GUEST EDITORIAL

Rising power firms – the developmental promises and challenges: an introduction

1. The promise and challenge of rising power firms

The notion of "Rising Powers" has recently become a popular topic of research and debate in various discourses in political economy. The rise of China, India and Brazil as economic and political "drivers" of the global economy has generated substantial interest, both in policy circles and in academic research. China is now the world's second biggest economy and, despite recent dampening forecasts, promises to grow at a significant pace (Henderson and Nadvi, 2011). Together, these economies and associated firms have managed to sustain growth despite the economic downturn, captured headlines in business magazines such as *BusinessWeek* and *The Economist*, seized interest from consulting firms such as McKinsey & Co and the Boston Consulting Group and ignited recent scholarly interest on the internationalization of emerging country firms and international business (Sinkovics *et al.*, 2014a, 2014b). The notion of "Rising Powers" (RPs) alludes to the proposition that the emerging countries with the largest economies are increasingly having greater geo-political impact and challenging the global hegemony of "advanced" economies (Hart and Jones, 2010; Sinkovics *et al.*, 2014a, 2014b).

Firms from "Rising Power" economies[1] have increased their international presence significantly both in "advanced" and developing countries. The international business literature has paid growing attention to the emergence and to the rapid growth of RP multinational enterprises (EMNEs), notably from the "BRICS" (Ramamurti and Singh, 2009; Williamson *et al.*, 2013). Much of this discussion focuses on whether EMNCs are really "different" from advanced country MNEs (AMNEs) and thus whether new theories or concepts are needed to understand them. Two somewhat different perspectives have been articulated by international business (IB) scholars. One perspective, largely based on the application of the dominant OLI (ownership, location, internalization) framework (Dunning, 1988; Narula, 2006) sees RP MNEs as a manifestation of catch-up efforts by firms from emerging economies but with essentially imitative strategies *vis-à-vis* incumbent advanced MNEs (AMNEs) (Guillén and García-Canal, 2009; Luo *et al.*, 2011) and thus as "copycats" (Luo *et al.*, 2011). Thus, not only do they imitate, i.e. clone, product and technologies of their AMNEs rivals in the initial stages of their emergence, but they also follow essentially the same "recipes" or business models for eventual global success (Ramamurti, 2012).

The other perspective sees RP firms as MNEs that compete with distinct capabilities and business models. In particular some EMNEs, far from being

critical perspectives on
international business
Vol. 11 No. 3/4, 2015
pp. 210-215

1742-2043
DOI 10.1108/cpoib-04-2015-0016

"copycats", have forced AMNEs to partly revise their dominant (and hitherto successful) strategies with respect to product development. To this end, there is now an increasing attention paid to reverse innovation and market focus (shifting effort to the "fight for the middle") (Brandt and Thun, 2010). Such EMNEs can arguably be regarded as RP MNEs, as they can potentially significantly challenge the "rules of the competitive game" and thus challenge the "hegemony" of AMNEs in global markets.

The latter view also sees RP MNEs as having characteristics and strategies that are potentially more developmentally friendly as compared with AMNEs. Nevertheless, the development impact has not been a focal part of these discussions. In fact, the discussion has hitherto been (at least implicitly) more interested in RP operations in and interactions with advanced country economies. However, it is noteworthy that RP firms have extensive and growing operations in developing countries. For example "south-south" foreign direct investment (FDI) flows have increased at a rapid pace over the past two decades, now accounting for 45 per cent of all FDI inflows into developing countries (Inter-American Development Bank (IDB), 2014). For the BRICS (Brazil, Russia, India, China and South Africa) the percentage of FDI flows to less-developed countries (LDCs) is 50 per cent (UNCTAD, 2013, p. 5). Also, there is evidence that firms from RPs are very active in global value chains (GVCs) and global production networks (GPNs) (Azmeh and Nadvi, 2014).

This special issue aims to redress the balance by specifically focusing on the development implications of RP firms and MNEs. The perspective that underpins the contributions in this issue is that even though RP MNEs may have capabilities and strategies that are potentially development friendly, the realization of this potential is quite challenging. The challenge can be manifested in possible unequal distribution of benefits when RP MNEs engage in developing countries and, perhaps more fundamentally, when attention is focused on broader non-economic impacts in terms of social value creation and upgrading (Sinkovics *et al.*, 2014a, 2014b).

This special issue takes a more focused view based on conceptual and empirical thinking relating to RP firms within a development context. The papers in the special issue constitute two broad themes: the first four papers look at the capabilities and strategies of RP firms and MNEs, while the last three papers focus on developmental issues, specifically in terms of linking to and insertions in GVCs with emphasis on social value creation.

2. The changing face of international business: Novel capabilities of rising power firms

The four papers grouped under this heading consider the capabilities of RP firms shaped broadly by the broad economic and socio political features of their home countries. Peter J. Williamson reiterates that the competitive advantage of EMNEs is underpinned by distinctive innovation and reconfiguration capabilities. The second paper by Jaya Prakash Pradhan and Keshab Das focuses on RP SMEs but adopts a national perspective. RP economies are invariably large and somewhat differentiated territories in terms of social and economic development. This paper links export success to "Rising regions" within large emerging economies such as India. The paper by Peter Konijn and Rob van Tulder explores a distinctive market entry and development strategy adopted by Chinese firms in Africa, namely "Resources-for-infrastructure (R4I) Swaps". The authors argue that this sort of market entry strategy is unlikely to be followed by AMNEs. As infrastructure development is severely constrained by inadequate resources in many African economies, the R4I has potential promise in terms of beneficial developmental outcomes for host countries. However, as the authors explain many factors could undermine this promise. The final paper in this section is by Rory Horner and focuses on the pharmaceutical sector. The paper explores how established MNEs have responded to the perceived threat from RP firms by seeking to alter the intellectual property institutional environment in key emerging markets. It highlights the differences between India and South Africa. In India, most MNE pressure has been in response to the emergence of an active domestic industry and a patent law oriented towards generic entry, while the MNE priority in South Africa has been geared towards maintaining MNE dominance and a system which leads to generous granting of patents.

3. IB and GVCs

The three papers clustered under the above heading have a GVC dimension, in as much as they highlight failures in upgrading, flag the disconnect between economic and social upgrading and provide a novel conceptualisation of social value creation. The paper by Zaheer Khan, Yong Kyu Lew and Rudolf R. Sinkovics explores inter-organizational linkages and the extent of technology transfer and develops propositions related to the linkages, technology transfer and upgrading of local suppliers in developing economies. The paper finds that even though Pakistani auto supply manufacturers have formed apparently strong linkages (in the form of [international joint ventures] IJVs) with auto multinationals, advanced high-level technology transfer has not actually taken place, due in part to the reluctance of the of the IJV partners to engage in knowledge transfer. The second paper is by Joonkoo Lee and Gary Gereffi. This paper illuminates how GVCs can advance our understanding about MNEs and RP firms and their impact on economic and social upgrading in fragmented and dispersed global production systems. The paper underscores the complicated role of GVCs in shaping economic and social upgrading for emerging economies, RP firms and developing country firms in general. Shifting end markets and the regionalisation of value chains can benefit RP firms by presenting alternative markets for upgrading. Yet, without further upgrading, such benefits may be achieved at the expense of social downgrading. Finally, the ineffectiveness of private standards to achieve social upgrading has led to calls for synergistic governance through the cooperation of private, public and social actors, both global and local. The final paper by Noemi Sinkovics, Rudolf R. Sinkovics, Samia Ferdous Hoque and Laszlo Czaban provides a re-conceptualization of social value creation in terms of the alleviation of social constraints. The re-conceptualization clarifies the notion social value creation in terms of alleviating the "root causes" (and not only the symptoms) of constraints that undermine or prevent social value creation. This clarification is critically important in evaluating the notion of social upgrading in GVC/GPN contexts.

Financial support from the Economic and Social Research Council (ESRC), UK, who funded part of Rudolf Sinkovics' time under the "Rising Powers, Labour Standards and Governance of Global Production Networks" grant [grant number ES/J013234/1] is also gratefully acknowledged.

Acknowledgement

Special thanks go to the editors of *Critical Perspectives on International Business*, Joanne Roberts (University of Southampton, UK) and Christoph Dörrenbächer (Berlin School of Economics & Law, Germany) whose support was instrumental to guide and empower us in the process leading up to this special issue. Furthermore, we are indebted to colleagues who were prepared to invest time and effort to review the papers submitted and work with these through various rounds of revisions. Their contribution has been vital to the development of the papers and to the overall coherence of this special volume. The reviewers are listed in an alphabetical order: Aradhna Aggarwal, Delhi University, IN; Matt Allen, The University of Manchester, UK; Shoham Amir, Temple University, USA; Ziliang Deng, Renmin University of China, CN; Rory Horner, The University of Manchester, UK; Ruey-Jer Bryan Jean, National Chengchi University, TW; Yusuf Kurt, The University of Manchester, UK; Yong Kyu Lew, Sejong University, KR; Andreas Nölke, Goethe University, DE; Chang Hoon Oh, Simon Fraser University, CA; Elfriede Penz, Vienna University of Economics and Business, AT; Tripati Rao, Indian Institute of Management, IN; Christopher Richardson, Universiti Sains Malaysia, MY; Seth Schindler, University of Sheffield, UK; Neelam Singh, Delhi University, IN; Noemi Sinkovics, The University of Manchester, UK; Tina Xu, Hull University, UK; Mo Yamin, The University of Manchester, UK; and Stefan Zagelmeyer, The University of Manchester, UK.

Mo Yamin
Manchester Business School, The University of Manchester, Manchester, UK, and
Rudolf R. Sinkovics
Manchester Business School, The University of Manchester, Manchester, UK and Lappeenranta University of Technology, Lappeenranta, Finland

Note

1. We use the "rising power" terminology rather than the popular "emerging market" and "EMNE" terminology in IB, to connect to the broader political economy discourse (Nadvi, 2014) that is also concerned with developmental outcomes of economic activity.

References

Azmeh, S. and Nadvi, K. (2014), "Asian firms and the restructuring of global value chains", *International Business Review*, Vol. 23 No. 4, pp. 708-717.

Brandt, L. and Thun, E. (2010), "The fight for the middle: upgrading, competition, and industrial development in China", *World Development*, Vol. 38 No. 11, pp. 1555-1574.

Dunning, J.H. (1988), "The eclectic paradigm of international production: a restatement and some possible extensions", *Journal of International Business Studies*, Vol. 19 No. 1, pp. 1-31.

Guillén, M.F. and García-Canal, E. (2009), "The American model of the multinational firm and the 'new' multinationals from emerging economies", *The Academy of Management Perspectives*, Vol. 23 No. 2, pp. 23-35.

Hart, A.F. and Jones, B.D. (2010), "How do rising powers rise?", *Survival: Global Politics and Strategy*, Vol. 52 No. 6, pp. 63-88.

Henderson, J. and Nadvi, K. (2011), "Greater China, the challenges of global production networks and the dynamics of transformation", *Global Networks*, Vol. 11 No. 3, pp. 285-297.

Inter-American Development Bank (IDB) (2014), *Inter-American Development Bank Annual Report 2013: The Year in Review*, Inter-American Development Bank (IDB), available at: http://publications.iadb.org/handle/11319/6422 (20 April 2015).

Luo, Y., Sun, J. and Wang, S.L. (2011), "Emerging economy copycats: capability, environment, and strategy", *The Academy of Management Perspectives*, Vol. 25 No. 2, pp. 37-56.

Nadvi, K. (2014), "'Rising powers' and labour and environmental standards", *Oxford Development Studies*, Vol. 42 No. 2, pp. 137-150.

Narula, R. (2006), "Globalization, new ecologies, new zoologies, and the purported death of the eclectic paradigm", *Asia Pacific Journal of Management*, Vol. 23 No. 2, pp. 143-143.

Ramamurti, R. (2012), "What is really different about emerging market multinationals?", *Global Strategy Journal*, Vol. 2 No. 1, pp. 41-47.

Ramamurti, R. and Singh, J.V. (Eds) (2009), *Emerging Multinationals in Emerging Markets*, Cambridge University Press, Cambridge.

Sinkovics, N., Sinkovics, R.R. and Yamin, M. (2014a), "The role of social value creation in business model formulation at the bottom of the pyramid – implications for MNEs?", *International Business Review*, Vol. 23 No. 4, pp. 692-707.

Sinkovics, R.R., Yamin, M., Nadvi, K. and Zhang, Y.Z. (2014), "Rising powers from emerging markets – the changing face of international business", *International Business Review*, Vol. 23 No. 4, pp. 675-679.

UNCTAD (2013), *World Investment Report 2013 – Global Value Chains and Development: Investment and Value Added Trade in the Global Economy*, United Nations, New York, NY.

Williamson, P.J., Ramamurti, R., Fleury, A.C.C. and Fleury, M.T.L. (2013), *The Competitive Advantage of Emerging Market Multinationals*, Cambridge University Press, Cambridge.

About the guest editors

Mo Yamin is Professor of International Business at the Manchester Business School. He was previously Lecturer in Economics, University of Manchester (1977-1980); Lecturer II/Senior Lecturer in Business Studies, Lancashire Polytechnic (1980-1985); Senior Lecturer in Economics, Nottingham Polytechnic (1985-1991); and Hallsworth Research Fellow, University of Manchester (1990-1991). His current teaching interests are theoretical and empirical aspects of the multinational enterprise. Mo Yamin's research interests are: the organisational nature of the multinational company; the role of subsidiaries in technological innovation; and subsidiary autonomy and the advantage of multinationality. Mo Yamin is a member of the Academy of International Business and the European International Business Academy. www.manchester.ac.uk/research/mo.yamin

Rudolf R. Sinkovics is Professor of International Business at Manchester Business School, UK, where he is Director of CIBER (Comparative and International Business Research Centre) and MBS Director of Research. He previously held a number of visiting scholar positions, including Michigan State University, University of Oklahoma, USA, and at the University of Otago at Dunedin, New Zealand. His research interests are on inter-organisational governance, the role of ICT and research methods in international business. Recent work is geared at rising powers (RPs), emerging markets and drivers of economic change. www.manchester.ac.uk/research/rudolf.sinkovics Rudolf R. Sinkovics is the corresponding author and can be contacted at: rudolf.sinkovics@manchester.ac.uk