**

We separate “learning perspectives” from the RBT to include work on capabilities, knowledge, and learning. Although WFHP included such work as a part of RBT, we suggest that distinguishing a more “dynamic” view (Kogut and Zander, 1992; Nonaka, 1994) from the original RBT (Barney, 1991; Wernerfelt, 1984) helps research on emerging economies, where the development of new capabilities is essential to react to quickly changing circumstances.

Learning perspectives have been used particularly for *MNEs operating in emerging economies*, with 13 papers. The central questions concern the transfer of knowledge between units of an MNE and the learning processes within business units. First, the knowledge transfer literature investigates how MNEs can enhance the effectiveness of transfers to subsidiaries in emerging economies. Some scholars emphasize the importance of the recipient units’ characteristics, notably their adaptive capacity (Lyles and Salk, 2007) and past experience (Barkema and Drogendijk, 2007; Gao and Pan, 2010). Other studies focus on practices of knowledge transfer; for instance, Zhao and Anand (2009) found collective teaching to be more effective than individual teaching in China. A third line of work investigates the role of incentives; Fey and Furu (2008), for example, found that in Russia incentive pay based on collective performance is more effective than that based on individual performance. These lines of research have recently been extended to explore reverse knowledge

transfer as MNE headquarters acquire knowledge through their emerging economy operations (Yang et al., 2008).

Second, local business units engage in their own learning and knowledge acquisition processes that are conditioned by the local environment. This applies in particular to IJVs where two or more parents contribute to the process (Fang and Zou, 2009). However, local learning and the subsequent acquisition of knowledge by the IJV from the foreign parent may increase the likelihood that the local partner will internalize the IJV (Steensma et al., 2008).

The nine studies on *domestic firms in emerging economies* explore topics such as buyer-supplier exchanges (Lakshman and Parente, 2008; Lazzarini et al., 2008; Li et al., 2010), innovation and search behaviour (Vissa et al., 2010; Zhou and Wu, 2010), and mergers and acquisitions (Lin et al., 2009). One research question concerns how the legacy of the pre-liberalization era impacts knowledge seeking and acquisition of firms. For example, socialist institutional imprinting may inhibit a firm's awareness of the need to change, and hence affect organizational learning (Dixon et al., 2010). However, this effect is moderated by the search for new knowledge that is outside the boundaries of existing knowledge base (Kriauciunas and Kale, 2006).

Learning perspectives have been applied to the internationalization of *MNEs from emerging economies* with research questions such as how the capabilities of emerging economy firms and their entrepreneurs facilitate international venturing, and how these firms can learn from their networks and prior experiences. Thus, adaptive capability and capability upgrading play important roles in the international performance of Chinese firms (Lu et al., 2010; Yiu et al., 2007; Zhou et al., 2010), whereas studies on Indian firms point to the impact of international experience of parental and foreign networks (Elango and Pattnaik, 2007).

## **DISCUSSION**

Emerging economies pose challenges to businesses as firms develop strategies that fit the particular context in which they operate. Scholars have responded by advancing theories that explicitly incorporate context into strategy decision making, notably institutional theory, and by advancing

theories that specifically address issues of concern to firms in these contexts, notably relational, learning, spillover, and real options perspectives. Note that these are categories of theoretical work defined by other scholars or ourselves, not necessarily internally coherent theories as such. In this discussion, we elaborate the challenges for further development of this work.

### **Institutional Theory**

IT incorporates context directly into study designs by focusing on institutional features of the environment that constrain or enable businesses. The distinctiveness of emerging economies in terms of their institutional contexts naturally draws scholarly attention to institutions as an angle of observation and theorizing (Hoskisson et al., 2000; Kostova et al., 2009; Peng, 2003). However, although IT is often referred to as a theory, it is not a single integrated theory but a broad category of different theoretical arguments as to why and how institutions matter, with varying underlying logic and assumptions about human behaviour (Gelbuda et al., 2008).<sup>7</sup> Even within institutional economics, where institutions are conceptualized as (external) rules of the game (North, 1990), scholars have advanced quite different arguments as to how institutions affect rational actors.

First, institutions affect the incentives faced by agents and hence the effectiveness of alternative governance structures (Filatotchev et al., 2007; Filatotchev, et al. 2008, Young et al., 2008). These governance structures in turn affect strategic decisions. Second, institutions affect the efficiency of markets, and hence the transaction costs faced by economic actors using the markets, such as those arising from information asymmetries, partner search, and contract enforcement. Particularly, in the absence of market-supporting institutions, firms face “institutional voids” (Khanna and Palepu, 1997), and thus respond by developing strategies to avoid inefficient markets or create substitutes for formal institutional support (Xin and Pearce, 1996; Zhou and Xu, 2012). Third, institutions affect the rules of competition, for example through competition law and the regulation of mergers and acquisitions. In emerging economies, monopolies are common, and the legal enforcement of competition law (if it exists at all) is often weak. However, the impact of competition law institutions on firm strategies is yet to be addressed in the literature. Fourth, institutions and

(potential) institutional changes affect the level of uncertainty. While institutions may be designed to reduce uncertainty, instability of regulatory institutions, or the expectation that they may be changed (e.g. after a change of government) can itself be a source of uncertainty. Firms thus find that the ability to adapt to changing rules can become a vital capability in emerging economies (Cuervo-Cazurra and Genc, 2011; Santangelo and Meyer, 2011).

This state-of-the-art raises two challenges for future theory development that the institutional diversity of emerging economies provides rich opportunities for us to pursue. Firstly, we currently lack theoretical guidelines as to *which* institutions would be most relevant to a specific context, or a specific strategic decision. This suggests two possible ways forward. On the one hand, scholars may try to integrate different lines of argument to create a framework explaining how different institutions interact. On the other hand, future work advancing specific theoretical logics within IT ought to strive to explain more explicitly the boundary conditions under which the focal institutions of a study are the most relevant institutions affecting business.

Second, institutions themselves are not entirely exogenous, but they are affected by economic actors. Authors like North (1990) have argued that economic actors not only adapt to given institutions, but aim to shape institutions—at least over longer periods of time. However, this two-way interaction is rarely analysed in strategy research in the institutional economics tradition, which is problematic for contexts such as emerging economies, where institutions change frequently. Future theoretical advances on these issues may be achieved by investigating endogenous institutions and co-evolutionary processes (Cantwell et al., 2010; Child, 2005), or institutional entrepreneurship (DiMaggio, 1988; MaGuire et al., 2004). For example, MNEs may act as institutional entrepreneurs to promote new institutional norms and redefine socially acceptable behaviours (Kostova et al, 2009; Phillips and Tracey, 2009). Such research has shown that developed country MNEs influence institutional norms in emerging economies (Child et al., 2007), yet it remains to be seen how emerging economy MNEs impact on institutions in advanced host economies.

## **Newly Identified Strategy and Organization Perspectives**

Scholars studying the strategies of firms in emerging economies invariably note two activities that are common and critical for firm prosperity in such contexts: relationship-building and organizational learning. This observation leads to two of the perspectives we newly identified. The relational perspective emphasizes business relationships and networks, and thus extends the argument of RBT that sticky and immobile resources confer competitive advantages to firms, to the notion that “resources” are not only internal to firms, but exist beyond the boundaries of firms (Mesquita and Lazzarini, 2008). The learning perspective addresses the strategic management challenge of how to manage dynamic processes in an emerging economy: adapting to environmental and institutional changes, learning from and catching up with more advanced competitors, and grasping opportunities while coping with uncertainties. The relational and learning perspectives are complementary as relationships and networks can facilitate knowledge sharing and learning (Mathews, 2006).

***Relational perspectives.*** Relationships are particularly important in emerging economies, arguably as a consequence of the nature of institutional frameworks. This raises two broad challenges for future research. First, to what extent will the prevalence and patterns of relationships and networking change as emerging economies mature. If networking was a culturally-grounded activity, then it would likely persist in the presence of changes in formal institutions. If, on the other hand, it was an outcome of institutional voids, it would be bound to diminish once these voids have been filled. Several scholars argue that as institutional transitions unfold, both the intensity and value of political embeddedness and managerial networking are declining (Danis et al., 2010; Sun et al., 2010; Xia et al., 2009). Empirical evidence on this question, however, remains scarce.

Second, networks typically are specific to particular communities, and the way people or firms use relationships varies across cultures. This creates challenges when firms cross national borders and interact with other communities and cultural norms. For MNEs from developed economies, a particular challenge is to operate relationships under conflicting pressures, which are in fact growing due to continuously increasing demands (and legislation) for transparency and non-corrupt practices. For MNEs from emerging economies, especially smaller firms, the question is how they can use their domestic networks when venturing abroad. They may for instance try to bring their

local networks to foreign markets, leveraging the fact that they come from the same community, speak the same local dialect, and are socially connected to each other (Zeng and Williamson, 2003). It can be expected that for these firms, internationalization will be a collective action. Hence, networks of compatriots in foreign locations influence strategic decisions such as entry modes and location choice (Jean et al., 2011; Tan and Meyer, 2011).

*Learning perspectives.* The learning perspectives are concerned with how firms use internal and external means of knowledge acquisitions to enhance their capabilities, an issue of particular concern in emerging economies because firms are constantly learning about new and fast-changing environments, while aiming to catch up with global leaders. Central research questions concern the interaction between three sets of variables: firstly the organizational antecedents including a firm's absorptive capacity and past experience (Barkema and Drogendijk, 2007; Minbaeva et al., 2003); secondly the processes put in place by organizations, such as training programmes and data sharing schemes (Zhao and Anand, 2009); and thirdly the governance and incentive structures including both organizational culture and financial inducements for teams and individuals (Fey and Furu, 2008; Foss et al., 2010). However, the influence of and interaction between antecedents, processes, and governance structures are likely to depend on the national context in which an organization is operating (Michailova and Hutchings, 2006). A central challenge for future research thus is to explain the contextual contingencies of findings on knowledge transfer and learning.

MNEs from emerging economies provide an interesting context to advance these issues. These MNEs are used to a home context where their learning benefited from, e.g., joint venture arrangements made and blessed by the government, and network ties that served as channels for knowledge diffusion. Then, how will they re-organize their learning processes when they start operating abroad, where no such structures are available?

Further, Tsang and Yip (2007) indicate that emerging economy firms successfully pursue knowledge exploration in developed markets and knowledge exploitation in emerging markets less advanced than their home country. Given limited resources and possible path dependence, however, should they first enter more developed or less developed markets? This decision has long-term

strategic implications because often, the kind of capabilities firms can build in developed economies would allow them to compete at the higher end of value chains and market segments, whereas the capabilities that they exploit in other emerging economies are those associated with a low cost strategy. Thus, the choice has long-term implications for strategic positioning.

### **Newly Identified Economics Perspectives**

The two economics-based perspectives, spillovers and the real options, apply economic reasoning in quite different ways, though both incorporate aspects of learning in an evolving business context.

*Spillover perspective.* Spillover research originates in economics (Caves 1974), and has recently become popular in some of the journals covered by our review. In economics, the basic concern is whether host countries benefit from the presence of foreign investors. In strategy research, however, the primary focus is on firms that are not just passive recipients but active players aiming to attract benefits. A first step thus has been to explicitly incorporate the characteristics of the recipient firms, e.g. their ownership and their absorptive capacity (Buckley et al., 2007; Liu et al., 2009). To make such research relevant to firm strategy, the relevant questions for future research are, first, what strategies do local firms pursue to maximize the benefits they obtain from spillovers, and second, what strategies do MNEs pursue to minimize spillovers benefiting competitors, while supporting firms to whom they are vertically linked within a supply chain?

Another challenge for this literature is to deepen its theoretical foundations by integrating contemporary management theories (Meyer, 2004). The concepts of “technological gap” and local firms’ absorptive capacity clearly relate to the literatures on knowledge management and supply chains. However, there are other theories that may help explain the interaction between local and foreign-invested firms (Chang and Xu, 2008; Meyer and Sinani, 2009). These theoretical perspectives also highlight that not only local firms may benefit from MNEs, but MNEs interact with each other, and they may seek benefits from local firms in their vicinity. This suggests connecting spillovers research more explicitly with the theories of economic agglomeration and the geographic clustering of FDI (Kim et al., 2010; Tan and Meyer, 2011).

***Real options perspective.*** Real options provide powerful theoretical framing to analyse how firms structure their commitments over time, especially when facing resource constraints or high uncertainty as is characteristic of emerging economies. Real options have been designed to deal with not only exogenous uncertainties that firms have no control over, but also endogenous uncertainties such as those pertaining to valuation difficulties, that firms can influence through information gathering and learning (Folta, 1998). This perspective therefore can be a useful complement to the learning perspective. Applied to emerging economy MNEs, future research may ask, for example, how emerging economy MNEs price acquisitions abroad that provide a foothold in key markets with the option for fully fledged entry at a later time when the investor has yet to overcome resource constraints that are still binding.

### **New Strategy Challenges**

Strategic management is an inherently contextual activity as firms develop their strategies contingent on the context in which they operate. Yet as these contexts evolve, businesses encounter new challenges to which they have to develop new solutions, thus creating new phenomena that scholars ought to investigate, either by applying existing theories or by developing new ones.

Firstly, some emerging economies are gradually maturing, just as Japan did before. On the one hand, this suggests that they are becoming more similar to industrialized economies, thus reducing the need for theories specifically addressing context specific issues. On the other hand, structural differences are persisting, for instance with respect to the institutional framework. Moreover, in major emerging economies such as China, India, and Brazil, a major part of the economy, commonly known as the ‘bottom of the pyramid’, remains only loosely connected to the global economy. Despite strong advocacy by management gurus (Prahalad and Lieberthal, 1998; London and Hart, 2004), few scholars have investigated if and how local and foreign-invested firms enter these less developed regions.

Secondly, firms in emerging economies are developing a diversity of organizational forms. A particular phenomenon is that the state sector continues to dominate many aspects of the economy in

China, in contrast to the experience of, for example, Central and Eastern Europe. The phenomenon contradicts the prediction that, as market institutions further develop, the less efficient and improperly governed SOEs will gradually die out and be replaced by private firms. Yet organizational theorists have not developed convincing theories to account for the longevity of Chinese SOEs. As argued above, IT provides an obvious choice to investigate this interaction of institutions and economic actors, but IT needs to be developed at a fairly disaggregated level to capture the differences, for instance, between China and Russia (Michailova and Hutchings, 2006).

Thirdly, although still relatively under-researched, MNEs from emerging economies have become a promising new field of study, as WFHP correctly anticipated. A particular phenomenon is the propensity for acquiring strategic assets such as technology and brands by taking over companies overseas (Luo and Tung, 2007). However, many of these emerging economy firms entered the global stage with a cost leadership strategy, exploiting on low-cost human resources and production costs in their home countries. How will such companies integrate new assets with their low cost production at home? In particular, how do they transfer capabilities that are organizationally embedded, and whose effective transfer would require fundamental changes in the structure and culture of the acquiring emerging economy MNE?

Finally, the emergence of MNEs from emerging economies creates both competitive and institutional challenges for firms in developed markets. MNEs from large emerging economies such as China, India, and Russia have huge domestic markets that enable them to achieve economies of scale and drive their costs down. Their competitive advantages and strategies are likely to be different from the traditional MNEs. Meanwhile, these emerging economy MNEs also bring institutional pressures for developed economy firms. For instance, will the market share-oriented competition mode of Asian emerging economies disrupt the profit-oriented corporate objectives of Western firms? And, given that the home institutions of emerging economy firms are often plagued by underdeveloped law enforcement, weak labour protection, and lack of transparency, how will developed economy firms respond, as competitors or collaborators, when MNEs from emerging economies appear in their domestic markets with institutional norms that are alien to them? An

attention to domestic firms in developed economies facing the challenges posed by emerging economy MNEs will create further linkages between strategy research for emerging economies and strategy research for other markets.

### **Final Remark**

Our review indicates that strategy research in emerging economies not only has become an integral part of strategy research in general, but also has led the charge in advancing theories by drawing attention to the context-specific nature of strategic management. Some may have believed emerging economies to be a transitory interest as globalization leads to institutional convergence with the spread of market supporting institutions. We, however, do not share this view. Among other phenomena, the vast, untapped regional markets in China and India, the persistent roles of the government and SOEs, and the entry and proliferation of emerging economy MNEs in developed countries all suggest that this is still a fledgling and growing field. Moreover, the differential performance across developed versus emerging economies since the financial crisis of 2008 has exposed the potential weaknesses and imperfections of the “advanced” institutions, and encourages a greater emphasis on experimenting with and developing indigenous approaches to solving problems faced by firms in or from emerging economies (Fligstein and Zhang 2011; Lin, 2011). Thus, institutional idiosyncrasies and contextual variation surrounding emerging economy firms will continue to be a mainstream concern for strategic management research.

## NOTES

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<sup>1</sup> The paper had 213 citations in the Web of Science database at the end December 2011.

<sup>2</sup> Conversely, in some rare cases, the context involves, but is not specific to, emerging economies, yet the authors have developed special implications for emerging economy research, and so these studies are also included in our survey (e.g., Delios et al., 2008).

<sup>3</sup> The regional count figures are not directly reflected in Table 2, as figures in Table 2 are based on double or multiple-counting of studies involving more than one country or region.

<sup>4</sup> As can be seen in Table II, some of the emerging economies identified by Hoskisson et al. (2000), notably Taiwan, Hong Kong, Portugal, and Greece, which can be considered as having “emerged” by now, received less attention during the second time period (with Korea being an exception). Combined, these countries carry a decreasing weight in emerging economy research. In other words, the rising interest in this field centres on the truly “emerging” economies and not those which are maturing.

<sup>5</sup> Full details available from the second author upon request.

<sup>6</sup> The latter group includes a small number of papers on emerging economy firms competing abroad through exports. Note that these numbers are not equal to the totals of columns in Table IV due to double-counting. The rest of the papers in our sample do not fall precisely in any of these three contexts; most of them involve multiple contexts or are comparative studies.

<sup>7</sup> A similar problem also exists with the other two major theory categories in our review, the relational and learning perspectives. We however only focus on IT as an example here.

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**Table I. Number of published studies by journal**

	<b>AMJ</b>	<b>AMR</b>	<b>ASQ</b>	<b>JIBS</b>	<b>JM</b>	<b>JMS</b>	<b>OS</b>	<b>SMJ</b>	<b>Total</b>
2001-2005	4	1	2	31	4	25	6	26	99
2006-2010	12	2	2	72	5	26	7	35	161
<b>Total</b>	<b>16</b>	<b>3</b>	<b>4</b>	<b>103</b>	<b>9</b>	<b>51</b>	<b>13</b>	<b>61</b>	<b>260</b>
<i>Increase</i>	<i>200%</i>	<i>100%</i>	<i>0%</i>	<i>132%</i>	<i>25%</i>	<i>4%</i>	<i>17%</i>	<i>35%</i>	<i>63%</i>

**Table II. Regions/countries represented in published articles**

<b>Region</b>	<b>Economy</b>	<b>2006-2010</b>	<b>2001-2005</b>	<b>Total</b>
Asia		106	72	178
	China	72	50	122
	India	13	5	18
	Korea	10	5	15
	Taiwan	4	6	10
	Hong Kong	3	7	10
	Singapore	3	3	6
	Other Asian	2	2	4
	Multiple* Asian	6	4	10
Europe		21	19	40
	Hungary	6	5	11
	Russia	4	2	6
	Czech Republic	1	2	3
	Other CEE	3	1	4
	Multiple CEE	11	8	19
	Portugal, Greece	0	3	3
Latin America		11	2	13
	Argentina	3	1	4
	Brazil	2	0	2
	Chile	2	0	2
	Other Latin America	2	1	3
	Multiple Latin America	3	0	3
Middle East and Africa		3	0	3
Multiple Regions		21	5	26
<b>Total</b>		<b>161</b>	<b>99</b>	<b>260</b>

Notes: Column total is the total number of papers in our sample, which is not equal to the sum of column entries because of studies referring to more than one country or region, and theory/review papers with no specific empirical contexts. \* “Multiple” refers to studies including data on more than three countries as well as theoretical papers suggested to apply to several or many emerging economies.

**Table III(a). Major theoretical perspectives**

<b>Theory</b>	<b>2006-2010</b>	<b>2001-2005</b>	<b>Total</b>
<i>Economics perspectives</i>	<i>40</i>	<i>19</i>	<i>59</i>
Agency theory	11	4	15
Transaction cost theory	10	12	22
Spillover perspective	11	3	14
Real options perspective	9	0	9
<i>Strategy and organization theories</i>	<i>104</i>	<i>57</i>	<i>161</i>
Institutional perspectives	50	23	73
Institutional economics	18	4	22
Sociology-based IT	10	11	21
Both or unspecified	22	8	30
Learning perspectives	34	12	46
Relational perspective	32	19	51
Resource-based theory	10	11	21

**Table III(b). Less-featured theoretical perspectives**

<b>Theory</b>	<b>2006-2010</b>	<b>2001-2005</b>	<b>Total</b>
Organizational ecology	4	1	5
Culture	4	2	6
OLI paradigm	3	2	5
Organizational justice	3	1	4
Political economy	3	2	5
Resource dependence	0	5	5
Environment-strategy fit	0	5	5
Other theories	8*	8**	16
<i>No particular theory specified</i>	<i>7</i>	<i>18</i>	<i>25</i>

Notes: \* Includes psychology, structuration, upper echelons, identity, loose coupling, policy risk, born-global, and psychic distance. \*\* Includes bargaining power, co-evolution, evolutionary, industrial organization, natural selection, strategic groups, and governance-conduct-performance.

**Table IV. Theories, contexts, and indicative research questions (2006-2010)**

<b>Theory</b>	<b>MNEs operating in emerging economies</b>	<b>Local firms in emerging economies</b>	<b>MNEs from emerging economies</b>
<b>AT</b>	(1 Papers) How does ownership structure influence the export intensity of MNE subsidiaries (Filatotchev et al., 2008)?	(5 papers) Have market reforms benefited domestic firms more than MNEs (Cuervo-Cazurra and Dau, 2009)?  What are the antecedents and consequences of principal-principal agency (PPA) conflicts (Kim et al., 2008; Young et al., 2008)?	(1 paper) How do ownership and governance structures affect the patterns of expansion of emerging economy firms? (Filatotchev et al., 2007)
<b>TCT</b>	(6 papers) What are the effective modes of control for curbing the opportunistic behaviour of local partners in emerging economies (Luo, 2007a; Luo, 2007b)?	(2 papers) How can contracts and control mechanisms be designed more efficiently in highly imperfect markets? *	(1 paper) What are effective modes for the acquisition of complementary tacit assets, such as technology, overseas? *
<b>Real options</b>	(6 papers) What kind of environmental uncertainty and change will impact the value of international investments (Belderbos and Zou, 2009; Li and Li, 2010)?	(1 paper) How can a real option-based strategy be used to deal with information disadvantage of emerging economy firms (Xu et al., 2010)?	(2 papers) How do domestic uncertainties impact the value of international expansions of emerging economy firms (Lee and Makhija, 2009a; 2009b)?
<b>Spillover</b>	(0 paper) How do MNEs benefit from and contribute to regional clusters of MNEs from the same country of	(9 papers) How are local firms differentially impacted by MNEs (Chang and Xu, 2008; Liu et al., 2009; Meyer and Sinani,	(0 paper) How does home country-based interaction with inward foreign investors help emerging economy firms develop capabilities to become MNEs? *

	origin? (Tan and Meyer, 2011) *	2009)?  Does the origin of FDI matter in technology spillovers (Buckley et al., 2007; Zhang et al., 2010)?	
<b>RBT</b>	(4 papers)  How do resource needs or advantages impact a firm's overseas strategy (Brouthers et al. 2008; Chen et al., 2009)?	(2 papers)  What sorts of resources and capabilities do local firms use to attain competitive advantages in an emerging economy context? *	(4 papers)  How do international expansions and acquisitions help emerging economy firms obtain hard-to-trade resources (Gubbi et al., 2010; Lu et al., 2010)?  How does resource pooling help emerging economy SMEs access global markets (Mesquita and Lazzarini, 2008)?
<b>IT</b>	(17 papers)  How do MNEs secure legitimacy and overcome liability of foreignness (Lu and Ma, 2008; Lu and Xu, 2006)?  How do institutions impact foreign entry strategy (Dikova and Witteloostuijn, 2007; Estrin et al., 2009; Meyer et al., 2009; Siegel, 2009; Xia et al., 2009; Uhlenbruck et al., 2006)?	(18 papers)  How do market reforms differentially impact firms, and how do firms respond to institutional changes (Chittoor et al., 2008; Park et al., 2006; Tihanyi and Hegarty, 2007)?  How does institutional pressure influence the adoption of international corporate governance practices in business groups and family controlled firms (Chakrabarti et al., 2007; Chizema and Kim, 2010; Chung and Luo, 2008)?	(9 papers)  How do home country institutions and institutional changes shape the behaviour of emerging economy MNEs and confer an advantage or disadvantage for them in overseas markets (Kim et al., 2010; Shinkle and Kriauciunas, 2010; Sol and Kogan, 2007)?  Do emerging economy MNEs have a competitive advantage in LDCs (Cuervo-Cazurra and Genc 2008)?  How will the institutional rules of emerging economy MNEs impact firms in developed economies? *
<b>Relational</b>	(7 papers)  Are economic incentives-based governance mechanisms sufficient in controlling partner opportunism in emerging economies, and can relationship-based mechanisms be	(13 papers)  Do domestic firms differ from foreign firms in their use of relational governance mechanisms (Li et al., 2008; Zhou et al., 2008)?	(4 papers)  What benefits can emerging economy firms obtain from their ties and networks during their internationalization process (Elango and Pattnaik, 2007; Prashantham and Dhanaraj, 2010; Zhou et al., 2007)?

	<p>used as a supplement or complement (Gong et al, 2007, Luo 2007; Li et al., 2010)?</p> <p>How is the value of networks contingent on certain factors (Krishnan et al., 2006; Steensma et al., 2008; Sun et al., 2010; Xiao and Tsui, 2007)?</p>	<p>How can SMEs benefit from relational ties and networks (Danis et al., 2010; Li and Zhang, 2007; Vissa and Chacar, 2009; Zhang and Li, 2010)?</p>	<p>How can emerging economy firms build relationships and networks in developed economies? *</p>
<b>Learning</b>	<p>(13 papers)</p> <p>What are the antecedents of knowledge acquisition for foreign subsidiaries in a host country (Barkema and Drogendijk, 2007; Fang and Zou, 2009; Fang and Zou, 2010; Fey and Furu, 2008; Gao and Pan, 2010; Lyles and Salk, 2007; Zhao and Anand, 2009)?</p> <p>What are the consequences of knowledge acquisition and experience (Steensma et al., 2008; Xia et al., 2009)?</p>	<p>(11 papers)</p> <p>How does the socialist legacy of firms in transitional economies impact knowledge seeking and acquisition strategies of these firms (Dixon et al., 2010; Kriauciunas and Kale, 2006)?</p> <p>How does absorptive capacity contribute to knowledge acquisition of domestic firms (Zhang et al., 2010; Zhou and Wu, 2010)?</p>	<p>(9 papers)</p> <p>How do the dynamic capabilities and absorptive capacity of emerging economy firms facilitate their international activities (Elango and Pattnaik, 2007; Filatotchev et al., 2009; Lu et al., 2010; Tsang and Yip, 2007; Yiu et al., 2007; Zhou et al., 2010)?</p> <p>How do MNEs from emerging economies learn to operate on the international stage (Luo and Tung, 2007)?</p> <p>Will emerging economy MNEs be better off to first go to other emerging economies or to developed economies? *</p> <p>Can effective learning be pursued in another institutional environment, especially where networks do not exist? *</p>

Note: The total number of papers in each row may not be equal to the corresponding numbers in Table III(a) because of double-counting. \* Questions added by the authors or generated by research published outside sampled papers.