

Re-Assessing Emerging Market Multinationals' Evolving Competitive Advantage

An International Conference, Cambridge UK, 25th-27th March 2011

Historically much of the work on globalisation of business has focused on the expansion of firms headquartered in the triad of Europe, the USA and Japan. But according to the UNCTAD World Investment Report one quarter of all global Foreign Direct Investment (FDI) in 2009 emanated from emerging markets. In cross-border M&A, meanwhile, Chinese companies alone made foreign acquisitions totalling over \$50 billion in 2009. This has begun to include “reverse flows” involving emerging market multinationals (EMNEs) investing in developed countries as well in as other emerging economies.

Viewed through the lens of traditional theories of internationalisation, the emergence of significant EMNEs presents something of a paradox: given that these companies are generally thought to lack ownership of the rich stocks of intangible assets that can underpin international expansion, why are EMNEs able to compete with established multinationals that benefit from global capabilities and networks build over many decades?

A number of possible explanations have been advanced including the ability of EMNEs to create business models that enable them to leverage their country-specific advantages (CSAs) globally while simultaneously making resource-seeking investments overseas that they fill gaps in their resource bases the face as global “late-comers” relative to established multinationals. But this argument seems to be only part of the story. In a seminal conference on EMNEs held at Northeastern University in 2007 a number of papers raised the intriguing possibility that some of the best EMNEs were beginning to convert their original CSAs into firm-specific advantages (FSAs) that could underpin competitive advantage in global markets. These FSAs were not necessarily the same as those enjoyed by established multinationals and not necessarily substitutes for them, but they were potentially particularly well attuned to the changing requirements for competitiveness in 21st Century global markets.

Since that time, EMNEs have continued to develop at a rapid pace, spectacularly winning global market share across a number of industries. Four years on, therefore, the time is ripe to re-assess the nature and evolution of the competitive advantages being built by EMNEs – hence the focus of this second conference, which is a joint venture between University of Cambridge, Northeastern University and FGV- Universidade de Sao Paulo.

In recognition of the possible shift from CSAs to FSAs in underpinning the competitive power of EMNEs, this conference will be structured around three mechanisms by which a firm may develop FSAs that we believe might play a significant role: through innovation; by the use of M&As to access new resources that can be re-combined with existing advantages to develop new FSAs; and by developing novel ways of configuring their international value chains and managing foreign subsidiaries and partners in their international networks.

Under each of these topics: innovation; M&A; and value-chain configuration, we intend to examine the evidence on the nature and evolution of competitive advantage among EMNEs headquartered in each of the four “BRIC” countries. Up to twelve papers are therefore being commissioned to cover the main cells in the “sources of advantage-country” matrix detailed below. In addition, we will invite 2-3 discussants to compare, contrast and synthesise the findings for each source of advantage across EMNEs from the BRIC countries.

Source of Competitive Advantage (FSAs)

	Innovation	M&A	Value-chain Configuration
Brazil	Oliveira	Cyrino	Fleury & Fleury
Russia	Filippov, Settles	Kalotay, Panibratov	Katkalo
India	Prahbu	Ramamurti	Athreye
China	Yin	Williamson	Yongjaing Shi
Synthesis	Discussants: Collinson Mudambi	Discussants: Sarathy Sullivan-Taylor	Discussants: Srai Cuervo-Cazurra

This structure is designed to focus our discussions at the conference towards answering five basic questions:

1. *What are the sources of EMNE's competitive advantages in global markets and how are these underpinned by CSAs and FSAs?*
2. *What is the role of innovation in building competitive advantage among EMNEs?*
3. *What is the role of foreign M&A in building competitive advantage among EMNEs?*
4. *What role does the configuration of EMNE's international value chains and their models of managing overseas subsidiaries have in building their competitive advantages?*
5. *What are the implications for the global competitiveness of established multinationals?*

Conference Logistics

The conference will take place at the University of Cambridge, Judge Business School in Cambridge UK, 45 minutes north of London by train (also accessible from Heathrow, Gatwick and Stansted Airports).

The conference will commence with a reception at 6.30pm on Friday 25th March 2011 and conclude at 2.00pm on Sunday 27th March 2011.

We will be happy to assist participants in arranging accommodation with the choice of deluxe or standard hotels or rooms in one of the Cambridge colleges.

Tea and coffee breaks, lunches and a gala dinner at Jesus College will be provided complimentary to participants by the hosts.

There is no registration fee. All participants are asked to cover their own travel and accommodation costs. We would not, however, want the burden of travel costs to dissuade our invitees from attending, so that a number of travel bursaries will be made available (on application) for those whose home institutions are unable to finance the costs of attendance.