

# Climbing up the Performance Ladder: A Conceptual Framework for Emerging Country Multinationals

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## Abstract

The paper acknowledges the emergence of the emerging country multinationals (ECMs) and their entry into the global economy. Much research has been done from the point of view of developed country multinationals, while the perspective of ECMs has been ignored. We discuss the entry of emerging country multinationals into developed markets from a cultural point of view. The cultural adaptation that they are required to make and the relevant influencing factors like the institutional environment, HR practices, expatriates, mission of the multinational, etc. Using a conceptual model built on an extensive literature review, we propose several relationships which could be considered as a guide to future research in this emerging field of research.

**Keywords:** Emerging country multinationals, Culture, Subsidiary, Adaptation, Standardization, Localization

## 1. Introduction

Globalization has been described as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa”, Giddens (1990). The definition implies that the world is connected in more ways than we think it is; and that each action has a reaction, because of interdependence of global and domestic economies. At the same time, the definition also implicitly highlights the importance of various factors associated with today’s global business environment. For example, multinationals are the carriers of globalisation, the cross cultural management issues (operating in different cultures, dealing with culturally different suppliers and clients, etc), different institutional environments (problems due to different institutional frameworks, language barriers, government policies, etc), strategies applied, etc. Firms have to learn to adapt in a completely new environment and this too within a limited time period (Das, 2007) because of intense competition.

From a review of the literature, we found that the literature has largely discussed developed country multinationals and all related aspects have been viewed from their point of view. However, with the growing number of successful multinationals from emerging countries, we argue that the focus needs to shift and things need to be viewed from an altogether different perspective. Although the emerging country multinationals (ECMs) have arrived, they still remain under-developed and under-studied as a subject in the research field (Li, 2003, 2007; Mathews, 2006; Sim, 2006) and even more so in a cultural context (Bjorkman and Budhwar, 2007). Hence, it is necessary to study these emerging multinationals and their different perspectives.

The paper contributes to the existing literature by acknowledge the relevance of ECMs and proposing a conceptual framework that permits us to better understand how the various factors like the institutional environment, expatriates, communication, knowledge, HR practices, etc induce organisational performance. This article is structured as follows: The first section introduces these multinationals and their growing significance in the world economy in the literature review section. The subsequent section discusses the research gap which is followed by the introduction of the proposed conceptual framework. Further the dependent, independent and moderating

factors along with propositions are presented. Finally, the article will be concluded through discussion and conclusion.

## 2. Literature Review: Emerging Country Multinationals (ECMs)

The popular business literature has focused its attention onto the phenomena of emerging country multinationals (ECMs). As was recently acknowledged, “A new breed of ambitious multinational is rising on the world scene, presenting both challenges and opportunities for established global players. These new contenders hail from seemingly unlikely places, developing nations such as Brazil, China, Russia, and even Egypt and South Africa. They are shaking up entire industries, from farm equipment and refrigerators to aircraft and telecom services, and changing the rules of global competition (Business Week, 2006).

ECMs are increasing in importance. Not only are these companies exploring other developing country markets, eg. they are responsible for 47% of regional activity in Africa, 13% in Latin America, 24% in Asia and Oceania, and 25% in South East Europe and CIS (Goldstein, 2005), but they are expanding to developed country markets. For example, Lenovo from China is in the hi-tech sector, Tata from India is a highly diversified group, Petrobras from Brazil and Lukoil from Russia are all examples of emerging country firms which have entered into developed country markets.

This clearly indicates that multinationals from emerging countries are no longer just unsophisticated firms, lagging behind their developed world competitors. They are instead an important part of global competition and this motivates us to study them. According to Dr. Vladimir Kvint (2008), President of the International Academy of Emerging Markets, an emerging market may be defined as “a society transitioning from a dictatorship to a free market-oriented economy, with increasing economic freedom, gradual integration within the global marketplace, an expanding middle class, improving standards of living and social stability and tolerance, as well as an increase in cooperation with multilateral institutions”. According to London and Hart (2004) more than 70% of the world’s population is living in countries which are not developed and yet most research had been done from the perspective of developed countries.

These economies will be the economies of the future and their importance may be viewed by evaluating some figures which clearly indicate their growing importance in the world scenario and this may be seen clearly from Table 1. We can see that China is forecasted to be the largest economy while Indian economy is expected to be close to that of the USA by the year 2050. The forecast also details out that China will overtake the US economy by the year 2025 (Hawksworth and Cookson, 2008). It may also be observed from the table that all the emerging country economies are expected to grow in the future while the developed country economies, on the other hand are expected to fall from their present standings. These predictions clearly indicate that more research should be focused on understanding these emerging economies. (Table 1). The paradigm of emerging countries and their emerging multinationals is a relatively new phenomenon, with very few publications available.

The different perspective of ECMs is also important as these firms have adopted unique management styles. Research demands that the emerging country multinationals be discussed and evaluated and that our understanding about them should develop (Fan, 2008; Li, 2007; Pangarkar, 1998; Sim, 2006; Yeung, 1994). Similar conclusions have been drawn by Bruton and Lau (2008), “Despite a rapidly changing economic environment almost all management research remains principally focused on mature markets in North America and Europe. This focus on mature markets has resulted in many regions of the world, such as Asia and Latin America, not receiving the level of investigation that could be expected given their economic impact and their unique institutional contexts. This lack of focus on Asia is particularly startling since this region contains one of the world’s largest economies (Japan) and two of the world’s fastest growing economies (China and India)”.

The authors (Bruton and Lau, 2008) also further point out that Asian management has the potential to shift many of the current concepts when the notion of culture is taken into consideration. Similar thoughts have been expressed by other authors as well who have referred to culture as a barrier to interaction and also as the source of all confusion (Hall, 1995; Sackmann et al, 1997).

### 2.1 Emerging country multinationals: cultural context

Managers understand the importance of cultural differences with their real life experiences of failure when two different cultures are involved (Bruton and Lau, 2008; Welsh et al, 1993) because of different managerial styles (Rodrigues, 1998). The difference lies in the minds of the people, their management styles, expectations, behaviour, etc (Adler and Gundersen, 2008). Therefore, it is important to address the topic of cultural management from the point of view of the emerging markets. The understanding of the culture can become the very basis of success or failure for any business. Katsikeas et al (2006) point out that when multinationals go to foreign cultures

they have to focus on factors like adaptation which help them to enhance their performance. Accordingly, these two concepts of adaptation and performance will be elaborated upon:

#### 2.1.1 Cultural adaptation

Various studies have confirmed that difficult situations arise because there are several gaps between the way things are done in the head-office and the way they are done in their foreign subsidiaries. These differences are found in terms of work practices, understanding, knowledge, behaviour, attitudes, etc and those that the organisation must adapt to in order to perform effectively in the new environment (Mangala, 2005; Picard et al, 1998). Spender (1992) in his detailed study emphasized the fact that although western management is advanced, it would still not be the best idea for them to advice managers of other countries (eg. Eastern Europe) as things are different in another culture and so are the institutional arrangements.

#### 2.1.2 Culture influencing performance

Culture is one of the important factors that influences the performance of emerging country multinationals. It is significant because managers, who have been “raised, educated and trained” in one culture, have to take organizational decisions in the setting of another culture, keeping in mind not only their own culture but also the foreign culture along with the underlying factors (Shore and Cross, 2004). Many failures faced by firms over the years, due to this factor (Zhang, 2003) make it an extremely important research topic.

#### 2.2 *Managing the Foreign Subsidiary of ECMs*

On acquiring a subsidiary abroad, the decision has to be made regarding the localisation (adapt) or standardisation (not adapt) (Rosenzweig and Nohria, 1994) of its management. Standardization refers to the use of the company’s head office organisational practices, its overall culture and employees in the foreign subsidiaries (Puzelko and Harzing, 2008). On the other hand, localisation means the subsidiaries utilisation of the host country practices and policies.

Melewar and Saunders (1999) insist that localisation is especially valid for companies which “appreciate cultural diversity”. It promotes a more decentralised system and accordingly, the subsidiary would be more independent. On the other hand with standardisation being practiced, the subsidiary would be more inclined towards a centralised organisation with high control and power of the head office. A balanced approach would be to adapt according to the institutional environment of that country and at the same time maintain the somewhat familiar culture of the head office. The more a company can maintain a good balance between nationalisation and localisation, the more it is expected that it would be able to perform effectively, to the satisfaction of all (Zhang, 2003).

#### 2.2.1 Standardization vs. Localization and Performance Implications

An important question raised is should the ECMs implement the globally standardized or locally adapted practices. Several authors have tried to study the degree of global standardization versus local adaptation using different measures like HRM practices (Björkman and Lervik, 2007; Chen and Wilson, 2003) or the involvement of expatriates (Hannon et al, 1995; Petison and Johri, 2008). However, most studies have not really linked this degree of adaptation with the performance of multinationals (Bjorkman and Budhwar, 2007; Newman and Nollen, 1996), as was observed by some authors.

Chen and Wilson (2003) argue that standardization is regarded as a logical strategy by multinationals. The multinational’s policies and practices are transferred to their foreign subsidiaries with the belief that standardization will help towards obtaining the best performance for both – the parent and the subsidiary. Therefore, getting an insight into foreign subsidiary behaviour becomes a challenge as it is bound to affect the global performance goals. For example, the recent high profile takeover of Arcelor by Mittal Steel raised several interesting questions like what style of management will be used in the newly formed Arcelor-Mittal and how will the former developed country employees react to the new management from a developing country. Further, even more important which ‘culture’ would the management follow (Solberg, 2000). The ECMs may want to go according to the host country practices in developed countries or maybe vice-versa. It is also possible that they go for neither, instead design a third way which includes some aspects of both the countries for effective performance.

### 3. Research Gap Envisaged

The choice between standardization and localization is a decision of strategic importance, and has attracted attention of a number of researchers (Lu and Bjorkman, 1997; Puzelko and Harzing, 2008; Rosenzweig and Nohria, 1994) since several years. However, it has been pointed out time and again that this topic lacks systematic research, especially from the point of view of emerging countries and is far from a mature research

(Aulakh, 2007; Bjorkman et al, 2009; OECD, 2005). On closer observation, the main focus of studies in the field has been on the practices of developed country multinationals having subsidiaries in developing countries (Farley et al, 2004). As a result, the emerging country multinationals have been largely ignored (Leonidou, 1996) and the situation still remains the same (Chang et al, 2009; Sim, 2006).

Literature has not investigated the cultural / institutional practices from the point of view of an emerging country multinational (other than China, on which little research is available). In addition, not much is known about the extent to which organisational practices and cultural adaptations are found in foreign subsidiaries (Bjorkman et al, 2006) of ECMs (Bruton and Lau, 2008). Since, approximately 70% of the population comprises of population from emerging countries (London and Hart, 2004), it becomes extremely important to study them.

As discussed earlier in the paper, several arguments have been provided for and against adaptation but what is important is if that adaptation is helping the firm to attain successful performance or not (Bjorkman and Budhwar, 2007). They have repeatedly insisted that very little research has been done on the “performance implications of local adaptation” and hence more studies are encouraged on the subject. Further, some authors (Wang et al, 2008; Redding and Baldwin, 1991) have raised questions about human resource practices and authority (which may be considered as cultural) for multinationals coming from emerging countries and going to the western developed countries from the cross cultural perspective. This again presents a huge gap in the literature.

More studies (empirical, practical or conceptual) are required that will help in building theory on the subject. The issue of cultural adaptation and effective performance must be examined from the angle of ECMs which have been successful in internationalizing and implementing themselves in developed markets, eg Tata, Lenovo, Reliance, etc. Therefore, the gap in research lies in the internationalisation of the ECMs and their successful cultural adaptation and implementation in developed countries. Despite this need in the industry, there has been little academic research on culture from the point of view of the ECMs (Bruton and Lau, 2008).

#### **4. Conceptual Framework**

Based on review of the literature, we identified some factors influencing the degree of adaptation of the ECMs. Figure 1 clearly demonstrates the developed conceptual model that provides a framework to better understand how these factors induce organisational performance. (Figure 1)

##### *4.1 Independent factor: cultural management*

Cultural management of multinationals is our independent variable. Rosenzweig (1999) has elaborated that cultural diversity for multinationals exists in different domains such as management style, the manner of expressing oneself, the decision making process, the official language used, etc. In this section we present three strategies for cultural management as discussed in the literature (Nigam et al, 2009).

##### **4.1.1 Acculturation**

Multinationals often try to implement the culture of head-office in their foreign subsidiaries. The aim is to maintain a certain base-culture throughout their global operations. A centralized system is thus promoted which refers to hierarchical authority and decision making process, from the head-office to subsidiaries (Nohria and Ghoshal, 1994). Accordingly, multinationals use control mechanism that may be practiced through expatriates, policies and processes, communication, knowledge transfer, etc. The objective is to follow standardized practices throughout (Jaeger, 1983).

Bjorkman et al (2008) also supports the idea by acknowledging that when a multinational is extremely strong with well laid out practices and policies, it might try to force its standardized practices on the foreign subsidiary for enjoying a similar organisational culture throughout its global operations.

##### **4.1.2 Integration**

Striking a balance has been recognized as a very important strategy of multinationals, also referred to as integration. It implies creating a new culture which is based on both the subsidiary and the head office culture. The idea has been supported by Porter (1990), who posits the importance of the local culture and practices but also at the same time emphasizes that the head-office might have superior technologies and knowledge which may be extremely important for an overall successful performance of the firm. He thus implies that complete localization or standardization may not be the best solution; rather a combination of the best practices of the two cultures may be more appropriate.

Cooke (2004) also stresses that if the subsidiary’s local practices are not effective enough, then it would not be valuable for multinationals to adapt to the subsidiary’s culture. He elaborates that it is more beneficial to integrate global practices and also gives example of some Chinese firms which have been trying to adapt western

practices. Since it is not always possible to follow standard practices throughout the global operations of the organisation, multinationals are required to use their standard practices in coordination with local practices (Rosenzweig, 2006; Taylor et al, 1996). It has been pointed out by Paik and Sohn (2004) that as multinationals become more and more international; it becomes increasingly difficult to stick to the standardized rules and regulations of one specific culture in other cultures. They argue that the rigidity of following standard practices would make it impossible for the multinationals to operate effectively throughout its international operations.

#### 4.1.3 Laissez Faire

Authors have argued and reasoned that there is a need to adapt while entering a new culture. Further if we see from another perspective, then different cultures have different competitive advantages, as Trompenaars (1993) explains that on one hand Germans are good at building infrastructure while Americans are better at inventing. Hence, by acknowledging the competencies of different cultures, organizations can use them to their advantage (Wang et al, 2008) to attain an overall effective organizational performance.

In such a case where the host country culture provides much more depth and value to the overall objectives of the multinational, it is actually more advantageous to preserve and follow the local culture in the subsidiary rather than impose standardized practices (Luthans et al, 1997).

#### 4.2 Dependent Factor: Organizational Performance

Dess and Robinson (1984) have highlighted the importance of organizational performance, which is our dependent factor by emphasizing that, “organizational performance has become an important component of empirical research in the field of business policy. Researchers frequently take the performance of organizations into account when investigating such organizational phenomena as structure, strategy and planning”. Many authors (e.g. Jain, 1989; Shoham et al, 2008) have pointed out that managers have ‘few research based guidelines’ concerning the desired level of standardization or localization and related performance.

However, there has been a big debate in literature over the years regarding use of a good measure for measuring organizational performance. This is considered as a traditional research field in management (Marr and Schiuma, 2003). Broadly, two measures have been recognized by research and these are the subjective and objective measures (Dawes, 1999). Both measures are said to have their own specific advantages. While objective measures are said to be more concrete, they still are limited to financial data. On the other hand subjective measures may lack concreteness but are capable of providing a rich description, understanding and information of the effective organizational performance. They allow diverse enterprises to be compared within one study (Allen et al, 2008).

The objective measures would include indicators like market share, profitability, return on equity, ROI; while subjective measures would be concerned with indicators like customer and employee satisfaction, image and reputation, sales, or new product success. Andersson et al (2001) have also pointed out that the short term and long term performance should also be taken into consideration for deciding the overall performance; as the current performance may be currently good but if customer or employees are not satisfied then it may lead into long run poor performance. Baker and Sinkula (1999a, 1999b) have further argued that performance may also be measured by relating it to the success of the firm compared to the competitors as well as to the adaptability measures (particularly for foreign subsidiaries). Thus measuring the success by relating it to the firm’s over time response to the changing business environment and opportunities.

#### 4.3 Moderating Factors Affecting Degree of Adaptation: Multinational’s Institutional Logic

As noted above, multinationals often have to deal with cultural differences across borders by adapting to host countries’ institutional environment leading to superior organizational performance. Only recently researchers have started exploring the institutional foundation which multinationals are embedded in (Peng et al, 2008).

##### 4.3.1 Institutionalization theory: cultural context

The cultural issues were faced by multinationals has been supported by institutionalization theory because of the presence of different institutional environments in different countries. The degree of local adaptation made by them in their foreign subsidiaries is a cultural issue and studies in this field discuss the stress on the parent company to adapt accordingly. In the words of institutional theory, this would be known as “coercive isomorphism”, meaning that the parent company is trying to apply its practices on the foreign subsidiary (Wang et al, 2008; Westney, 2005).

##### 4.3.2 Institutionalization theory: subsidiary management

Institutional theory has been often used for foreign subsidiaries of multinationals (Almond et al, 2005; Westney, 1993), as they get involved with the institutional framework of different countries. According to Gooderham et al

(1999), “cross-national dissimilarities in institutional structures are likely to create management practices that vary from country to country, regardless of the fact that management theories are often rapidly disseminated across national borders”.

Institutionalisation encourages standardised practices with the aim of having similar significance across cultural boundaries. The core implication of this theory is that foreign subsidiaries are under pressure to adopt head office practices (Bjorkman, 2006; Scott, 2001). However, since the various elements (eg. legal system, culture, policies, etc.) of the institutional environment are different in different countries, it leads to different practices being followed in different cultural settings (Kostova and Roth, 2002; Meyer & Rowan, 1977).

#### 4.3.3 Institutionalization Theory: Standardization vs. Localization

A different institutional environment may have a great influence on the original culture of the enterprise since institutional factors force multinationals to adapt according to the local culture to some degree. The cultural closeness/distance of the multinational’s home and host country is the major deciding factor as to how much or what degree of adaptation is required (Bjorkman et al, 2008; Westney, 1993).

On one hand, it is important that a multinational’s head office has a certain degree of authority and an overall recognisable business environment throughout, which may also be considered as competitive advantage (Nohria and Ghoshal, 1997). On the other hand, problem arises when the national culture comes face to face with the local culture and it is hard for the company to come up with a one best culture (Kostova and Roth, 2002). The author argues that this is due to different legal, economical, social and cultural environment of different countries.

Organisational practices “reflect widespread understanding of social reality [and are] enforced by public opinion, by the view’s of important constituents, by knowledge legitimated through the educational system, by social prestige, by laws” (Meyer and Rowan, 1977). When these practices become legalized and institutionalized, they are adopted by organisations (Kostova and Roth, 2002). Thus, the practices in different countries are according to their cultures and their overall institutional environment leading to effective performance. Therefore, we propose the following proposition:

*Proposition 1. The more the emerging country multinationals understand and adapt accordingly to the institutional environment of the foreign country, better will be the organizational performance.*

#### 4.4 Other moderating factors influencing degree of adaptation

Keeping the institutional framework of different countries in mind, effective organisational performance would depend on many other factors which interact together to strike a balance between standardization and localization of the firm’s organisational culture, practices and policies (Zhang, 2003). Some of the important measures highlighted in studies over the years are as follows:

##### 4.4.1 Mindset and reputation

A positive and global mindset is an important measure for companies that wish to internationalize. However, this concept has not received much attention in the literature, especially in the context of emerging multinationals. Emerging countries/multinationals are often seen as low quality, lagging behind, and inferior entities. For example, “Made in China” certainly does not certify quality in the minds of people. According to Bartlett and Ghoshal (2000), it is this inferior or ‘marginal’ mindset that emerging country multinationals have to come out of. They have to believe that they can do well and succeed in the global arena. On very similar lines, the reputation of the emerging country multinationals also precedes them. This may be explained by discussing the example of Arcelor-Mittal. When Mittal Steel, an emerging country multinational acquired Arcler, a prestigious developed country multinational; at that time Mittal Steel was actually compared to a cheap deodorant in comparison to Arcelor which was like an expensive French perfume (The Globalist, 2006). Accordingly, we arrive to our next proposition:

*Proposition 2. More the self confidence and positive attitude that the emerging country multinationals will have, better will be the organisational performance.*

##### 4.4.2 Control: HRM practices and policies

Control in the context of multinationals has been explained as the ability of the head office to enforce its practices in its subsidiaries around the world. However, this represents a major challenge, since standardized policies and practices may not prove to be the best practices given the host country’s cultural environment as argued by Pucik and Barsoux (2002). In the global economy, the issue of control has become significantly important (Wang et al, 2008) and hence, the literature has discussed various measures of control.

Multinationals use two dimensions of control mechanisms to control their foreign subsidiaries: personal versus impersonal control and direct versus indirect control (Chang et al, 2009; Harzing, 2001). These include policies, practices, formal procedures, written manuals, expatriates, norms and behaviour, etc. of the head office culture. These measures are used for either standardizing or adapting in foreign subsidiaries (Jaw and Wang, 2004). Bjorkman et al (2008) have expressed their concern that despite a number of studies on the subject of HRM, there is still very less knowledge available on the same. Here, we discuss some of the important practices of the HRM:

**Selection Criteria:** The importance of selecting the right employees to be sent to the subsidiary has been highlighted in many studies and many insist that it goes beyond technical skills (Schuler et al, 1993). Fish and Wood (1997b) have come up with four important criteria for selecting these employees. Firstly, they should be knowledgeable as well as skilled enough to be able to spread the firm's culture to the subsidiary along with its goals. Secondly, they should have good interaction capabilities. Thirdly, they should be capable to doing business with several people in different country settings and last but not the least, they should have the necessary language skills for proper communication.

**Training of Subsidiary Employees:** Harzing et al (2002) highlighted the importance of training, which contributes towards indirect personal control. Dowling et al (1999) have also suggested the use of training programmes in subsidiaries to help in control and coordination. This is said to be highly relevant as it helps the subsidiaries and head-office move towards similar values, approaches and common goals (Fenton-O'Creevy, 2008).

**Recruitment:** It has been said that recruitment is an important strategy of the HRM department which has high influence for adapting the degree of standard or local practices. Bjorkman and Lu (2001) have explained that managers, specially HR managers recruited from the local organisation know, and are used to the local way of doing things and also have experience with local practices and hence they could have an impact on organisational culture. In such a case it would also be difficult to introduce the head-quarters practices and policies (Braun and Warner, 2002).

It is important to note that "managers and employees at subsidiaries in developed countries may believe that they possess superior managerial and technical knowledge to that of firms from emerging countries" (Chang et al, 2009) and hence, it is easier for the developed country multinationals to impose their policies and practices since they pride themselves with high technology and advanced managerial skills. However, a number of emerging countries multinationals have foreign subsidiaries in developed countries, and not only do they exploit their home grown core capabilities but also learn from the experiences of the developed country (Chang et al, 2009). Thus, we argue that improving their capabilities and management practices will have a direct positive impact on their performance:

*Proposition 3. The more emerging country multinationals understand and adapt their HRM policies in context with the environment of their developed country subsidiary, better will be the organisational performance.*

#### 4.4.3 Control: the Practice of Expatriation

Another important measure of control is the use of expatriates (Tung, 1993). Expatriates are often sent to spread the company's goals, values and missions amongst the employees in the foreign subsidiaries. They are expected to make sure that the subsidiary works according to the home country's directions (Harzing, 2001b). Also they have knowledge about the effective practices at the head-office from their experience and are able to introduce certain patterns of successful practices in the new environment of subsidiaries. They are also referred to as 'the cultural carriers' of multinationals. Various studies have discussed the role of expatriates in influencing the degree of adaptation of the subsidiary (Bjorkman and Lu, 2001; Bjorkman et al, 2008; Rosenzweig and Nohria, 1994).

It is important for expatriates going to developed country subsidiaries, to understand both cultures. This would help them in judging if the subsidiary should benefit from their parent's practices or vice-versa.

*Proposition 4. More the knowledge, understanding and judgement capabilities the expatriates from the emerging country multinationals have of their role and the host country's culture, better will be the organisational performance.*

#### 4.4.4 Need for communication

Wang et al (2008) in their study have discussed that if a lot of communication is required in a subsidiary, eg. with suppliers, competitors, customers, etc. then it is likely to require a high degree of cultural adaptation. In such a case, subsidiary's performance would depend on the local environment rather than the organisation's home country.

Further, Fish (1999) found that employees who are selected to be sent to foreign subsidiaries should have a good understanding of their company's objectives and even more important is that they should be able to properly communicate these goals in their foreign subsidiaries. This will allow employees in the subsidiary to understand

the objectives better and accordingly, they can work towards achieving these goals. The better the subsidiary employees have an understanding of the overall goals of the company, the more they will be able to work towards them and adapt their practices accordingly. A successful adaptation is linked to a firm's successful performance (Albaum and Tse, 2001).

*Proposition 5. More effective and efficient is the communication between the emerging country multinational and its developed country subsidiary and other related parties, better will be the organizational performance.*

#### 4.4.5 Knowledge and information

Besides explicit knowledge (transferred through mails, written reports, discussions, etc) that are more easily transferable to subsidiaries, there also exist implicit knowledge, which is much more difficult to transfer; but nevertheless is highly significant in understanding the organisational capabilities, its critical success factors and its core competencies (Bonache et al, 2001). The author elaborates that the whole idea of implicit or tacit knowledge is that it is beyond communication (eg. launching new products). More than a readable knowledge, it requires an active participation from the person to develop an understanding of the knowing-how part of the knowledge.

Based on the above, we understand that knowledge transfer is difficult between two organizations or cultures. We further argue that it is even more difficult between a developed country and an emerging country culture and hence, our next proposition is:

*Proposition 6. More the emerging country multinational is able to transfer its implicit knowledge to the developed country subsidiary successfully, better will be the organizational performance.*

#### 4.4.6 Multinational's Context

Whether the subsidiary's culture is influenced by the local culture or not (and to what degree) depends on the context in which the subsidiary has been planned, eg. what is the mission and vision of the head office when they acquire a foreign subsidiary? The following three missions of multinationals identified by Wang et al (2008) may illustrate our point very clearly:

**Production and Operations:** The production and operations are domains where less cultural adaptation may be required and the multinational may be able to implement a higher degree of standardized practices.

**Innovation and R&D:** A little more cultural adaptation may be required in domains like R&D compared to the production activities. This is because if there are more suitable technologies and processes in the host country and if it is obvious that the subsidiary will be able to add value and better perform by localizing the operation rather than standardizing then it would be more logical for the head office to not to push for standardization.

**Marketing and Distribution:** Finally, if the subsidiary has been developed with the objective of marketing or distribution, then it would be more influenced by the local culture for more effective performance.

*Proposition 7. More there is coordination between the emerging country multinational and developed country subsidiary's aims and mission and its adaptation strategy, better will be the organizational performance.*

#### 4.4.7 Learning and Adjustment

Firms are often faced by uncertainty while going international in respect to the local culture, norms, preferences, the correct approach, political factors, etc (Barkema et al, 1996). Therefore, in the beginning they may try to force standardized practices or maintain localized practices (Stahl, 2006). However, eventually the practices may balance out, after the multinational gains experience and develops a better understanding of the local culture on one hand and the 'best practices' of the home country on the other hand. This is known as 'double layered acculturation', which means adjustment from both the sides – headquarter and the subsidiary. After the firms have implemented themselves in the foreign market and feel more comfortable in the country of their subsidiary, they will start reducing the cultural barriers thanks to their learning process (bargaining power, contacts, experience, language, etc.) (Krishna et al, 2004; Ruygrok and Van Tulder, 1993).

*Proposition 8. More there is learning and adjustment between the emerging country multinational and the developed country subsidiary, better will be the organizational performance.*

## 5. Discussion and Conclusion

Our study sheds light on the new research field of the emerging country multinationals which has major significance in the global business. We discuss their importance and propose a framework to better explore this field; and as to how various factors influence the firm's performance. A successful implementation aimed at an overall effective performance is the most important consideration of the emerging country multinationals.

However, on entering a developed country and experiencing foreign culture, the big question that arises is whether to adapt or not to adapt. The emerging country firms are faced with a different culture, institution and social embeddedness in a developed country. Since the developed countries are reputed for superior technology and management practices, it becomes important to take into consideration the local environment (Bartlett and Ghoshal, 1989). At the same time, it is also important not to forget the firm's home country culture, organizational culture and practices (Gustavsson et al, 1994; Lee and Chen, 2003) for keeping some uniformity throughout the firm's global operations.

Our proposed conceptual framework allows us to shed light on how the various influential factors, discussed in the article, induce organisational performance. It thus opens our eyes to the major cultural challenges perceived by the emerging country managers; along with the management styles used – Acculturation, Integration or Laissez Faire. The model contributes richly to literature by permitting us to explore the reasons behind the management choices, the actions taken for implementing the above strategic choices, and also more revelations may be made regarding the organizational performance of the emerging country multinationals in a developed country setting.

We would like to conclude keeping in mind the reality that the globalization of the emerging country multinationals has provided new scope, size and opportunities to expand and exploit advantages on one hand; and various challenges on the other hand. This leaves us with a whole new research field, which must be explored in detail for making serious advancements in the field of global business. Future researchers are encouraged to do empirical research based on the proposed framework. This will help to validate the model and also to generalize results.

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Table 1. Forecast for economies

	Country (indices with US = 100)	GDP at market exchange rates in US \$ terms	
		2007	2050
<b>Developed countries</b>	US	100	100
	Japan	32	19
	Germany	22	14
	UK	18	14
	France	17	14
	Italy	14	10
	Canada	10	9
<b>Emerging Economies</b>	China	23	129
	Brazil	8	26
	Russia	8	17
	India	7	88
	Mexico	7	17
	Turkey	3	10
	Indonesia	3	17

(Source: Adapted from PricewaterhouseCoopers, 2008)

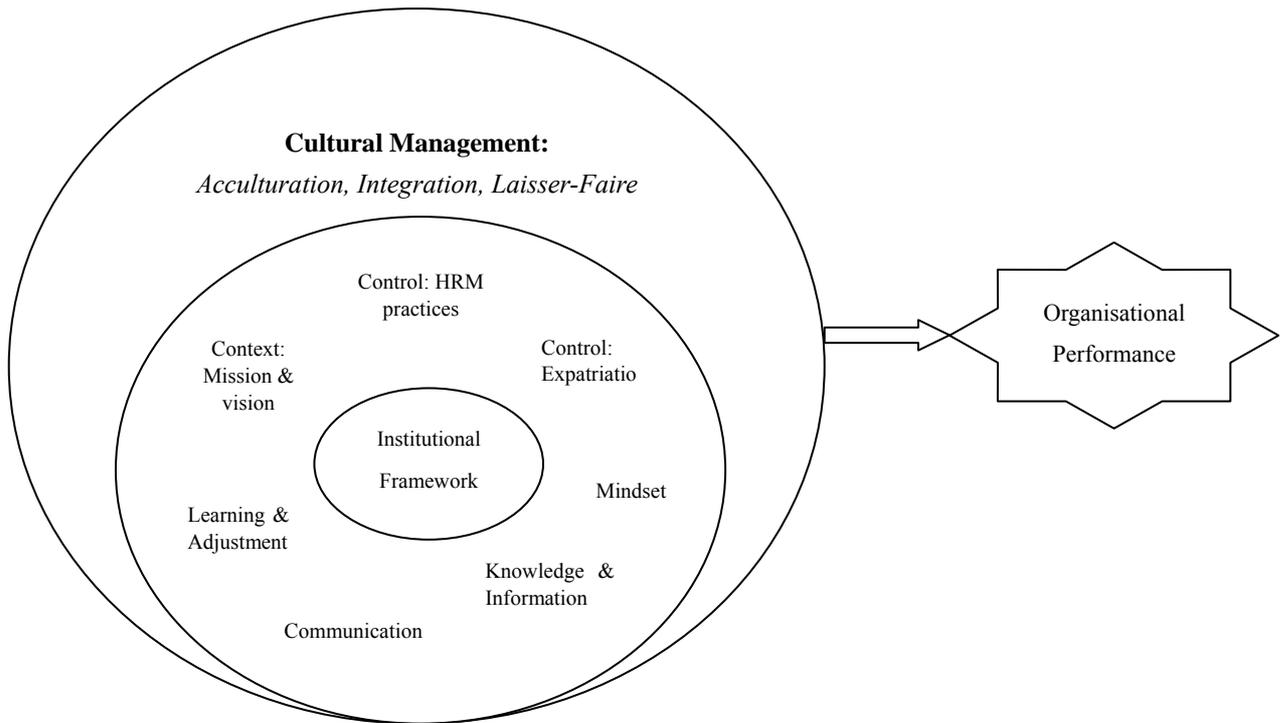


Figure 1. The Conceptual Framework