ACCELERATED INTERNATIONALISATION BY EMERGING MULTINATIONALS: THE CASE OF THE WHITE GOODS SECTOR

Federico Bonaglia
OECD Development Centre
2, rue André Pascal
75775 Paris Cedex 16
France
Tel. 33 1 4524 9603
Email federico.bonaglia@oecd.org

Andrea Goldstein
OECD Development Centre
2, rue André Pascal
75775 Paris Cedex 16
France
Tel. 33 1 4524 8946
Email andrea.goldstein@oecd.org

John Mathews
Macquarie Graduate School of Management
Sydney NSW 2109
Australia
Tel. 612 9850 6082
Email John.Mathews@mgsm.edu.au

We thank Alice Amsden, Chiara Bentivogli, Simon Chadwick, Marco Cucculelli, Fabrizio Guelpa, Giacinto Micucci, Lucia Piscitello, seminar participants at Banca d'Italia (Rome), Centro Studi Luca D'Agliano (Milano), MIT (Cambridge), OECD Development Centre (Paris), Università Politecnica delle Marche (Ancona), and Wits Business School (Johannesburg), and an anonymous referee for useful comments on earlier drafts. The usual caveats apply. In particular, the opinions expressed are the authors' ones and do not reflect the views of the OECD, the OECD Development Centre and their members.

Abstract

The emergence of a "second wave" of developing-country multinational enterprises (MNEs) in a variety of industries is one of the characterizing features of globalization. These new MNEs did not delay their internationalisation until they were large, as did most of their predecessors, and often become global as a result of direct firm-to-firm contracting. Many *grow large as they internationalise*; conversely, *they internationalise in order to grow large*. This is a striking pattern which, if confirmed, indicates that enterprises from developing countries have pursued *distinctive approaches to internationalisation*. It is a further interesting hypothesis to investigate to what extent such firms, born as suppliers of established incumbents, have leveraged on their "latecomer" status to accelerate their internationalisation.

This paper documents how emerging MNEs may follow quite different patterns to reach, or at least approach, global competitiveness. In particular, it investigates how three latecomer MNEs pursued global growth through accelerated internationalisation combined with strategic and organizational innovation. Haier (China), Mabe (Mexico) and Arçelik (Turkey) emerged as Dragon Multinationals in the large home appliances (so-called "white goods") industry. This is a producer-driven global value chain, characterized by mature technology and rapid delocalization to developing countries, where not only input costs are lower, but demand growth rates are higher – giving a decided latecomer advantage to these MNEs.

Haier, Mabe and Arçelik leveraged their strategic partnership with established MNEs to upgrade their operations, evolving from the production of simple goods, into new product lines developed through their own design, branding and marketing capabilities. The recipe of their success has been the ability to treat global competition as an opportunity to build capabilities, move into more profitable industry segments, and adopt strategies that turn latecomer status into a source of competitive advantage. At the same time, their experiences show that there are many strategies and trajectories for going global.

Accelerated Internationalisation by Emerging Multinationals: The Case of the White Goods Sector

1. *Introduction*

What are the "big questions" in International Business (IB) research? Buckley (2002) initiated a debate on this theme, when he claimed that the research agenda might be running out of steam. He suggested that the IB agenda had moved through three phases in the 20th century, concentrating on new developments observable in the world of international business itself. There was first a focus on foreign direct investment (FDI) and its determinants; followed by a focus on Multinational Enterprises (MNEs) and their rationale and sources of advantage, and since the 1990s a third focus on globalization and its driving influences. Buckley and Ghauri (2004) elaborated on the third topic, suggesting that this might indeed constitute a "big question" that could guide future research. In this paper we take the arguments of Buckley and Ghauri further, and argue that one of the most interesting outcomes of globalization has been the rise of a "second wave" of MNEs from emerging economies, so-called emerging MNEs (EMNEs).

Recent years have indeed seen the rise of a growing number of EMNEs in a variety of industries, from economies as diverse as Brazil, China, Korea, India, Malaysia, Mexico, Russia, Singapore, Taiwan, and Turkey. These firms are part of a "second wave" of developing-country MNEs, after the "first wave" documented by such scholars as Kumar and McLeod (1981), Wells (1983) and Lall (1983). Second-wave MNEs appear to be driven directly by firm-to-firm contracting in a global setting – as would be expected in an epoch of multiplying global interfirm connections that offer more possibilities for firms (even quite small firms) to be drawn into the global economy. Their contemporary internationalisation (in terms of rising ratios of sales, assets, and employment abroad) may be said to be one of the notable outcomes of globalization: just how EMNEs may utilize the multiple connections of the globalized economy to gain a distinctive advantage *vis-à-vis* incumbents, remains a topic to be explored in depth.

What are therefore the factors explaining their success? To what extent is the experience of the still few companies from the developing world that have become MNEs useful (replicable) for other firms struggling to move up the value-added and technology ladder? Our study is designed to provide some answers to these questions. We focus on the EMNEs in the white goods industry – a mature industry where latecomer MNEs might be expected to be able to make their mark through initial Original Equipment Manufacturer (OEM) contracts leading to internationalisation via various kinds of partnerships.[1] We document the rise of Mabe, Arçelik, and Haier (from Mexico, Turkey, and China, respectively), as successful examples of latecomer firms that managed to upgrade their operations, evolving from the production of simple goods, generally as OEM subcontractors, into new product lines developed through their own design, branding and marketing capabilities. One hypothesis to be explored is that these firms did not delay their internationalisation until they were large, as did most of their predecessor MNEs from North America, Europe or Japan. Instead, many of the enterprises from developing countries *grow large as they internationalise*; conversely, *they internationalise in order to grow large*. This is a striking pattern which, if confirmed, indicates that enterprises from developing countries, both those that are still small and those that are growing large, have pursued *distinctive approaches to internationalisation*. It is a further interesting hypothesis to investigate to what extent such firms have made use of the interconnected character of

[1] "White goods" include washing machines, fridges, dishwashers, ovens, and cookers. Major household appliances used outside the kitchen, such as video and audio systems, are known as "brown goods".

the globalizing economy in order to accelerate their internationalisation, through both acquisition and strategic alliances to acquire new brands, technological assets and other sources of competitive advantage that expand and diversify their competence base. In particular, and to the extent that most current internationalising firms from developing countries were born as suppliers of established incumbents, they may have used their arrival as "latecomers" on the global stage (Hobday 1995) to capture advantages associated with being late, such as the new possibilities for linkage and leverage of knowledge and market access available through globalization.[2]

We first present the outlines of a framework for understanding EMNEs' internationalisation process – as grounded in the extensive available literature on FDI and now-incumbent MNEs. We then sketch the main characteristics of the global white goods industry, to highlight how market, technology, and regulation dynamics may be opening up new opportunities for incumbents. A case study approach is used to shed light on the factors explaining the success of the three firms and link such features to the theoretical framework. We conclude with some digressions on the extent to which the experience of these firms is useful (replicable) for other firms struggling to move up the value-added and technology ladder.

We see this study as merely one of many that will have to be conducted, on other industries and with other cases of EMNEs, before the main lines of a new "big question" in IB will be established. But we see these issues as so important, and shedding such interesting light on the wider questions of globalization and industrialization, that we offer the study in the hope that it will indeed spark more interest in this theme and generate a cumulative body of knowledge on the theme.

[2] The "latecomer firm" is a resource-poor firm (both in terms of technology and market access) seeking some connections with the technological and business mainstream (Mathews 2002). For a latecomer perspective on internationalisation of Chinese firms, consistent with our usage, see Child and Rodrigues (2005).

2. *Internationalisation by emergent MNEs*

While the conceptual and theoretical frameworks developed in the IB literature to account for outward FDI and the sustainability of MNEs are well established, the nature of the strategies that these latecomer MNEs have pursued, and their specificity compared to those developed earlier by now-incumbent MNEs, remains a relatively neglected topic (Bartlett and Ghoshal 2000). The ownership/location/internalization theory is squarely based on the experiences of large, predominantly Anglo-American, successful international firms that can easily find the resources and the capabilities to expand internationally if they wish to do so. Dunning (1981; 1988) brought together the advantages that international firms drew from extending their operations abroad, in terms of three characteristics or sources. There was the potential advantage derived from extending their proprietary assets abroad, such as brands or proprietary technologies, bringing greater fire power to bear on their domestic competitors in host markets (the "ownership" advantage). There was the potential advantage of being able to integrate activities across sectors of the world with very different factor costs and resource costs (the "location" advantage). Finally there were the potential advantages derived from building economies of scale and scope through internalizing activities spread across borders that would otherwise be dispersed between numerous firms (the "internalization" advantage).

As contrasted with the case of the so-called Uppsala school (Petersen and Pedersen 1995), the path of expansion is slow and incremental, with frequent loops of experimental learning. When they decide to invest overseas, the new breed of MNEs rarely have at hand resources such as proprietary technology, financial capital, brands, and experienced management. Moreover, for EMNEs the luxury of waiting does not seem to exist anymore as protection at home is eroded by market liberalization, time-to-market is reduced, and production runs must increase continuously to control costs.[3]

Dunning and other adherents to the OLI framework have sought to adapt it to accommodate striking developments such as the rise of international mergers and acquisitions, the rise of international joint ventures and collaborative alliances, and not least the rise of fast expanding “newcomers” that appear to lack all the trappings traditionally associated with the MNE (Dunning 1995; Rugman and Verbeke 2004). Still, the striking feature of internationalisation by latecomer MNEs from emerging economies is that they do not have these OLI advantages to start with. They have to internationalise, in new conditions created by globalization, in order to capture the resources needed. They internationalise in order to build their advantages – a reversal of the traditional perspective. Thus the considerations that apply to international expansion in the pursuit of resources (and customers) not otherwise available can be expected to be quite different from those that apply to expansion which is designed to exploit existing resources.

Utilizing a perspective that focuses on firms’ resources in an international setting (Peng 2001) we adopt an approach to internationalisation that views it as an increasing level of integration within the global economy. We also draw on recent studies, centred on the competence-based theory of the firm, which have argued that the nature of the competence creation process has changed. The emergence of international production networks has favoured a closer integration of the process of capability accumulation, so that the internationalisation strategy becomes heavily intertwined with technological and product diversification strategies (Cantwell and Piscitello, 1999). Analysing how EMNEs master this process can therefore also offer

[3] As Haier's CEO noted, “Margins are low here. If we don’t go outside, we can’t survive,” quoted in “Haier's purpose”, The Economist, 18 March 2004.

interesting insights into the broader debate on the relationship between corporate diversification and internationalisation.

One interesting facet of the internationalisation of EMNEs is in the way that they use and leverage various kinds of strategic and organizational innovations in order to establish a presence in industrial sectors already heavily populated with world-class competitors. In doing so, they benefit from a narrow window of opportunity available to them as latecomers. Firstly, they all internationalise very rapidly – so accelerated internationalisation is a distinctive feature that calls for analysis. Secondly, they have been able to achieve this accelerated internationalisation not through technological innovation, but through organizational innovations that are well adapted to the circumstances of the emergent global economy, providing linkages with incumbents in innovative ways. They have been able to implement these approaches through strategic innovations that enable them to exploit their latecomer and peripheral statuses to advantage (Mathews 2002; 2006). A closely related question is, of course, the sustainability of this process.

Accelerated internationalisation

In both advanced and emerging economies, accelerated internationalisation is a novel feature of the global business economy (Schrader *et al.* 2001). Latecomers in particular internationalise very rapidly, by making use of prior international connections, leveraging their own expansion through making use of these – as in the case of expanding abroad as contractor to an existing MNE, or being carried by a global customer into new markets (Andersen *et al.* 1997). It was as if these firms executed a "gestalt switch" from domestic to multinational (regional, and in very few cases, global) player – even if their actual pattern of internationalisation is incremental.

Thus they benefit from surprise in creating their global presence, equipped as they usually are with a 'geocentric' management perspective (Perlmutter 1969). A firm without this "gestalt switch" sees the international economy in terms of adding one foreign country to its domestic market, then another, and another in incremental expansion. In such a process, a "global perspective" emerges only slowly, if at all. Trade-offs between country operations, and the rotation of product strategies through the most relevant countries, are barely discernible as potential strategies.

Organizational and strategic innovation

Latecomers and newcomers can be expected to adopt a variety of global organizational forms, such as web-like integrated global operations. In most cases they dispense with conventional "international division"-style organization, which demonstrates that they begin their internationalisation already equipped with a global outlook. The effect is that such firms do not tend to suffer from well-known "subsidiary-headquarter" problems of morale and initiative (Andersson and Forsgren 1996). The counterpart to this local responsiveness is the issue of maintaining global coherence and integration. Mathews (2006) documents one of many possible trajectories in building new organizational structures.

As newcomers and latecomers, these firms had to find innovative ways to make space for themselves in markets that were already crowded with very capable firms. Viewed in their own terms, the firms found new ways to complement the strategies of the incumbents through offering contract services, licensing new technologies, and forming joint ventures and strategic alliances. It is plausible that newcomers and latecomers were able to win a place in the emergent global economy through the implementation of these complementary strategies – not on the basis of their existing strengths, but of their capacity to leverage resources from the strengths of others.[4] These internationalisation strategies, designed to enhance firms' resource base rather than to exploit existing assets, represent a fundamental departure in thinking by firms about what "globalizing" means and how it can be accomplished. It takes the firms beyond earlier stages of multinational expansion, characterized by what Perlmutter (1969) described as ethnocentric and polycentric management attitudes, straight to a geocentric strategic perspective. This turns out to be an advantage of being a latecomer or newcomer.

Branding

Nowadays, virtually all consumer products sold by developed country retailers are made entirely or to a significant extent in offshore factories located in developing countries (Feenstra 1998; Gereffi and Sturgeon 2004). Yet, the development of global value chains assigned firms from developing countries a largely supporting-actor role. In the modular production network that characterize consumer durables and capital goods, in particular, lead firms concentrate on the creation, penetration, and defence of markets for end products — and increasingly the provision of services to go with them — while manufacturing capacity is shifted out-of-house to globally-operating turn-key suppliers (Sturgeon 2002). Becoming original design manufacturers (ODMs) and further progressing into original brand manufacturers (OBMs), either through the firm's own efforts or through brand acquisitions from incumbents, is hence the most difficult phase for any latecomer or newcomer MNE. Manufacturing companies demand designers with strong creative skills who are capable of both identifying new ways in which people can interact with technology and strategies to design a creative

[4] This strategy parallels a similar approach to leveraging technological capabilities by latecomers from incumbents, as described in Mathews and Cho (2000).

identity. Although a key challenge for companies from emerging economies, this aspect receives preciously little emphasis in the EMNE literature.

3. The global white goods sector

We focus on this industry for a number of different reasons. The white goods sector (SIC 363) shows common characteristics with other producer-driven global value chains, although relatively few scholars have analyzed it (e.g., Nichols and Cam 2005, Paba 1986, Perona *et al.* 2001). Insofar as it is a mature and global industry, we would expect to see the emergence of EMNEs. Products are relatively similar and simple to produce, although assembling different parts and subsystems requires the combination of knowledge domains ranging from mechanics to electronics and plastic moulding (Sobrero and Roberts 2002). Although environmental and energy savings concerns, as well as the development of wireless technologies and connectivity, are pushing towards convergence with other technologies (domothics), the basic production technology is also mature (Granstand *et al.* 1992; Ferigotti and Figuereido 2005). There is therefore strong pressures to delocalize sourcing and assembly to developing countries where not only input costs are lower, but demand growth rates are higher as ownership of major home appliances is strongly correlated to economic development.

A lesson emerging from leading white goods manufacturers is that success depends on firms' internal resources as much as it does on the collective efficiency of the cluster in which they operate and are embedded (Sori 2005). In fact the choice of off-shoring location is driven not only be demand and costs considerations, but also by the presence of suppliers of specialized components. Outsourcing, once limited to neighbouring firms in the industrial cluster, has expanded geographically, thus creating OEM opportunities for firms in emerging markets. Maytag dishwashers use Chinese motors and Mexican wiring and are assembled in the US. OEMs in developing countries are also producing on behalf of Western OBMs. The processing is now moving further as the world's white goods – and not simply their components – are indeed increasingly being made in emerging markets. Electrolux, which at February 2005 had 27 of its 44 white goods factories in high-cost countries, will switch 13 or 14 of them to low-cost countries over the next four years. Premium brand Miele opened a Czech factory for horizontal-axis top loader washers for the French market. Whirlpool closed its Quebec plant, retrenched staff in Italy, and is moving much of its production from Arkansas to Mexico. Indesit is adding new capacity in Poland and Russia. The biggest Asian players are also building new plants in Central Europe and Russia.

On the other hand, since household appliances are experience goods and reputation matters, brand loyalty is a very important competitive factor in this market (Paba 1986). It acts as an information-based barrier to entry, reduces the amplitude of short-run demand shifts and allows firms to experiment (brand reputation cannot be brushed away by a single product innovation failure). For some products, moreover, consumers are still willing to pay higher prices for goods produced in a specific country.

A major recent change in the industry has been the simplification and standardization of production platforms that allow using standard engineering frameworks to which parts can be added or subtracted (Nichols and Cam 2005). The development of common platforms also allows to speed up product renewal and time to market, which are necessary to avoid price erosion. The introduction of computer aided manufacturing (CAM) and flexible techniques, including just-in-time, have allowed to reduce production costs. These again are technological and organizational innovations of which latecomers, without the prior routines that drag down incumbents, can take advantage, and which help to drive their successful internationalisation. The search for greater efficiency, rather than pure price competition, had a dramatic impact on the plant organization of labor. Flexibility means that a production line can process different models without any special tooling up time or pauses in the production flow. It also implies the minimization of on-process and finished products stocks. Producers and buyers order more frequently in smaller lots and expect to track their shipments so that they can synchronize deliveries with their own production schedules and with a minimum of warehousing. Again we would expect to see latecomers taking full advantage of such tendencies.

Table 1 Competitive orientation of major manufacturers

Global Players	Whirlpool (U.S., 1906), AB Electrolux (Sweden, 1910), General Electric (U.S., 1907)
Global Aspirants	Bosch-Siemens (Germany, 1886), Haier (China, 1984), LG Electronics (Korea, 1958)
Strong Regional Players	Matsushita, Sharp, Toshiba, Hitachi (Japan), Samsung and Daewoo (Korea) in Asia
	Maytag (U.S., 1907) in North America
	Miele (Germany, 1927), Candy (Italy, 1945) and Indesit (Italy, 1958) in Western Europe
Strong Local Players with Some Regional Presence	Arçelik (Turkey, 1955), Mabe (Mexico, 1950), Multibras (Brazil, 1994), Fisher & Paykel (New Zealand, 1934)
Domestic and Niche Players	Sub Zero/Wolf (U.S., 1945), Guangdong Midea Group (China, 1980)

Notes: in parenthesis the approximate year when the company entered into the household appliance industry. *Sources*: Hunger (2003) for the classification, Sori (2005) and company sources.

At the corporate level, the world home appliances industry is still rather fragmented with no single manufacturer commanding more than 10 per cent of the world market. Fragmentation reflects the high incidence of transport costs, persistent differences in consumers' preferences and brand loyalty. The world's top ten manufacturers, ranked by sales, include three US companies, four Japanese ones, and one each from Sweden, Germany, and China (Table 1). Only a few offer the whole product range and are present in all key markets. In fact, only Whirlpool, General

Electric (GE), and AB Electrolux have a global orientation (UNCTAD 2005). Others have a strong regional position or are leaders in specific product niches (often of high quality). While they may not be present on all geographical markets, most manufacturers offer complete or nearly complete lines of major household appliances.

4. *Research methodology*

This study employs a case-study approach, in order to generate a depth of findings that would be unavailable initially in a larger quantitative study. The case study is "a research strategy which focuses on understanding the dynamics present within single settings" (Eisenhardt 1989, p. 534). The process of building theory from case studies is strikingly iterative. One of its strengths is its likelihood of generating novel theory, but this can also lead to weaknesses. The result can be theory which is very rich in detail, but lacks the simplicity of overall perspective and is narrow and idiosyncratic. Data was gathered from face-to-face interviews with Arçelik executives (Istanbul in December 2004 and Bucharest in May 2006), Mabe (Mexico City in August 2005), and three consulting firms working with the companies under examination (Milan in April 2005, Tokyo in July 2005 and Madrid in September 2005).[5] The interviews consisted of open-ended questions gathering views and opinions, as well as factual data-gathering. Specific questions concerned the motivation and pattern of internationalisation, as well as the role of strategic partners and the competences acquired throughout the process. In addition to the primary data, supplementary data was collected from secondary sources such as other published case studies, company brochures, financial newspapers, trade magazines, and other media reports. In what follows we present the three cases in the order of their

[5] In addition, UN-ECLAC kindly provided transcripts of MABE interviews conducted in August 2005.

globalization – from the slowest and longest established, to the most recent and most highly accelerated form of internationalisation.

5. *Mabe, Arçelik, Haier*

Mabe

Mabe was founded in Mexico City by Basque immigrants in 1947 to make metal kitchen cabinets. Today it is one of the leading home appliances manufacturers in Central and Latin America, producing more than 12 million appliances per year, employing about 18,000 employees in 14 factories (ten of which are in Mexico, one in Colombia, one in Ecuador and two in Brazil) and selling products worth about US$2 billion in 70 countries. The company ranks 146th in 2004 in terms of revenue amongst the top 500 Latin American companies and is ranked 66th in Mexico.[6]

Anticipating the opening up of the Mexican economy, in 1987 Mabe signed a joint venture agreement with General Electric (GE). In exchange for a 48 per cent equity share, GE became Mabe's main business partner and largest customer: it contributed the refrigerator component spun off from its joint venture with Grupo Industrial Saltillo, plus US$25 million in cash, and a commitment to provide management training and technological support (Vietorisz 1996). Pursuant to this joint venture agreement, GE licensed trademarks and patents, provided technology and technical advice and distributes Mabe's OEM products in the US, while Mabe retained entire management responsibility. In 1987-88 Mabe rounded out its own major appliance lines (refrigerators and washing machines) by purchasing IEM Westinghouse from government and the entire capacity of the GE-Grupo Industrial

[6] Data come from *AmericaEconomia* and *Expansión*, respectively

Saltillo. As a result of the joint venture, MABE and GE built a stove factory in San Luis de Potosí to serve the US market and an R&D Centre in Queretaro.

Through the 1990s Mabe pursued an internationalisation strategy in Central and South America. Through a series of targeted acquisitions, it gradually established a production base to serve the Andean region. In 1993 Mabe acquired a Venezuelan manufacturer of washing machines and gas ranges (Menaca, subsidiary of Dutch CETECO) and a manufacturer of refrigerators in Colombia (Polarix). The deals were made on behalf of the investors on the Mexican side of the Mabe-GE joint venture, but with a Mabe management contract. In 1995 the expansion into Central and South America continued with the purchase of a ⅔ stake in Durex in Ecuador, of rights to the "Centrales" brand in Colombia, and with the establishment of distribution organizations in Guatemala and Costa Rica. With the aim of better integrating operations across Andean countries, Mabe regrouped its activities into Corporación Mabe Andina, which commands a 70 per cent share of the regional market. With technological and commercial support from GE, MABE replicated in these countries the strategy that led to the leadership at home. Local, well-known brands were kept and the product range completed by expanding production capacity to sell own brand appliances.

NAFTA has driven the growth of Mabe, and of the Mexican home appliances sector, over the past decade. Following the collapse of the Mexican peso in December 1994, Mabe, with strategic advice from GE, quickly accomplished a major substitution of imported components by Mexican-supplied components. Mexican exports of refrigerators jumped from less than US$100 million in 1994 to about US$230 million in 1999. By the early 2000s, more than one-third of all gas ranges and mini-refrigerators sold in the United States were being manufactured in Mabe plants

(Hunger 2003). Mabe and GE claim that their side-by-side refrigerators can be found in one every four American homes.[7]

In 2003 Mabe entered Brazil by buying the CCE refrigerator business and gaining control over GE-DAKO, the joint-venture that GE set up in 1996 with a local stove manufacturer. In 2005, a further acquisition was made in Canada, of Camco, which is intended to increase Mabe's production capacity in North American and enlarge product and brand range. With annual sales of Cn$643 million (US$550 million) in 2004, Camco manufactures clothes dryers and dishwashers under OEM arrangements with various companies including GE, which was its largest shareholder.

Table 2 Milestones for Grupo Mabe

1945	Mabe founded; starts producing kitchen furniture in 1948
1959	Mabe is Mexico's leading exporter of kitchen appliances
1986	Mabe-GE JV formed
1989	Mabe expands production capacity and range (IEM and GE-Grupo Industrial Saltillo)
1990	Mabe-GE opens new stove factory and its R&D Centre in Queretaro
1991	Mabe-Ceteco JV to produce appliances in Venezuela, expanding in 1993 to Colombia (Polarix)
1994	Mabe Sanyo Compressor established
1995	Mabe expands into Brazil and Ecuador (Durex)
1998	Mabe-Fagor JV formed to produce appliances in Argentina
2003	Mabe acquires GE-DAKO in Brazil
2005	Mabe acquires Camco in Canada

In 12 years, since 1986, Mabe was producing through JVs in five external countries, all concentrated in South America, and it continued to build a strong presence in South and Central America, as a regional force. Brands: Mabe, Easy and IEM (Mexico); Regina (Venezuela); Durex (Ecuador); Inresa (Peru); Centrales (Colombia); Dako (Brazil); Patrick-Fagor (Argentina).

Arçelik

Arçelik was founded in 1955 by Vehbi Koç, founder of the eponymous group, to produce metal office furniture. It moved quickly into home appliances, manufacturing Turkey's first washing machine in 1959 and first refrigerator in 1960. By the early 2000s it had seven production plants in Turkey to produce a complete range of home appliances. In 2005 Arçelik produced 7.9 million units and had sales of €3.1 billion, making it the leading firm in Turkey's consumer durables (53 per cent of

[7] GE transferred production of low-margin minibar fridges to China in 2000. Mabe also closed its washing machines plant in Monterrey in 2003 and moved production to San Luís Potosí.

domestic sales and 54 per cent of exports) (UNCTAD 2005b; company annual reports). Its 2005 international sales amounted to €1.2 billion.

Koç Holdings, Turkey's largest multinational, owns 57 per cent of Arçelik shares; another conglomerate, the Burla Group, controls 20%, and the remaining 23% are publicly traded on the Istanbul Stock Exchange.[8]

In the 1980s Arçelik started exporting on an opportunistic basis to neighbouring countries. As Turkey agreed a schedule of phased tariff reductions with the European Community in 1988, exporting gained in importance to counter the increase in imports and make the most of heavy sunk investments in new machinery and equipment. The firm licensed technology from GE and Bosch-Siemens that could be used for domestic production only. An OEM contract in the United States was secured with Sears Roebuck in 1988 to supply refrigerators under the Kenmore name, followed nine years later by a similar, but much larger, European deal with Whirlpool for dishwaters. As a condition of these deals, Arcelik committed not to sell similar products in Europe under own brands. In 1996, 50 per cent of washing machines' exports and 30 per cent of refrigerators' were under OEM contracts.

To get around these contractual restrictions and support its internationalisation, Arçelik started investing in the development of its own technology and brand, as well as the acquisition of foreign ones. Significant investment in R&D in the 1990s led to the development of own appliance designs, often resulting in significant cost reduction with respect to the licensed technologies (Root and Quelch 1997). Following the reorganization of Holding appliance division between 1998 and 2001, the five existing firms were brought together to form Arçelik A.Ş. It was then decided

[8] The holding is controlled by the Koç family; it is an industrial and financial conglomerate consisting of 106 companies, with total assets of US$14.2 billion, consolidated sales of US$16.2 billion, exports of US$5.7 billion, and 62 thousand employees in 2004 (UNCTAD 2005b). The Ramstore chain of supermarkets and retail outlets plays a key role in the group internationalisation strategy.

to export white goods and TV under the Beko brand, since this was already known in major European markets and according to brand managers it conveyed a more 'high tech' image.[9] In light of the different market structure, Arçelik decided to develop as an OBM in the UK and in France, leveraging on the Beko name, while continuing to operate as an OEM in Germany. Sales offices were opened in all such markets in the second half of the 1990s.

The 2000s saw the flowering of Arçelik's internationalisation strategy, aimed at expanding brand portfolio, market penetration and product mix in Europe. A joint venture signed with LG of Korea in 1999, with financial support from the International Finance Corporation (IFC), the private sector arm of the World Bank Group, led to the first air conditioner manufacturing facility in Turkey. Arçelik then bid for Brandt, a French company in receivership. Although it lost to ELCO, an Israeli competitor, building on the failure Arçelik made major purchases of brands in 2002 – Blomberg (a subsidiary of Brandt) in Germany, Elektra Bregenz and Tirolia in Austria, and Leisure (cookers) and Flavel (appliances and TV sets) in Britain. In Romania, Arcelik acquired the refrigerator producer Arctic, invested to modernize the company's operations and expand the product range, and made the subsidiary the largest production site for cool appliances for the EU market. In 2004 Arçelik acquired the brand name Gründig, after the German firm went bankrupt (Beko Elektronik had been an OEM supplier to it previously), In June 2005 it launched the construction of a refrigerator and washing machine plant in Russia, which is expected to yield US$150 million revenues in 2007. The corporate investment program is partly supported by the IFC, which signed a €160 million loan. In 2006, it started exporting dishwashers to China and is considering whether to begin production there.

[9] Beko Elektronik is one of Europe's largest television OEM/OBM producers. The Beko brand was introduced in Turkey in 1956 and used for "brown goods".

Over the last four years the company has doubled its turnover. By 2004, foreign sales represented 44 per cent of total turnover (up from 16 per cent in 1997), and approximately two thirds of sales corresponded to own-brand products (Arçelik 2004). Management has set for 2005 the ambitious goal to become the fifth-largest European producers of white goods and pass the bar of € 3 billion turnover. The strategy is paying off in terms of larger market shares, especially in European countries, which make up 86 per cent of overall international sales.[10]

Table 3 Arcelik milestones

1955	Establishment of Arcelik
1959	Production of first washing machine in Turkey
1960	Production of first refrigerator in Turkey
1988	Start of OEM exporting to US (Kenmore brand for Sears Roebuck)
1991	Establishment of R&D Centre
1997	Start of OEM exporting to Europe (Whirlpool)
1998	Promotion of 6-sigma quality program and reorganisation of KH household appliances division
1999	Arcelik-LG Klima JV established
2000	Adoption of Beko brand for exports
2001	Unsuccessful bid for French Brandt
2002	Acquisitions in EU (Blomberg, Elektra Bregenz, Leisure and Flavel)
2002	Romanian household appliance company Arctic acquired
2005	New Chest freezer production line established at Arctic
2006	New production line in Russia established

Within five years of globalization initiated, in 2000 production established in six countries. Foreign sales account for 44% of total sales. Brands: Arcelik; Beko; Blomberg; Elektrabregenz; Arctic; Leisure; Flavel; Altus.

Haier

Founded (in its present form) in 1984 as the Qingdao Refrigerator Factory (the former name of the company) in Qingdao, a port city south of Beijing, Haier first business was the manufacture of refrigerators based on technology transferred from the Germany company Liebherr.[11] Haier's white goods sales have grown by 70 per

[10] Arcelik/Beko holds a 7 per cent share of the European free-standing appliances market and 5 per cent of the OBM market. Beko products account for approximately ⅔ of Arçelik international sales and are among the top brands in many markets – including the UK (14 per cent share in refrigerators and 7 per cent share in washing machines) and Poland (5 per cent share).

[11] Other than a technology cooperation agreement, which ended in 2001, the connection with Liebherr ended in 1994. Published case studies of Haier include Liu and Li (2002), Muroi (2005) and Crouch and Rodrigues (2005).

cent a year on average over the past two decades to reach US$1.84 billion in 2004 (up from US$583 million in 2000).[12]

Haier's internationalisation strategy constitutes an example of carefully planned market- and asset-seeking growth through FDI. It initially focused on Southeast Asia, with investments in Indonesia, Philippines and Malaysia to produce refrigerators and air conditioners (Liu and Li 2002). In 1999 Haier became the first Chinese company to operate a US manufacturing facility in Camden, South Carolina.[13] From its US$15 million American headquarters in mid-town Manhattan – the 1924 landmark Greenwich Savings Bank Building – Haier also runs a design office, employing another 400 people.

Haier also invested €80 million in Europe in 2001-04. It purchased the 250,000 units per year refrigerator plant belonging to Meneghetti Equipment in Padua, also buying Meneghetti-produced built-in ovens and hobs to market them in China under the Haier brand name. Haier saw this acquisition as providing the opportunity to develop new products from a European manufacturing base. Also in Italy, Haier set up the European headquarter in Varese, at the heart of one of the country's white goods district where Whirlpool and other international companies have large manufacturing facilities. Besides establishing itself in OECD markets, at an earlier stage and at a larger scale than either Mabe or Arçelik, Haier is also present in emerging markets, in Asia and elsewhere. In India, after a disappointing experience in a 30/70 per cent joint venture with tube maker Hotline, Haier already operates two

[12] We use sales data from *Fortune* which refer to the 10 companies listed on the Shanghai Stock Exchange, including Qingdao Haier Electronics Group and Qingdao Haier Refrigerator. The sales figures consist primarily of refrigerators and air conditioners, while televisions, personal computers, mobile phones and other products are excluded. The company is part of a larger diversified group, reporting sales in excess of US$12 billion and overseas sales of US$1.2 billion. Although these are often mentioned in the press, they are not certified. As other Chinese champions, Haier maintains a close relationship with public sector institutions (Wu and Chen 2001; Deng 2004).

[13] In 2006 a US$100 million plan was announced to expand the plant and add 800 jobs, bringing total workforce to 1,000 employees.

leased factories and five showrooms and is planning to open a new factory with a capacity for one million TV units and a R&D centre. In Africa, where Haier billboards are conspicuous in many cities, Haier operates SODINCO in Algeria and has allegedly opened plants in Egypt, Nigeria and South Africa.[14] In 2005, following the establishment of Haier Middle East Trading Company (2001) and of an efficient distribution and after sales service network in the region, a factory was opened in Amman, Jordan, to produce both for the regional market and the EU.

Table 4. Haier milestones

1984	Founded as Qingdao General Refrigerator Factory under new CEO Zhang Ruimin
1991	Haier is China's leading refrigerator producer; Qingdao Refrigerator Factory merged with Qingdao Air Conditioner General Factory
1992	Haier Industrial complex established, Qingdao
1993	Haier begins to produce for foreign MNEs under OEM contracts. JV with Mitsubishi Heavy Industries to produce air-conditioners in China.
1995	JV in Indonesia with local producer of refrigerators and air conditioners
1996	Haier starts manufacturing in Malaysia
1997	JVs in the Philippines, with local company LKG, and Yugoslavia for manufacturing air conditioners; sales of own brand products launched in Germany
1998	JV with Philips of the Netherlands
1999	Establishes manufacturing facility in USA (Camden, North Carolina)
2001	JVs in Pakistan and India (Bengal); Meneghetti acquisition in Italy; establishment of Haier Middle East Trading Company in Jordan (JV with Syrian and Lebanese partners)
2002	Haier-Sanyo created in Japan; manufacturing JVs in Iran and Algeria
2004	Haier recognized as one of world's Top 100 brands (only one from China)
2005	Industrial complex established in Jordan; plants opened in Algeria, Egypt, Nigeria and South Africa

From the beginning of its globalization, in 1995, Haier was active in more than five countries within five years (including USA). According to company sources, by 2005 it had has set up 10 industrial parks worldwide and 22 plants overseas.

Finally, Haier has tried to acquire the US third-largest producer of home appliances in June 2005, in collaboration with US private equity investors. Although the timing of the $1.28 billion bid for Maytag was partly imposed by external circumstances – the company was already in negotiations with other interested investors – it proved rather unfortunate to the extent that it coincided with the attempt by another Chinese company, CNOOC, to buy a US oil producer, Unocal. This deal, which did not materialize eventually in the face of strong political resistance, created

[14] In June 2005, the International Department of the Communist Party of China Central Committee invited politicians from nine African nations to visit the Qingdao offices. After their visit, they promised to become "volunteer spokespersons" for Haier in Africa.

an environment in which even the purchase of an American company in a mature and hardly high-tech sectors such as appliances was seen as worth the attention of security agencies. Maytag was eventually acquired by Whirlpool.

6. *General features of the cases*

How well do Mabe, Arcelik, and Haier fit into the framework of ‘second wave’ MNEs as discussed above? Pretty well indeed. Since the mid-1990s, these three companies have internationalised through exports, built their own resource capabilities, and rapidly expanded internationally through acquisitions of both brands and production operations, as well as greenfield investments. They have also benefited from the great dynamism of the domestic market, although in a context of trade liberalization and decreasing margins. They have succeeded in seizing opportunities available in the global economy to generate linkages with existing players, initially through OEM contracts, and built rapidly on them to establish their own brands and production facilities around the world.

Accelerated internationalisation

To varying degrees, the three firms under study have used participation in global value chains and OEM arrangements to overcome problems of market intelligence and uncertainty regarding the quality of knowledge potentially available. These linkages have provided initial involvement in the global economy.

As noted in the milestones documented above, the earliest founded firm under study, Mabe, took the longest to establish itself internationally. Starting with the joint venture with General Electric in 1986, it took Mabe 12 years to expand to seven countries in Central and South America – but it has not expanded as yet beyond its “natural market”. It is a good example of what Rugman and Verbeke (2001) and Rugman (2000) call “regional MNEs” as compared with global MNEs.

Arçelik embarked on its globalization quest later than Mabe, beginning its OEM phase in 1988 and its full-blown globalization in 2002 with a series of targeted acquisitions and new openings in Europe and Russia to expand its geographical, product and brand range. In 2006 it operated two overseas production plants (Romania and Russia), a design centre in Italy and sold in 101 countries, increasing it share of foreign sales from 16 to 39 per cent (between 1999 and 2005), and being the third largest appliance company in Europe. The strategic target is to reach €6 billion total revenue by 2010, turn Beko into one of the Top 10 global brands in the sector, and control a 2 per cent market share.

The last established firm, Haier has been the fastest to internationalise. It leapfrogged beyond OEM to internationalise through acquisitions and greenfield investments in all regions, starting in Asia in 1995, in the US in 1999 and in Europe in 2001. Within five years of its internationalisation being launched, it was active in five countries (including the US); within ten years, it was actively producing in 22 countries.

Strategic and organizational innovation

The critical starting point for the latecomer is that it is focused on the advantages that can be acquired externally. The three latecomer MNEs have all used resource leveraging innovative strategies to secure access to technologies that would otherwise have been unavailable. Mabe leveraged its knowledge of GE corporate culture to behave like a turnaround specialist at its South American subsidiaries, which in most cases it bought either from GE or from the founding family. Sanyo is

Mabe's other strategic partner in the area of compressors. Another strategic joint venture was launched with Spanish Fagor in 1998 to enter the Argentinean market.

Arçelik has license agreements with Bosch, Sanyo, GE, LG and compressor supplier Tecumesch. It forged a strategic partnership with Ubicom to develop 'digital living' smart appliances and use Internet processors and networking software that enables device-to-device communication. Its partnerships with European firms and exposure to more developed markets than Turkey's, combined with a long-standing focus on skills training and engineering, led to leading-edge products such as refrigerators that won the European Energy+ Award for outstanding energy-efficient products. This is again a characteristic of latecomer MNEs that can leapfrog their slower incumbent rivals to read incipient market signals (in this case, the preference for greener appliances) and adopt leading-edge technologies.

Haier too has leveraged on its strategic partners (Liebherr, Merloni, GK Design, Mitsubishi) and is entering into numerous parallel alliances in order to secure maximum leverage from advanced technologies. It is working with leading providers of wireless technologies (Helicomm, Ericsson, Metalink) and other appliance makers (Sanyo and Samsung) to co-develop home appliances with in-home wireless networking capability communications. In 2005 it inaugurated a joint power laboratory with ON Semiconductor (one of the world's largest suppliers of power management devices) at its own R&D centre which will focus on providing a single, standardized AC mains input voltage platform that can equip all its next-generation products.

All three firms have invested heavily in R&D and innovation. They all operate an R&D and design centre and have successfully introduced substantial process and product upgrading, as witnessed by numerous national and international awards received over the last years and the number of registered patents.[15] In April 2006, Haier became the first Chinese household appliance brand to win the prestigious iF Product Design Awards. R&D investments are also being made abroad. Haier has set up local product-development teams in Tokyo, Germany and the United States to differentiate its line and move up-market. Arçelik has opened a research centre in Italy to strengthen its relationships with Italian specialized suppliers.

In terms of organizational capabilities, the three case firms adopted numerous innovations that have helped to accelerate their globalization. Arçelik, for example, because of the small size and limited capabilities of many local suppliers, displays a higher degree of vertical integration than might be typical in the appliance industry, manufacturing more of its components in-house.[16] Arçelik has also made the commitment to product quality and innovation a cornerstone of its expansion strategy. It has introduced a series of quality improvement programs such as Total Quality Management, tripling production with relatively low investment and the same factory floor layout and achieving good ratings from independent test institutes.[17] Modern quality and human resource management practice have also been rapidly introduced at the Romanian affiliate, which was granted Total Productive Maintenance (TPM) certification in 2006.

[15] The total number of registered patents as of May 2006 was: Arçelik (8 in US, 51 in Europe), Mabe (3 in US), Haier (30 in US and 3 in Europe). Source: USPTO (http://www.uspto.gov/patft), and European Patent Office (www.ep.espacenet.com), accessed on 8 June 2006.

[16] The Çayırova plant houses a dedicated tool shop, staffed with 17 CAD/CAM design specialists and 33 operators, serving all other plants, which also contributes to appliance designs. The product development department employs 70 engineers and technicians, some of whom came from Bloomberg (Appliance 2005).

[17] In 1992 management decided to approach Total Quality Management globally and systematically and do its first self-evaluation according to the Malcolm Baldridge model. Systematic total quality operations (6 Sigma) and three-year product guarantees were introduced in 1998, when Arçelik first qualified as a finalist in the National Quality Award.

Mabe too is utilizing the most advanced management techniques to boost its latecomer advantages. It characterizes itself as a “low profile, but pragmatic firm”, which implemented a “learning by doing” (“aprendizaje en acción”) strategy in searching and chasing opportunities for growth, through rapid organizational changes to better adapt to evolving market conditions. Instead of following an incremental pattern, moving from pure trading to distribution and finally to direct investment, Mabe decided to form a group of managers capable of identifying appropriate targets and then buying and managing them. Adoption of modern ICT and training of personnel is considered a priority and, according to company sources, each worker is entitled to at least three weeks of training per year. Senior management maintains that investment in human resource development is a key driver for rapid growth in foreign markets. In Mabe Andina, 5 per cent of working hours correspond to training and skills acquisition. Similar to Arçelik, Mabe has also invested heavily in after-sales service support as this is seen as a key determinant of purchasing decisions for low-income groups. Mabe also contracted one of the leading US providers of dynamic value chain management solutions (i2 Technologies) to develop and implement its eBusiness strategy and optimize supply chain management from manufacturing to distribution, marketing, sales and delivery. Serviplus, the product service division, is expanding to provide after-sales support service to customers in all countries where Mabe products are sold (in the US after-sales support to customers is provided by GE).

Likewise Haier has engaged in global consolidation of its operations, employing a strong and unifying geocentric perspective that has enabled it to capture advantages from its global reach and coordination, such as in logistics. The company had been a heavy and early user of ICT. An Enterprise Informatization Development Plan was formulated in 1992, the enterprise Intranet and Extranet launched in 1997 and by 2000 all raw materials purchases were on the Internet. The personal imprinting of CEO Zhang Ruimin on Haier was a distinctive feature of the company's early trajectory. His "militaristic" style of management is legendary: he once ordered the smashing of 76 faulty refrigerators with a sledgehammer – now preserved for its symbolism in the company's museum. From that day, 'quality supreme and sincerity forever' became the company slogan and has become a core value on which the company's new routines are formed. In the mid-1990s Zhang introduced the vision to turn Haier into one of the world's top three home appliance manufacturers. To unleash the entrepreneurial energies of the workforce and compete on the basis of knowledge, he constructed so-called "accountability chains" from the market directly into those corporate services that typically never see the customer or feel the market forces, and has developed its "OEC management-control system"[18]. Starting in 2002, Haier has focused on making every employee a strategic business unit: each employee is an independent profit centre with the responsibility to make profit: (Lin, 2005). Haier has an extensive distribution and service network throughout China and uses this to gather data on customers. The company's repairmen, for example, discovered that customers in rural areas used their washing machines not only to launder clothes, but to clean vegetables as well. The repairmen relayed this information to the product managers, who asked engineers to make tweaks to existing products, such as installing wider drain pipes that would not clog with vegetable peels. Haier then affixed large stickers on the modified washers, with instructions on how to wash vegetables safely using the machine. This innovation and others (including a washing machine optimized to make goats' milk cheese) helped Haier to win market

[18] In the acronym OEC, "O" stands for Overall; "E" for Everyone, Everything, and Everyday; "C" for Control and Clear (Lin, 2005). Every employee has to accomplish the target work every day with a 1% increase over what was done the previous day. Every Saturday, the best 80 managers are sent to training courses at Haier University, the company-run executive education arm for its managers, conducted either by CEO or President.

leadership in China's rural provinces, while avoiding the cut-throat price wars that plagued the country's appliance industry.[19]

Building global brands

As we argued before, the governance of the white goods industry presents opportunities and challenges to EMNEs. If mature technology, supply chain fragmentation and differences in the growth rates of domestic markets all sustain the internationalisation of developing country firms, they may still hard to acquire and/or develop brand reputation and consumers' loyalty. Moreover, despite on-going M&As and consolidation, the big players have been in the business for more than 50 years (Table 1). Over this period they have built strong brands, acquired those of competitors, and established trust relationships with retailers. What is therefore interesting in the case studies is the strategic use that the three EMNEs have made of both acquisitions and linkages with global economy to build such hard-won reputation. This aspect receives preciously little emphasis in the literature on EMNEs. It is possible to identify three mechanisms. First, acquisitions of Western brands, such as was the case of Arcelik/Beko with Blomberg and Gründig (and would have been the case with Maytag had Haier managed to buy it). Such moves can probably work only when the buyers know how to manage a brand identity –Arçelik for example has consistently been ranked Turkey's most widely known brand by AC Nielsen surveys, while Haier is the most valuable brand in China according to a *Financial Times* 2005 special survey.

[19] Haier's approach to living with its customers has worked surprisingly well abroad, too. In the US, for example, product designers visited the rooms of students put to observe how the undergraduates used their refrigerators (Sull and Ruelas-Gossi 2004). They discovered that, in cramped dormitory rooms, students put boards across two refrigerators to create a make-shift desk. Haier responded by developing a model with a fold-out table, which enabled the coolers to double as desks. The new product was a hit.

Second, the three companies have supported this brand-building endeavour through long-term relationships with OECD-based specialists and the pairings seem to depend on the degree of psychic distance. In 2002 Arçelik adopted a new logo designed by the same American corporate graphic studio which had created the Koç Holding logo in 1987, and introduced the popular Çelik character, a technology spokesperson (Enberker and Ergin 2003). The objective was to signal the transformation of the company into a serious player in a global industry hitherto dominated by Western firms and in which Arçelik wished to compete on the basis of high technology and innovation, as opposed to low labour costs. In its quest to become Latin America's predominant white goods company, Mabe turned to the Madrid office of Wolff Olins, now the independent Saffron (in which Wally Olins is a partner, along with Jacob Benbunan) in 1995. The goal was to express a fresher, stronger brand presence, both in the category and as a corporation. Saffron replaced Mabe's muted red swoosh-mark, reminiscent of Samsung's oval (but not as strong), with a confident, simpler logo it calls "congenial". Beyond the logo, Saffron provided a visual system of bright Mexican colours, patterns and icons to create an appealing corporate personality "imbued with a bright sense of humour". Mabe is now aggressively targeting the premium segment with new, more appealing products. Haier chose a Japanese firm, GK Design – over, for instance, an American one – because of cultural affinity, although interviews with the former suggests that the latter's ambition to grow rapidly put strains on the relationship, as the haste may imperil attention to factors that GK Design considers important.[20]

Third, at least two of the firms have chosen sports as the focus of its global marketing effort, a strategy that also characterizes other EMNEs such as Emirates,

[20] Interview in Tokyo, 15 July 2005.

BenQ, or Lenovo. Haier entered in 2006 a marketing partnership with the US National Basketball Association and also sponsors soccer teams in Europe; as Turkey's strongest volley team, Arçelik competes in the European Champions League Men sponsored by Indesit. EMNEs have enthusiastically endorsed this advertising strategy, which seems to be perceived as quicker and more effective channel in overcoming cultural barriers and adding a bit of passion to the company's image, for at least three reasons. Sponsorship offers them a quick and easy way to raise brand awareness and enhance brand recall. Moreover, the exclusive partnership approach provided by sports governing bodies and other commercial partners confers upon them "image transfer" (i.e. acquiring the values of the commercial partners) and other benefits of association (e.g. access to distribution channels). Success in bidding for international sponsorship contracts can also signal competence, availability of resources and market power.[21]

[21] Although prima facie sports sponsoring seems a high-return investment in terms of awareness raising, it is a complex and challenging undertaking, often undermined by weaknesses and failures and the impact of which is only likely to be optimal when it is used in conjunction with other marketing communications (Chadwick and Thwaites 2005). Still, sports sponsoring is a form of leap-frogging insofar as it has certain 'propulsive properties' that enables companies to generate instant attention.

7. *Conclusions*

This paper has presented the experience of three latecomer firms which have established themselves as key regional players, in one case with global ambitions. As in the successful cases documented by Bartlett and Ghoshal (2000), the recipe of their success has been the ability to treat global competition as an opportunity to build capabilities, move into more profitable industry segments, and adopt strategies that turn latecomer status into a source of competitive advantage. Internationalising firms from developing countries are pursuing strategies that enable them to catch-up with established players, through leveraging off their latecomer advantages and strategic partnerships with market leaders. As competition intensifies and raw material prices go up, OEM white goods producers see their profit margins squeezed and cannot rely anymore on price-cutting and fast-paced expansion. This puts additional pressure to create new sources of competitive advantage, through investments in innovation, industrial design and branding, and acquisition of technology and brands overseas. Two of the EMNEs considered have established R&D or design centres in more advanced economies – although some are simply ‘listening posts’ – to benefit from the cutting-edge knowledge.

To what extent are these experiences completely new? Although the experience of Italian producers in the 1980s as emergent MNEs suggests that history is repeating itself (Sori 2005; Cam and Sugur 2005), there are differences in terms of speed.

- Arçelik has remained relatively focused on white goods, despite leveraging the membership in Turkey’s largest diversified conglomerate. Its internationalisation strategy has been two pronged – buying established brands in “old” Europe and adding manufacturing capacity in "new" Europe. It has also invested heavily in manufacturing, organizational excellence, R&D, innovation and quality.

- Haier has built up an impressive variety of product lines and varieties, a choice that can be explained by the fact that China remains a poor country with weak infrastructures and institutions. Vertical integration is therefore an apt strategy to offset the lack of some key markets and associated sunk costs can be better recovered by expanding product range. Although Haier has started investing overseas at an early corporate age, it still relies heavily on foreign components and technology.

- Mabe has made the most of geographical and "psychic" contiguity with the United States, partnering with one of its most celebrated enterprises, General Electric, and building in the process the necessary skills to expand at a later stage beyond the Mexico market and into South America. The key issue here is scale and capacity to rapidly develop new products as demand starts to grow and become more differentiated. Mabe has been able to interpret the Latin American *gusto*, while at the same time producing stoves to US taste.

The more the world economy becomes interconnected, the greater the pressures on firms to internationalise. Today firms internationalise in order to enhance their competitiveness, such as through attracting global customers. The insights generated are suggestive of trends that make it more plausible to argue that globalization is being driven not just by the giant incumbent firms (Nolan *et al.* 2002) but also by emerging firms internationalising from the periphery which capture competitive space from incumbents because of their ability to exploit the linkages available through globalization and developing a culture of continual cross-border learning and value-addition (Bartlett and Ghoshal 2000). The giants are still very much tied to a "home base" and to date have demonstrated little appetite for engaging in truly "global" competition. By contrast, newcomers and latecomers – the MNEs from the developing world – are more likely to be global in their outlook and their strategy and organization. This is giving them rapidly acquired advantages over slower-moving and less-focused incumbents – even in markets that have traditionally been viewed as "global".

What are the implications for other OEM firms which aim to upgrade to OBM status? What lessons can be learned? If firms from emerging, transition, and developing economies are to grow and enhance their profitability, they will need to vie for the role of first-tier suppliers for lead firms, to operate on a global scale, and, in certain instances, to co-locate plants near the facilities of lead assemblers. Developing research and original design capability can further strengthen competitiveness, enable firms to take responsibility for entire modules, and eventually make a transition to OBM on a regional or global scale. The major risks are related to overstretching, both geographically and functionally, especially in view of the well-documented difficulties that Japanese and Korean investors have had in the past in operating multi-country production operations (e.g., Encarnation 1999 and Sachwald 2002).[22]

If the story we tell is accurate, is it also replicable? The white goods sector is a mature industry. Although OECD-based MNEs retain the lead in production and innovation activities, countries and firms from the periphery are increasingly involved in production of appliances, and not merely of their components. Moreover, demand growth is much higher in emerging markets than in industrialized countries. Leaders

[22] Industrial relations seem to be another area where cultural differences can become a barrier for latecomer MNEs in more advanced countries. Arçelik lost its bid for Brandt mainly because its industrial plan envisaged a larger scale retrenchment than its rival. At Haier, humiliation and ritual embarrassment grew to a company tradition and technique to boost productivity that managers could not transplant to foreign factories in US and Italy.

in the white goods industry have prospered by achieving economies of scale, better control of distribution channels and rather simple innovation. Facing declining prices, they are re-strategizing, investing heavily in R&D and innovation.[23] Still, in other markets that have traditionally been domestic-oriented, like steel and cement, the peripheral firms are demonstrating how advantages can be secured through globalized operations and service.

As EMNEs now start to invest in other developing countries, the impact of their behaviours on the host economies becomes by itself worth of additional research. What upwards and downwards linkages do they establish? How effective are they proving as instigators of changes? Is there any notable difference in their behaviours compared to those of traditional OECD MNEs that can back the claim that South-South investment is "development-friendly"? What are the implications for domestic firms in the home country, in terms of adoption of best practice technology and organisation structure? These are interesting, though under researched questions, which we trust will be explored future research by other scholars as well as by ourselves – all contributing to making the emergence of latecomer MNEs one of the challenging "big questions" for IB research.

[23] Whirlpool is a case in point ("Creativity Overflowing", *Business Week*, 8 May 2006).

References

Andersen, P.H., Blenker, P. and Christensen, P.R. (1997) 'Generic routes to subcontractors' internationalisation', in I. Bjorkman and M. Forsgren (eds.) *The Nature of the International Firm,* Copenhagen Business School Press: Copenhagen.

Bartlett, C.A. and Ghoshal, S. (2000) 'Going Global Lessons from Late Movers', *Harvard Business Review*, **78**: 133-142.

Berrondo Avalos, L. (1999) 'On Teams and Industry Competitiveness', interview with H. Lane, M. Brehm Brechu and David T. A. Wesley, *Academy of Management Executive*, **13**: 8-10.

Buckley, P. (2002) 'Is the International Business research agenda running out of steam?' *Journal of International Business Studies*, **33**: 365-373.

Buckley, P. and Ghauri, P.N. (2004), 'Globalisation, economic geography and the strategy of multinational enterprises', *Journal of International Business Studies*, **35**: 81-98.

Cantwell, J.A. and Piscitello, L. (1999), 'The Emergence of Corporate International Networks for the Accumulation of Dispersed Technological Capabilities', *Management International Review*, **39**: 123-147.

Chadwick, S. and Thwaites, D. (2005), 'Managing sport sponsorship programmes: lessons from a critical assessment of English soccer', *Journal of Advertising Research*, **45**: 328-338.

Chen, J.C.H., Lin, B. Li, L. and Chen, P.S. (2004), 'Logistics management in China: A case study of Haier', *Human Systems Management*, **23**, 15-27.

Child, J. and Rodrigues, S.B. (2005) 'The internationalisation of Chinese firms: A case for theoretical extension?', *Management and Organization Review*, **1**: 381-418.

Deng, P. (2004) 'Outward investment by Chinese MNCs: Motivations and implications', *Business Horizons*, **47**: 8-16.

Dunning, J.H. (1981) *The Eclectic Theory of the MNC.*, Allen & Unwin: London.

Dunning, J.H. (1988) 'The eclectic paradigm of international production: A restatement and some possible extensions', *Journal of International Business Studies*, **19**: 1-31.

Dunning, J.H. (1995) 'Reappraising the eclectic paradigm in an age of alliance capitalism', *Journal of International Business Studies*, **26**: 461-491.

Enberker, P. and Ergin, V. (2003) 'Building a New Corporate Image at Arçelik', case, Boğaziçi University.

Encarnation, D.J. (ed.) (1999) *Japanese Multinationals in Asia. Regional Operations in Comparative Perspective*, Oxford UP: Oxford.

Ferigotti, C. and Figuereido, P. (2005) 'Managing Learning in the Refrigerator Industry: Evidence from a Firm-Level Study in Brazil', *Innovation: Management, Policy & Practice*, **7**: 222-238.

Fischer, W.A., Li, L. and Ge, J. (2000) 'Building market chains at Haier', Teaching Note IMD-3-0939-T.

Gereffi, G. and Sturgeon T.J. (2004) 'Globalization, Employment, and Economic Development: A Briefing Paper', *MIT IPC Working Paper*, No. 04-006.

Gereffi, G., Humphrey J. and Sturgeon T.J. (2005), 'The Governance of Global Value Chains', *Review of International Political Economy*, **12**: 78-104.

Granstand, Ove, Bohlin, E., Oskarson, C. and Sjoberg, N. (1992) ‘External Technology Acquisition in large Multi-technology Companies’, *R&D Management*, **22**: 111-133.

Huchet, J-F. (1999) ‘Concentration et émergence des groupes dans l’industrie chinoise’, *Perspectives chinoises*, **52**.

Hunger, J.D. (2003) ‘U.S. Major Home Appliance Industry in 2002: Competition Becomes Global’, in T. Wheelen and J. Hunger (eds.), *Strategic Management and Business Policy*, Prentice Hall: Upper Saddle River, NJ.

Johanson, J. and Vahlne, J.-E. (1977) ‘The internationalisation process of the firm: A model of knowledge development and increasing foreign market commitment’, *Journal of International Business Studies*, **8**: 23-32.

Kumar, K. and McLeod, M.G. (eds) (1981) *Multinationals from Developing Countries*, Lexington Books: Lexington, MA.

Lall, S. (1983) *The New Multinationals: The Spread of Third World Enterprises*, Wiley: Chichester.

Lee, B.-H. (2001) *FDI from Developing Countries: A Vector for Trade and Development,* OECD Development Centre: Paris.

Lin, T. L. (2005) ‘Control System Helps China Haier Group Achieve Competitive Advantage’, *Management Accounting Quarterly*, **6**: 1-11.

Liu, H. and Li, K. (2002) ‘Strategic implications of emerging Chinese Multinationals: The Haier case study’, *European Management Journal*, **20**: 699-706.

Liu, X., Buck, T. and Shu, C. (2005) ‘Chinese economic development, the next stage: Outward FDI?’, *International Business Review*, **14**: 97-115.

Mathews, J.A. (2002) *Dragon Multinationals: A New Model of Global Growth,* Oxford University Press: New York.

Mathews, J.A. (2006) ‘Dragon multinationals: New players in 21st century globalization’, *Asia Pacific Journal of Management*, **23**: 5-27.

Mathews, J.A. and Cho, D.S. (2000) *Tiger Technology: The Creation of a Semiconductor Industry in East Asia*, Cambridge University Press: Cambridge.

Memedovic, O. (2005) *Global Value Chains and Production Networks*, UNIDO: Vienna.

Muroi, H. (2005) ‘The Haier Electronics Group of China’, Japan Center of Economic Research, *Researcher Report*, No. 62.

Nichols, T. and Cam S. (eds.) (2005) *Labour in a Global World: Case Studies from the White Goods Industry in Africa, South America, East Asia and Europe*, Palgrave Macmillan: London.

Nichols, T. and Sugur N. (2004) *Global Management, Local Labour: Turkish Workers and Modern Industry*.

Nichols, T., Sugur, N. and Demir, E. (2002) ‘Globalised management and local labour: the case of the white-goods industry in Turkey’, *Industrial Relations Journal*, **33**: 68-85.

Nolan, P., Sutherland, D. and Zhang, J. (2002) ‘The challenge of the global business revolution’, *Contributions to Political Economy*, **21**: 91-110.

OECD (1997) *Globalisation and Small and Medium Enterprises*, OECD: Paris.

Ozkan, S. (2003) ‘More global than ever, as local as always: internationalisation and shop-floor transformation at Oyak-Renault and Tofas-FIAT in Turkey’, *mimeo*, University of Wisconsin-Madison, Industrial Relations Research Institute.

Paba, S. (1986) ‘‘Brand-naming’ as an Entry Strategy in the White Goods Industry’, *Cambridge Journal of Economics*, **10**: 305-18.

Paine, L.S., Hogan Jr., H.F. Jr., and Benqing Gui, J. (1999) ‘Haier Hefei Electronics Co. (A)’, *Harvard Business School Case*, No. 9-300-070.

Palepu, K., Khanna, T. and Vargas, I. (2005), ‘Haier: Taking a Chinese Company Global’, *Harvard Business School Case*, No. 2-706-401.

Peng, M. (2001) ‘The Resource-Based View and International Business’, *Journal of Management*, **27**: 803-829.

Perlmutter, H.V. (1969) ‘The tortuous evolution of the Multinational Corporation’, *Columbia Journal of World Business*, **4**: 9-18.

Petersen, B. and Pedersen, T. (1995) ‘Twenty years after – support and critique of the Uppsala Internationalisation Model’, in I. Bjorkman and M. Forsgren (eds.) *The Nature of the International Firm*, Copenhagen Business School Press: Copenhagen.

Rugman, A.M. (2000) *The End of Globalization*. London: Random House and New York: Amacom.

Rugman, A.M. and Verbeke, A. (2001) ‘Location, competitiveness and the Multinational Enterprise’, in A.M. Rugman and T. Brower (eds), *The Oxford Handbook of International Business*, Oxford University Press: Oxford.

Root, R. and Quelch, J. (1997) ‘Koç Holding: Arçelik White Goods’, *Harvard Business School Case*, No. 9-598-033.

Sachwald, F. (ed.) (2001) *Going Multinational: The Korean Experience of Direct Investment*, Routledge: Oxford.

Shrader, R.C., Oviatt, B.M. and McDougall, P.P. (2001) ‘How new ventures exploit trade-offs among international risk factors: Lessons for the accelerated internationalisation of the 21st century’, *Academy of Management Journal*, **43**: 1227-1247.

Sobrero, M. (1994) ‘The Co-Evolution of Technology and Structures: The European Major Home Appliance Industry, 1945-1992’, WP Sloan School.

Sobrero, M. and Roberts, E.B. (2002) ‘Strategic Management of Supplier-manufacturer Relations in New Product Development’, *Research Policy*, **31**: 159-182.

Sori, E. (2005), *Merloni. Da Fabriano al mondo*, EGEA: Milan.

Sturgeon, T.J. (2002), ‘Modular Production Networks: A New American Model of Industrial Organization’, *Industrial and Corporate Change*, **11**: 451-496.

Sull, D.N. and Ruelas-Gossi, A. (2004) ‘The art of innovating on a shoestring’, *Financial Times*, 24 September.

UNCTAD (2005a) *World Investment Report*, United Nations: Geneva.

UNCTAD (2005b) ‘Turkish outward FDI,’ *mimeo*, prepared for Experts Meeting, Geneva. December.

UNCTAD (2005c) ‘Chinese outward FDI,’ *mimeo*, prepared for Experts meeting, Geneva, December.

UNCTAD (2005d) ‘Case study on outward FDI by Mexican enterprises, prepared for Experts meeting, Geneva, December.

Vietorisz, T. (1996) ‘Transcultural Foundations of Success in Joint Ventures: The Best-Practice Case of MABE-GE’, Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies, *Working Paper*, No. 96-12.

Wells, L. (1983) *Third World Multinationals: The Role of Foreign Direct Investment from Developing Countries*, MIT Press: Cambridge, MA.

Wu, H.-L. and Chen, C.-H. (2001) 'An assessment of outward FDI from China's transitional economy', *Europe-Asia Studies*, **53**: 1235-1254.

Zhang, R. (2005) 'Haier, Already a Success, Aims Higher', interview with M. Useem and M.W. Meyer, http://knowledge2.wharton.com.cn.