WHAT'S THEORETICALLY NOVEL ABOUT EMERGING MARKET MULTINATIONALS?

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Abstract: We review the classic theory of the MNE and attempts to use it to understand the internationalization of firms from emerging markets. We offer two criteria to determine whether EMNEs modify classic theory or not: (1) establishing appropriate theoretical reference points and (2) distinguishing between theoretical constructs and empirical variables. We suggest that the literature can benefit from moving beyond comparing EMNEs to DMNEs and focusing instead on more fruitful issues. Specifically, emerging markets offer the opportunity to observe the origin of the capabilities of MNEs in general and the development of the institutional ecosystem that supports internationalization.

We congratulate the authors of Buckley, Clegg, Cross, Liu, Voss, and Zheng (2007) for winning the JIBS decade award. Their paper represents one of the first large-sample empirical studies of foreign direct investment (FDI) by firms from emerging markets. In the decade since Buckley et al. (2007), the rise of a handful of large emerging markets, coupled with increased data availability, has led to an explosion of research on emerging market multinational enterprises (EMNEs). The core question asked by Buckley et al. (2007), whether the internationalization of EMNEs challenges what we know from studying developed market multinational enterprises (DMNEs), continues to be hotly debated.

Our goal in this commentary is to assess and redirect the EMNE vs. DMNE literature. While we do not expect to resolve the variety of opinions on the subject in just a few pages, we offer three considerations that can help establish criteria by which to evaluate past research and determine where the research agenda should go from here. The first consideration is to set appropriate theoretical reference points when comparing the EMNE phenomenon to classic theory. The second is to distinguish between theoretical constructs and empirical variables when making claims about classic theory needing modification. The third is to move beyond comparing EMNEs to DMNEs, and instead to focus on understanding the genesis and evolution of MNEs' capabilities in general and of the institutional ecosystem that supports foreign expansion. To properly ground our three considerations, we begin by summarizing the classic theory of the MNE and categorizing research that compares EMNEs to DMNEs. We categorize prior work according to whether it claims that classic theory requires no changes, that it should incorporate certain boundary conditions, that some of its basic assumptions require modification, or that it should be discarded altogether. With that grounding in extant research, we develop our three considerations in the second half of the paper.

THE CLASSIC THEORY OF THE MULTINATIONAL FIRM: THE COASE-HYMER-VERNON-BUCKLEY-CASSON PARADIGM

According to neoclassical economic theory, the firm is an anomaly, and the MNE even more so. In this view, firms are mere production functions. It took many years of theorizing to persuade mainstream economists that firms should be conceptualized as mechanisms that internalize market imperfections (Coase, 1937; Williamson, 1985). Multinational firms were also seen as mechanisms to address imperfections (Hymer, 1960). In essence, these firms exist because certain economic conditions make it possible for a firm to profitably undertake production of a good or service in a foreign location. It is important to distinguish between vertical and horizontal foreign expansion to fully understand the basic economic principles that underlie the activities of MNEs (Caves, 1996). Vertical expansion occurs when a firm locates assets or employees in a foreign country with the purpose of securing the production of a raw material or input (backward vertical expansion) or the distribution and sale of a good or service (forward vertical expansion). For an MNE to vertically expand, there must exist a comparative advantage in the foreign location from the MNE’s perspective. The advantage typically has to do with the prices or productivities of production factors such as capital, labor, or land. For instance, a clothing firm may consider production abroad to take advantage of lower labor costs.

But the mere existence of a comparative advantage in a foreign location does not mean that the firm ought to vertically internalize that activity. After all, the firm may benefit from the comparative advantage in the foreign location simply by asking a local producer to become its supplier. To justify direct investment, there must be powerful reasons to undertake foreign production rather than rely on others to do the job. According to transaction cost theory, the main two reasons for this are uncertainty and asset specificity. If uncertainty is high, the firm will integrate backward into the foreign location to make sure that the supply chain functions smoothly and that delivery timetables are met. If asset specificity is high, the firm will expand backward in order to avoid the "hold-up" problem (i.e., opportunistic behavior on the part of the foreign supplier trying to extract rents from the firm). These necessary and sufficient conditions also apply in the case of forward vertical expansion into a foreign location. Uncertainty and asset specificity with a foreign distributor, for example, would compel the firm to take things in its own hands and invest in the foreign location in order to make sure that the goods or services reach the buyer in the appropriate way and at the appropriate price (Buckley & Casson, 1976).

Horizontal expansion occurs when the firm sets up a plant or service delivery facility in a foreign location with the goal of selling in that market without abandoning production of the good or service in its home country. The decision to engage in horizontal expansion is driven by forces different than those for vertical expansion; a point that many managers tend to forget. Production of a good or service in a foreign market is desirable in the presence of protectionist barriers, high transportation costs, unfavorable currency exchange rate shifts, or requirements for local adaptation to the peculiarities of local demand that make exporting from the home country unfeasible or unprofitable. Like in the case of vertical expansion, these obstacles are a necessary but insufficient condition for horizontal expansion. The firm should also investigate the relative merits of licensing a local producer in the foreign market before committing to a foreign investment. A sufficient condition for setting up a proprietary plant or service facility has to do with the possession of intangible assets—brands, technology, know-how, and other firm-specific skills—that makes licensing a risky option because the licensee might misappropriate, damage, or otherwise misuse the firm's assets (Buckley and Casson, 1976).

Horizontal and vertical investments map onto Dunning's (1993) well-known classification. Market-seeking investments are horizontal investments, while both efficiency-seeking and natural resource-seeking investments are vertical in nature. Another important type of foreign investment involves the attempt to access intangible assets such as brands or technology. These "asset-seeking" investments are a prime motivation for both DMNEs and EMNEs.

In addition to these basic insights about the emergence of multinational firms, three aspects of multinational firm activity deserve attention according to classic theories. First, FDI is driven by oligopolistic behavior as firms in concentrated industries follow each other into foreign markets (Hymer, 1960; Knickerbocker, 1973). Second, the process of foreign expansion is often driven by product life-cycle dynamics: the firm develops a novel product at home, moves abroad after the home market is saturated, and then expands into increasingly less advanced markets relative to the home country (Vernon, 1966). Third, firms escalate their investments incrementally, as they cope with and learn about differences across markets, moving from more to less similar markets over time (Johanson & Vahlne, 1977; Vernon, 1966).

ARE EMERGING-MARKET MULTINATIONALS DIFFERENT?

The classic theory of the multinational firm was originally formulated from observations of companies originating from the most developed parts of the world. These firms tended to possess intangible assets such as brands and technology, which enabled them to overpower competitors worldwide. In the late 1970s and early 1980s, scholars started to note that firms from developing countries were also making investments in other countries, and not necessarily in economies at similar or lower levels of development (Lall, 1983; Wells, 1983). This process of "reverse foreign investment" posed some problems for the classic theory of the multinational firm. The most recent wave of investments by Latin American, Asian, and Middle Eastern companies in various countries around the world has once again brought these issues to light, given that many of these firms appear to lack the intangible assets generally associated with traditional multinational firms, and exhibit peculiar ownership, governance, and organizational structures (Guillén & García-Canal, 2009).

The issue is whether the classic paradigm: (1) can successfully account for this new phenomenon without modification; (2) needs to be revised by incorporating boundary conditions that speak to the peculiarities of emerging economies and firms; (3) has to be modified in terms of its underlying assumptions; or (4) should be abandoned in favor of a new paradigm. We offer examples of studies that consider these four possibilities, with a focus on the implications of Buckley et al. (2007) for each and on research from the decade since the award-winning study. We emphasize that we do *not* offer a comprehensive literature review because other works have already done so (Hennart, 2012; Ramamurti, 2012; Ramamurti & Singh, 2009). Our purpose is to frame the main issues and later offer ideas on how to address those issues.

1. The Classic Paradigm Accounts for EMNEs

Buckley et al. (2007) formulated a series of hypotheses involving classic variables associated with the choice of foreign market for investment, including the size, income, growth, intangible assets, political risk, ethnic Chinese population, exchange rates, inflation rates, distance of the host market, and the levels of bilateral trade flows between China and the host market. These hypotheses fit well with the classic model of the multinational firm, given that the assumptions about vertical, horizontal, and asset-seeking investment remained in place, and no boundary conditions were specified. The empirical findings, based on a sample of Chinese foreign investments between 1984 and 2001, generally conformed to the hypotheses. Hence the authors sided primarily with the first of the four possibilities laid out in the previous paragraph: the classic theory (mostly) successfully accounts for EMNEs.

Research in the last decade has confirmed that EMNEs often behave consistently with classic theory. For instance, Zhou and Guillén (Zhou & Guillén, 2015) found that Chinese multinationals preferred to invest in less distant countries, a finding similar to that in Buckley et al. (2017), as Johanson and Vahlne (1977) predicted long ago. Further consistent with internationalization theory, Zhou and Guillén (2015) provided evidence that multinationals change their frame of reference as they accumulate experience in countries other than the home country. Many recent studies also support predictions of the classic paradigm (Ang, Benischke, & Doh, 2015; Aybar & Ficici, 2009; Xie & Li, 2017; Zhou, Xie, & Wang, 2016).

2. EMNEs Create Boundary Conditions for the Classic Paradigm

The most surprising result in Buckley et al. (2007), from the perspective of classic theory, has to do with the appetite of Chinese firms for host countries with high levels of political risk. This finding is consistent with subsequent research. García-Canal and Guillén (2008), using a sample of Spanish companies in infrastructure industries, argued that firms in those industries prefer governments with discretionary decision-making power, which are frequently associated with higher levels of political risk. In so doing, they introduced a boundary condition (i.e. the nature of the industry), which they demonstrated in subsequent research to be a useful addition to classic theory (Fernández-Méndez, García-Canal, & Guillén, 2015). Holburn and Zelner (2010), using a sample of firms from many countries, also found that MNEs from countries with high political risk tend to invest in host countries with high political risk. They argued for an imprinting or learning effect: firms learn to manage political risks at home, which allows them to exploit similar conditions abroad.

These findings regarding political risk are emblematic of boundary conditions that do not necessarily modify classic theory, but suggest relevant contingencies that need to be taken into account when applying classic theories to EMNEs. Recent examples of research that suggest the need for boundary conditions includes Luo and Wang (2012), Contractor (2013), Xia, Ma, Lu, and Yiu (2014), and Marano, Tashman, and Kostova (2017).

3. EMNEs Require Modifying Underlying Assumptions in the Classic Paradigm

Buckley et al. (2007) do not take this stance, but some research in the decade since argues for it by focusing on "unique" attributes of EMNEs themselves or their home-country institutional environments that seem to violate the assumptions of classic theories. Perhaps the most salient is the assumption in classic theories that MNEs must have some type of firm-specific advantage (FSA) or ownership (O) advantage to justify foreign expansion (Dunning, 1993; Hymer, 1960). Yet EMNEs seem to go abroad without any identifiable strength or capability (Madhok & Keyhani, 2012; Rugman, 2009). Opponents of the 'no FSA' idea offer two counterarguments. One is that EMNEs expand abroad precisely to obtain FSAs that are unavailable in their home countries (Luo & Tung, 2007). The other is that EMNEs indeed do possess certain advantages, only that they are of a different kind than the intangibles (e.g., brands or technologies) typically associated with DMNEs. These different advantages include project-execution capabilities, political know-how, and networking skills, among others (for a review, (Guillén & García-Canal, 2009; Ramamurti, 2012).[i]

We will return to these arguments about FSAs later, but suffice it to say that some scholars take the stance that EMNEs do not simply create boundary conditions, but modify deeper assumptions of classic theories of the MNE. Other recent works, or at least certain aspects of them, that could be viewed as making this point include Cuervo-Cazurra and Genc (2008), Luo, Zhao, Wang, and Xi (2011), Cuervo-Cazurra (2012), Hennart (2012), Awate, Larsen, and Mudambi (2015), and Li, Yi, and Cui (2017).

4. EMNEs Require a New Paradigm Altogether

We did not identify any literature that seriously suggests discarding the classic paradigm. But in principle, a sufficient number of empirical anomalies in the study of EMNEs could arise so as to topple extant theories. We already mentioned research pointing out that EMNEs lack FSAs or rely on very different types of FSAs. Other studies have shown that, compared to DMNEs, EMNEs use alliances and acquisitions more frequently as entry modes, adopt less bureaucratic organizational structures, do not integrate foreign acquisition targets, or expand abroad at a more rapid pace, among other differences (Guillén & García-Canal, 2009; Kale & Singh, 2017). The scholars pointing out these differences do not suggest that we should get rid of classic theories, and we believe that doing so would be unwarranted based on the evidence accumulated so far. However, we include this possibility to be comprehensive, and because empirical anomalies should always be taken seriously for theory to advance.

THREE CONSIDERATIONS

As the previous section shows, in the decade since Buckley et al. (2007), the international business literature has swelled with articles comparing EMNEs to DMNEs asking if and how much classic paradigms require modification. So far, we have tried to be as descriptive as possible, mostly organizing and categorizing past work. In the remainder of this paper, we take a more prescriptive stance on these issues. While we do not expect to fully resolve the debate in a single article, we offer three considerations that may help provide clarity to past literature and direction to future studies of emerging markets.

Consideration 1: Are we characterizing the classic theory as a "straw man"?

Any claim about something being different requires a reference point. When someone claims that EMNEs are different from DMNEs, they are implicitly or explicitly basing the claim on a characterization of the classic theory at a certain point in time. They are drawing a line that separates 'past' literature from what is happening 'today' with MNEs. The relevant question is whether the line is drawn at the right point in time and—even more importantly—whether attempting to draw a line is worthwhile in the first place. Two examples are helpful to make the point.

First, we described earlier Vernon's (1966) product life cycle theory as one element of the classic view of MNEs. The view was that firms develop innovative products at home, sell them in the home market until the point of saturation, and then jump into implicitly inferior markets over time as the home market and the product mature. Proponents of the idea that EMNEs are different point to the obsolescence of this view. EMNEs often move into foreign markets without well-developed products or brands, and in fact develop many of their most innovative products and strongest capabilities abroad rather than at home (e.g., Luo and Tung, 2007). The following quote is representative of arguments about the obsolescence of Vernon's (1966) original theory:

> "The evidence is fairly persuasive that the product cycle hypothesis had strong predictive power in the first two or three decades after World War II... But certain conditions of that period are gone… MNCs have now developed global networks of subsidiaries [and] … the US market is no longer unique among national markets either in size or factor cost configuration. It seems plausible to assume that the product cycle … will lose some of its power in explaining the relationship of advanced industrialized countries to developing countries."

Notice that we have not provided the citation for this quote yet. If we were to ask when this was written and by whom, it would be perfectly reasonable to surmise that this is a recent argument by an advocate of the hypothesis that EMNEs either make the classic theory of the MNE obsolete (possibility #4) or require fundamental changes to the theory (possibility #3). But the quote was actually written by Vernon himself—in 1979! This was well before the rise of countries like China and India sparked the current intense interest in EMNEs. Vernon (1979: 265) was modifying his own theory in response to changes in how MNEs from *developed* markets were responding to economic, political, and technological advances around the world.

Second, another argument used by proponents of EMNEs being different is that their speed of foreign expansion does not conform to theories of incremental expansion (Johanson & Vahlne, 1977; Vernon, 1966). Instead of firms moving slowly into foreign markets—one country at a time and with incremental commitment levels—many EMNEs seem to move into many markets quickly (Guillén & García-Canal, 2009). However, the incremental expansion hypothesis never received much empirical support even among MNEs from *developed* markets (Pedersen & Shaver, 2011).[ii] In subsequent modifications to the theory, Johanson and Vahlne (Johanson & Vahlne, 2009) deemphasized the issue of incremental commitment in response to empirical evidence.

These two examples illustrate three broader points about the validity and necessity of comparing ‘the new’ EMNEs to ‘traditional’ DMNEs.

First, theories are constantly evolving as empirical studies confirm or fail to confirm the hypothesis derived from those theories. It is true that EMNEs have not conformed to some of the tenets of theories developed in the 1960’s and 1970’s. But neither have DMNEs—and that has led to updates to the original theories. Vernon (1979) is a case in point, as is Johanson and

Vahlne’s (2009) update to their 1977 study, in which they introduce the concept of a “liability of outsidership” in response to the increasingly networked way in which business is conducted today.

This raises the second point: Drawing a line to separate the ‘classic’ from the ‘current’ theory can be tricky and sometimes misguided if the wrong criterion is used—it creates an unrealistic “straw man.” Contrasting with prior theory and empirical observation is essential for our knowledge of the MNE to advance. But instead of using the level of development of the home country (emerging vs. developed) as the distinction, it may be wiser to place our theories in the context of the international conditions at the time they were developed and update them as those conditions change. Put differently, we must be careful to account for cohort and contextual effects. Notice that this criterion includes the changes provoked by the development of emerging markets, but it does not artificially create a boundary between DMNEs and EMNEs that may be responding similarly to changing world conditions. We will return to this point later when discussing the importance of using appropriate comparisons when studying EMNEs (in consideration #3).

Third, and finally, our goal should be to develop theory—full stop. Not necessarily to develop theory about EMNEs or DMNEs, or about firms from a certain part of the world. If the conditions in emerging markets, or the empirical data available from those markets, allow us to develop theory, so much the better. But studying EMNEs is not an end in itself. We will also return to this in consideration #3, when discussing the unique theoretical opportunity offered by studying EMNEs.

Consideration 2: Separating theoretical constructs from empirical variables

When making claims about a theory requiring modification based on empirical facts, it is essential to distinguish between the constructs and the relationships among those constructs predicted by the theory on the one hand, and, on the other hand, empirical operationalizations or manifestations of those constructs (i.e. empirical variables). A theory is composed of constructs and statements about their interrelationships. Empirical variables are not part of a theory; they are designed to test the theory. Once again, we offer a couple of examples to show why this matters to the debate surrounding DMNEs vs. EMNEs.

First, we mentioned earlier how the classic theory suggests that MNEs rely on certain FSAs like brands, products, and technologies to go abroad. These relate to the O advantages discussed by Dunning (1993), the intangible assets in Hymer (1960) and Buckley and Casson (1976), or the ‘strong’ products developed at homes discussed by Vernon (1966). We also mentioned that some proponents of the uniqueness of EMNEs often argue that these firms rely on different types of FSAs. They lack world-class brands or strong products and technologies, so instead they rely on other factors like agility, political skills, or other distinct capabilities to justify foreign expansion.

This observation is most likely accurate, but it does not modify the theoretical construct of an O advantage or an FSA. These are simply O advantages or FSAs of a different kind. Nor does the empirical fact modify the theoretical prediction that O advantages or FSAs lead to FDI. What these studies do—and it is important—is to add to the ‘list’ of variables or empirical manifestations of O advantages or FSAs. This does not modify the theory itself. But new variables are useful to empirically test the theory and its boundaries. To borrow an example from a different literature, Williamson’s (1985) insight that asset specificity and uncertainty increase transaction costs did not modify Coase's (1937) theoretical insight that transaction costs affect organizational form. But it was important to give empirical traction to Coase's theory. Among other contributions, Williamson added to the list of empirical variables representing sources transaction costs.

A second example making the same point has to do with the relationship between transaction costs and foreign entry mode choice. The empirical observation that EMNEs tend to enter foreign markets through acquisitions and alliances more frequently than MNEs from developed markets is important (Guillén & García-Canal, 2009). It provides relevant facts. But it does not change the theoretical prediction that transaction costs create a discriminating choice among different entry modes.

The main point is that many aspects of the classic theory remain in place despite the study of EMNEs raising new variables or empirical observations about the frequency of certain variables. Claims about EMNEs modifying or making obsolete the theory of the MNE should be claims about theoretical constructs or the relationship among constructs being incorrect, *not* about new empirical manifestations of established constructs and relationship. Our goal is pointing this out is not to settle the debate about whether and how EMNEs challenge the classic theory, or to give the impression that we think the classic theory requires no changes. We simply offer this as a criterion to be used when claiming that modifications to the theory are necessary.

Consideration 3: Are we overlooking theoretical gold mines by asking the wrong question?

The first two considerations could be misinterpreted as indicating that we believe EMNEs are not worth studying. This is far from the truth. Rather, our opinion is that an excessive focus on a simple comparison between EMNEs and DMNEs prevents the literature from taking on other questions with significant theoretical potential. We suggest that, by taking the "emerging" phase of EMNEs more seriously, future research can do a better service to the international business field and to other research fields by helping us understand two fundamental issues. One is the process by which firms develop the capabilities to become MNEs. The other is the process by which countries develop the institutional conditions that support the globalization of MNEs. As before, we use an example to illustrate the point.

We discussed earlier how prior theory suggests that MNEs have some kind of FSA that guides their internationalization. Focusing on the comparison between DMNEs and EMNEs may help us learn that these FSAs can take on many forms or that EMNEs sometimes lack the FSAs observed among DMNEs, as mentioned earlier. But the obsessive comparison among MNEs from different types of countries may also distract researchers from valuable questions that remain unanswered by classic theories: How do firms develop FSAs that are globally valuable in the first place? How do they build up the organizational structure and human capital to support global expansion? Related to these firm-specific questions are questions about the environmental conditions that give rise to FSAs: How does the process of home country institutionalization support or hinder firms from becoming MNEs? What role do governments and non-market stakeholders play in creating an ecosystem that supports the globalization of indigenous firms? The classic theory explains the convergence of conditions that prompt a firm to internationalize operations, but presumes the existence of a set of FSAs, institutions, and actors whose origin is unexplained. This is not a flaw in the classic theory—it simply was not intended to address those issues in the first place.

EMNEs and their home countries offer an unprecedented opportunity to observe the "prehistory" of MNEs. When classic theories were developed decades ago, the MNEs available for study came from places like the U.S. or Western Europe that had already developed the social, political, and technological infrastructure to support globalization. And the firms from those countries—or more specifically, the large firms that scholars could study empirically at the time—had already developed brands, assets, and capabilities that were globally valuable. In other words, the theories developed back then were limited to the questions that could be asked given the left censoring of the data on MNEs. The emerging markets of the last 20 years allow us to avoid such a left-censoring problem by observing many firms at the point of starting to become multinational and many countries at the point of developing socio-political-institutional infrastructure to support indigenous MNEs.

The opportunity is to develop theories of emergence that are not just relevant for emerging markets, but for MNEs in general. Further, this would allow IB scholars to contribute to broader theories and fields (e.g., strategic management, organizational theory). For example, one of the central questions in the field of strategic management is how firms develop dynamic capabilities that enable adaptation to a variety of markets and opportunities (Helfat et al., 2007; Teece, Pisano, & Shuen, 1997). Emerging markets may be an ideal setting to observe the development of capabilities (at least those relevant for international expansion) because data are available for the pre-internationalization period. Another example comes from institutional theory, where the literature has shifted from understanding the consequences of institutions (North, 1990; Scott, 2001) to their antecedents—or processes of institutionalization (Barley & Tolbert, 1997; Powell, White, Koput, & Owen-Smith, 2005). Here again emerging markets allow for the observation of the genesis and evolution of social, political, and economic conditions that create the requisite ecosystem for firms to be globally competitive.[iii]

Making Appropriate Comparisons. Addressing these issues requires making appropriate comparisons across firms from emerging and developed markets to disentangle what is unique about "emerging" markets from what is simply driven by differences in firm or country experience. That is, some differences between emerging and developed markets are real in the sense that they represent distinct ways of doing things. But other differences may simply be driven by the fact that some firms and countries have had a longer runway to develop the capabilities and ecosystem to support internationalization. For example, if we were to compare a newly internationalizing firm from the U.S. or Europe (say a relatively young startup) to an EMNE, we may observe that they both lack strong or well-defined FSAs. This makes sense because both are inexperienced firms on the international stage. We would expect that, with experience, they may develop world-class FSAs. Indeed, the "large" MNEs from developed markets once had to develop them as well. This suggests the importance of accounting for age, cohort, and experience effects (Tang & Zhao, 2017).

But it does not mean that we will find no intrinsic differences among firms from emerging vs. developed countries. Rather—if *after* holding age, cohort, and experience effects constant—we observe differences in how firms develop FSAs based on the level of development of their home country institutions, we could claim that we have identified a true EMNE vs. DMNE effect. Such comparisons will likely be more theoretically insightful (and more "apples-to-apples") than a generic comparison among EMNEs and DMNEs. This kind of research design is also likely to help scholars better discern when a study of EMNEs allows them to make contributions specific to emerging markets or the international business field vs. contributions that apply to broader theories. This brings us back to our earlier point that our goal should be to develop theory—full stop. If so, we should design research studies so that what is general and what is country-specific is clearly discernible.

CONCLUSION

The theory of the multinational enterprise is nearly seven decades old. While the global economy has changed considerably since the mid-20th century, the core elements of the theory so far have stood the test of time. The basic paradigm involves firm proprietary capabilities, characteristics of the locations, and incentives to bring transactions inside of the firm. The phenomenon of FDI by EMNEs poses some interesting theoretical puzzles, including the nature of their capabilities, their foreign location choices, their entry modes, and their pace of international expansion. However, as the Buckley et al. (2007) article we celebrate here and other empirical research on EMNEs demonstrate, the classic paradigm is still valid despite the need to account for some boundary conditions and modify some assumptions.

As the field continues to study EMNEs and compare their actions against classic theories, we hope two of the considerations we offered here can be useful. First, scholars should avoid setting up a "straw man" to characterize extant theory, recognizing that the theory itself has evolved not just through the observation of EMNEs but also through the observation of DMNEs themselves. Second, scholars should be clear about whether they are challenging the constructs or the relationship among constructs in the theory vs. adding to the list of empirical variables by which the theory can be tested. The former truly challenges prior theory, while the latter does not require modifications to prior theory.

Finally, we hope our third consideration can move the field towards developing and testing theory, broadly writ, rather than towards comparing EMNEs vs. DMNEs as an end in itself. By taking the "emerging" phase of MNEs and their home countries seriously, the field can make inroads into understanding the genesis and evolution of the capabilities and institutions that are assumed to exist in classic theories. But this requires asking different questions rather than revisiting old ones, and making proper comparisons that account for age, cohort, and experience effects among firms from different types of institutional environments. We believe this can help clarify the claims of research on EMNEs, and perhaps even expand the contributions of that research to broader literatures and theories.

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[i] There is some debate over whether FSAs are even necessary to explain the existence of MNEs in the first place (see Hashai and Buckley (2014) for an argument and Barney and Peteraf (2014) for a rejoinder).
[ii] In contrast, the theory that MNEs expand incrementally from more similar to more 'distant' markets in Johanson and Vahlne's (1977) theory has been empirically supported, both among developed and emerging market MNEs.
[iii] We understand that context and starting conditions matter. For example, the processes of transitioning from central planning to market economy in Russia and China differ, and those two differ in turn from the institutionalization process that led to the current institutional infrastructure of the U.S. or Europe. Some issues will inevitably be unique to each country and should be studied in that way—indeed, this has been the thrust of the literature on EMNEs. Our point is that there are also valuable and plausibly generalizable concepts and theories that can be derived from the process of development across multiple countries and their MNEs.