Track 1: International business after the BRIC's rush (conference theme track)

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Rise of the Emerging Market Multinationals and the Transformation of the Global Business Environment

Abstract

In the recent decades there has been a growth of international activities of the firms with origin in the emerging markets which caught attention of the IB scholars' community. These emerging market multinational enterprises (EMNEs), seen as latecomers to the global economy, display certain characteristics which allow for expectations that they will constitute a formidable challenge to the advanced market multinational firms (AMNEs), currently dominating the global market. This paper attempts to review and briefly summarise the current research state and knowledge on these new entrants to the global economy and how they may affect the global business environment. Apparently only limited attention has been directed towards how the incumbent firms will perceive and react to these rising actors. Drawing on this observation, avenues for further research are outlined.

Keywords

Emerging market multinationals; Environmental change; Change perception.

Rise of the Emerging Market Multinationals and the Transformation of the Global Business Environment

INTRODUCTION

The advanced economies are a relatively small group of countries, being home to only a fraction of the world's population. Nonetheless, the firms originating in those countries, advanced market multinational enterprises (AMNEs), have long dominated international business. In the recent decades, however, a new group of multinational firms raised, originating in the far more populous emerging markets. These latecomers to the global business environment display a certain combination of characteristics which potentially constitute a formidable change in this environment, and may challenge the incumbent multinational firms. It goes without saying that this development has been observed with a great deal of attention by the international business scholars.

This paper reviews the literature concerned with the emerging market multinational enterprises (EMNEs). It maps and briefly summarises the knowledge that the scholarly community has gathered on these new entrants to the global economy, and particular emphasis is put on the context of the transformation of the global business environment. This is a transformation process of unprecedented magnitude and novel features; as such, it can be expected to bring about new developments requiring researchers' attention. It is the ambition of this paper to sketch the current knowledge base on these developments and outline suggestions for further research connected to the issue of the global business environment transformation.

The remainder of this paper is structured as follows. Firstly, the literature on the EMNEs is briefly reviewed in order to provide understanding of the ongoing environmental change and the state of research concerning this change. The knowledge on the internationalisation of EMNEs is summarised with the guidance of four basic questions: *when*, *where*, *why*, and *how*.

This is followed by a summary of the arguments on how EMNEs' development may affect the global business environment. Finally, the paper is concluded by suggesting avenues for further research with potential contributions to be done to the extant literature.

WHAT IS KNOWN ABOUT EMNES

When

If compared to their counterparts from the advanced economies, the multinational enterprises originating in the emerging markets can be considered latecomers in the global business environment (Mathews, 2002). The extant literature has identified three waves of the foreign direct investment (FDI) outflows stemming from the emerging markets (Gammeltoft, 2008). The first wave could be observed in the decades between 1960s and mid-1980s when the firms in the Latin American region developed cross-border activities in, most typically, other Latin American markets. This geographical concentration implied only limited consequences for the global business environment. The second wave was initiated by the opening up of the Chinese economy in the 1980s, which stimulated the economic activity of the South-East Asian region. The period from mid-1980s until 1990s was market by a consequent growth of the Asian economies and their firms' international operations. The FDI outflows from these emerging markets have been growing in both nominally and as a proportion of the global cross-border investment flows (Dunning et al., 1998; Gammeltoft, 2008; Lall, 1983). This was followed by the third wave, beginning in the 1990s and continuing until today, which can be considered as an extension and expansion of the preceding one. Apart from the intensifying globalisation of the South-East Asian firms, other economies were included in the process – among them Brazil and other Latin American countries, South Africa and other African countries, Russia, Turkey, and many others, making the wave truly global (Gammeltoft, 2008; Sinkovics et al., 2014).

If the perspective of the firm is considered, internationalisation may occur at several different stages of the firm's life cycle. As firms typically seek assets and markets for their products and services in primarily their home markets, their growth of into foreign markets occurs at later stages when the growth potential at the home markets becomes limited or exhausted (Wilkins, 1986). Internationalisation may thus occur earlier for firms originating in small markets and active in industries where the economies of scale effects are significant. However, the development of advanced communications and increasingly liberalised international trade catalyse internationalisation even at the very early stages of the firm's existence. As these catalysing factors coincided with the third wave of EMNEs' internationalisation, the current EMNEs may be expected to engage in international operations somewhat earlier in their life cycles than their historical counterparts (Goldstein, 2009; Ping Li, 2007).

Where

Similarly to the question of time, the question of the location of EMNEs' internationalisation can be approached dually. Firstly, it needs to be established where the EMNEs stem from, and this aspect of the location is especially important for this paper, as it constitutes the defining features of EMNEs. Their origin in the emerging markets clearly distinguishes them form their predecessors, originating in the advanced economies of the triad regions of North America, Europe and Japan (Gammeltoft, 2008). Even though EMNEs may stem from a whole range of emerging markets outside of the advanced economies, several countries have caught particularly strong interest of the scholarly community. These are above all China and India, but also the remaining members of the so-called BRICS group (i.e. Brazil, Russia, and South Africa), or what is called MINT (Mexico, Indonesia, Nigeria, and Turkey; Sinkovics et

al., 2014). Although less intensely studied, the other Asian, African or Latin American (and other) countries which may be labelled as emerging markets can also be home to EMNEs.

Despite the differences among the particular emerging markets, they share certain characteristics which affect their business landscapes, and which consequently are important for the formation and development of EMNEs. Firstly, they in many cases (although not always) have populations which by far supersede those of the advanced nations (Guillén and García-Canal, 2009). Secondly, even though they present a high growth potential, they are economically underdeveloped. Consequently, they can typically provide low cost labour force, but the purchasing power of the customers is relatively low there (Prahalad and Hammond, 2002; Prahalad and Hart, 2002). Thirdly, they typically suffer from underdeveloped, flawed or corrupted institutions and infrastructure (Buckley et al., 2007; Cuervo-Cazurra and Genc, 2008). Fourthly, they are technologically backward in comparison to the advanced economies, and they rarely have the financial resources needed for development of own technologies. All these characteristics clearly distinguish the EMNEs' immediate environment from that of AMNEs, which results in differences in their business behaviours (Guillén and García-Canal, 2009), as is discussed further below.

The second aspect of the location of EMNEs' internationalisation is concerned with the target of their FDIs. In general, there are two main target groups for such investments: other emerging markets and advanced economies (Makino et al., 2002). The investments in other emerging markets, constituting the so-called South-to-South flows, are typically connected to the short distance between the origin and the target of the investment, and this applies to both geographic and psychic distance (Hennart, 2010; Johanson and Vahlne, 1977, 2009). These investments in many cases follow the asset-exploiting logic, however the asset-seeking behaviours can also be observed, especially if natural resources are concerned. Investments directed at the advanced economies are more likely to be determined strategically by the

asset-seeking motivations (Deng, 2007; Luo and Tung, 2007; Makino et al., 2002; Rui and Yip, 2008). Interestingly enough, the patterns of the targeted markets have evolved over time. While the first wave of EMNEs' internationalisation was strongly focused on other emerging markets, advanced economies appeared more commonly in the second wave, and their importance increased further in the third wave (Gammeltoft, 2008).

Why

When international business activities are considered, one of the most important questions concerns the firms' motivations lying behind the decision to engage in operations away from their home market. As mentioned above, the extant literature on international business has identified two main reasons why firms pursue foreign operations: asset-seeking and asset-exploiting. These are discussed below.

EMNEs' assets differ from those of AMNEs. The emerging market firms lack strong brands, sophisticated strategies or superior technology of their advanced counterparts (Ramamurti, 2012; Wei et al., 2015). It has been claimed that they lack firm-specific advantages in the sense typically associated with AMNEs, and this needs to be offset by country-specific advantages, e.g. privileged access to populous home markets or low-cost labour force, in order to overcome the liability of foreignness or outsidership (Buckley et al., 2007; cf. Gaur et al., 2011; Johanson and Vahlne, 1977, 2009). What can be described as EMNEs' assets, though, is low-cost labour and experience of operating in an emerging market, characterised by infrastructural and institutional voids and low purchasing power of the customers, combined with a good insight into the needs of such customers (Cuervo-Cazurra and Genc, 2008, 2011; Dawar and Frost, 1998). Consequently, EMNEs choose to exploit their assets in other emerging markets, similar to their home markets (i.e. where the psychic distance is low), quite in line with the predictions of Johanson and Vahlne (Johanson and Vahlne, 1977,

2009), and in general successfully so (Prahalad and Bhattacharyya, 2008). This can be illustrated by the case of Jollibee Foods. This Filipino fast-food chain gained favour of the Filipino customers by using spices appealing to the local tastes. As an effect, it retained as much as 75% of the burgers market and 56% of the fast-food market in the Philippines, and thus defended its home market from the globally standardised products of McDonald's. The expansion to other countries in the region followed (Dawar and Frost, 1998). These South-to-South investment flows, although in some respects different from their historical counterparts involving advanced economies as the origin of the flow, are largely in line with the extant theories explaining the asset-exploiting FDIs (Guillén and García-Canal, 2009; Klein and Wöcke, 2007; Ping Li, 2007).

An alternative motivation to foreign investments is asset-seeking, that is expansion to foreign markets in order to secure assets which are needed for home market operations, but are unavailable at the home market. Apart from e.g. natural resources, in many cases EMNEs' are interested in expanding their technology and knowledge base, and these are typically sought at advanced markets (Athreye and Kapur, 2009; Child and Rodrigues, 2005; Deng, 2004, 2009). These investments are typically acquisitions of existing firms with well-developed knowledge base, not unlikely facing economic hardships, as EMNEs' financial resources may be limited (Rabbiosi et al., 2012; Rui and Yip, 2008). To exemplify, Chinese Geely acquired Volvo Cars when the Swedish automotive manufacturer was in a difficult financial situation. Geely supported it with cash inflow and access to the Chinese market, but since Geely was primarily interested in Volvo's technology, only limited changes (including personal changes) were done to Volvo and its business model (Gammeltoft et al., 2010). Conversely, greenfield investments, although potentially allowing for gaining some knowledge due to the local embeddedness, are less common in this respect (Athreye and Kapur, 2009; Duysters et al., 2009). The knowledge and other assets gained through FDIs in the advanced markets are

subsequently used for the firm's development and improvement of its performance in the home market (Luo and Tung, 2007). This is reflected by higher embeddedness and upward knowledge transfer in EMNEs' subsidiaries in advanced market in comparison to AMNEs' subsidiaries, although this pattern was not found among subsidiaries in emerging markets (Giuliani et al., 2014).

Among EMNEs, a significant group is the state-owned enterprises (SOEs). They are in many cases influenced by their owner governments, and thus their motivations in foreign investments may reflect political goals of the governments. This may be combined with the government's financial support allowing for higher risk tolerance of the SOE (Buckley et al., 2007; Wei et al., 2015). As a consequence, departures from the asset-seeking and asset-exploiting motivations described above may occur among emerging market SOEs.

How

As was discussed before, the emerging market firms' internationalisation is a process occurring under different circumstances than that of the incumbent AMNEs. These new actors come into existence in what is called the "flat world", i.e. increasingly globalised world with advanced communications and low international trade barriers. Despite these incentives, it is greatly challenging for the latecomers to break out of the established global factory system, especially following the same paths as AMNEs did (Buckley, 2009a; Mathews, 2006). Instead, they have the potential to use the established system in their favour. This is done through the Linkage-Leverage-Learning model, proposed by Mathews (2002, 2006). The essence of this strategy is to link into the existing global networks, leverage these linkages to gain assets form the foreign partners, and repeat these behaviours in order to learn and consequently build and strengthen the otherwise lacking firm-specific ownership advantages (Mathews, 2006; Ping Li, 2007; Ramamurti, 2012). The consequence of this is an increased

pace of the internationalisation process combined with relatively quick technologic development (Bonaglia et al., 2007; Goldstein, 2009; Liu and Zhang, 2014). This approach has been used e.g. by Haier in China. The firm was on the edge of bankruptcy in the early 1980s, when it produced low quality, two-star refrigerators. In 1984 it entered a strategic alliance with German Liebherr and within a year started producing four-star refrigerators. Haier grew to what currently is China's largest white goods manufacturer, and developed the gained technology even further, being able to sell its products in advanced markets in North America and Europe (Duysters et al., 2009).

Another example of EMNEs' development and exploitation of firm-specific advantage is frugal innovation, i.e. developing solutions addressing the basic needs of the BOP customers at the lowest possible price, with relatively low interest in the product quality, and taking into account the specific conditions of the emerging markets (e.g. institutional voids, lacking infrastructure, or specific natural conditions; Ray and Ray, 2010; Sehgal et al., 2010; Zeschky et al., 2011). This stands in contrast to the traditional, resource-intensive innovation process focusing on developing increasingly advanced features (e.g. Brown and Eisenhardt, 1995). Frugal innovation is anchored in EMNEs' experience of the BOP gained at their home markets and easily transferable to other emerging markets. It can thus serve as a substitute for EMNEs' firm-specific advantages to be exploited abroad (Khanna and Palepu, 2006). Moreover, it contributes to the EMNEs growth potential as the needs of BOP customers are typically neglected by AMNEs due to the economic constraints of these customers, or the offered solutions are beyond the purchasing power of the customers, thus making the BOP market segment a populous and growing niche available for EMNEs (Dawar and Frost, 1998; Prahalad and Hart, 2002). Furthermore, some frugal innovations can be successfully introduced to the advanced economies as well, especially in the post-crisis economic landscape (Flatters and Willmott, 2009; Govindarajan and Ramamurti, 2011). This has for

instance been the experience of India's car manufacturer Mahindra & Mahindra, whose comparatively simple SUV model *Scorpio*, after a commercial success in Indian semi-rural environments and adjustments to meet European traffic security requirements, has been launched in e.g. Spain. Another example can be found in the story of the aforementioned Chinese white goods producer, Haier. It developed tiny washing machines for single sets of clothes to be used in warm and humid South-East Asia, where clothes need to be changed frequently. These washing machines proved to be attractive to US college students with constrained budgets and limited living space as well (Khanna and Palepu, 2006).

Another interesting factor characterising EMNEs' internationalisation can be observed in their acquisition behaviours. These are typically marked by a greater risk tolerance than it is the case for AMNEs, which can be explained by several factors (Luo and Tung, 2007). Firstly, EMNEs' weak firm-specific advantages are offset by engagement in risky endeavours which AMNEs are less interested in (Cuervo-Cazurra and Genc, 2008). Secondly, EMNEs typically have experience of working in risky home environment and can leverage it at foreign markets (Buckley et al., 2007). Thirdly, EMNEs' acquisitions target firms facing financial difficulties, partly due to EMNEs' interest in the firm's strategic assets rather than direct monetary rewards, and partly due to EMNEs' financial constraints (Athreye and Kapur, 2009; Rabbiosi et al., 2012; Rui and Yip, 2008). This is connected to EMNEs' long-term strategy development where suffering short-term losses is accepted in order to achieve the long-term goals (Ramamurti, 2008). Fourthly, EMNEs foreign engagement in some cases is motivated by political and other non-economic goals, which leads to a greater tolerance towards economic risks (Deng, 2004; Wei et al., 2015).

GLOBAL TRANSFORMATION

Further development of EMNEs

These patterns suggest that two paths of further development of EMNEs are possible. One is their technological catching-up with AMNEs and therefore inclusion in the global business environment and global competition on terms similar to the earlier Japanese or South Korean multinationals – as latecomers in terms of time, but otherwise generally the same as the incumbent MNEs, although with the advantage of privileged access to their populous home markets, which will be difficult for AMNEs to match (Jonsson, 2008; Nigam and Su, 2010; Ramamurti, 2008). This can be illustrated by the historical and forecast population numbers in advanced and developing economies seen in figure 1 below.

*** Insert Figure 1 about here ***

Such a development path can be motivated by their quick technological advancement achieved through various means. Examples of this include learning and technological spill-overs from advanced market firms, not least by flows of AMNEs' trained local employees who see greater career opportunities at quickly developing EMNEs (The Economist, 2007a), absorbing knowledge from partnerships with advanced firms and through local embeddedness at advanced markets (Duysters et al., 2009; Giuliani et al., 2014), acquisitions of advanced firms(Makino et al., 2002; Rui and Yip, 2008), developing own technologies or even intellectual property rights infringements (Bosworth and Yang, 2000). An eventual catching-up can be facilitated by economic growth and consequently increasing financial resources available to EMNEs (cf. Gadiesh et al., 2007). The earlier examples of Japanese and South Korean multinationals support the opinion that such a technological catching-up is possible (Duysters et al., 2009).

The second available development path is EMNEs' focus on the global lower and middle market segments where the competition from AMNEs is limited, while growth potential is

large due to population numbers and decreasing poverty (Prahalad and Hart, 2002). The emerging market firms have already demonstrated their efficiency in addressing these market segments not only at home (Gadiesh et al., 2007; Zeschky et al., 2011), but also abroad, as the experience they gain and frugal innovations they develop at the home markets equip them for a higher performance in emerging markets than is the case for AMNEs (Cuervo-Cazurra and Genc, 2008, 2011; Dawar and Frost, 1998). Consequently, their development in these populous market segments there may eventually lead to a growth surpassing that of AMNEs (Buckley, 2009b; Luo and Tung, 2007). Although this development refers to the future, some indications can already be observed in the outflows of FDI. China alone increased its average yearly FDI outflow from $537 million in the decade between 1982-1991 to $3,070 million in the following decade, with more than a double of this value ($6,885 million) in 2001 (Deng, 2004). As presented in figure 2 below, the global share of outward FDI from the developing economies grew from 7% in 1990 to nearly 20% in 2012.

*** Insert Figure 2 about here ***

It is important to note that EMNEs, although for the needs of this paper clustered together into one category, are far from being a uniform group. Their markets of origin may differ vastly from one another in terms of population numbers, economic advancement, growth rates, social development, political systems, availability of resources, and in many other respects. Similarly, the emerging market firms have been developed under varying circumstances and may thus pursue (and have pursued) different strategies when e.g. internationalising, innovating, and competing with advanced firms (Dawar and Frost, 1998; Makino et al., 2002; Ramamurti, 2008). This is to say the two development paths outlined above are by no means mutually exclusive on the aggregate level, but rather further development options available to

each of the emerging market multinationals. Thus, both of these two developments may occur simultaneously for different firms.

AMNEs' perceptions and responses

In any case, these future developments will constitute a formidable and unprecedented change in the global business environment (Jonsson, 2008). The literature on this change has been strongly focused on these new actors, that are EMNEs, and the incumbent AMNEs have mostly been considered as a part of the EMNEs' environment. Otherwise the interest for AMNEs has been relatively low in this context. Consequently, little is known about how AMNEs perceive the ongoing developments, how they may respond to them, and whether the response may be effective or not. In the face of scarceness of such information, some arguments may be borrowed from other streams of literature.

Perceptions of the change

In terms of perception of the change, its slow pace (as it is stretched over several decades) may distort the understanding of the process and further weaken the felt need for implementing the responsive actions. The same is true for other developments in the firm's environment (Barr et al., 1992; Bettman and Weitz, 1983; Dutton and Ashford, 1993; Staw et al., 1983). Barr and colleagues (1992), for instance, argue that high performance of a firm may conceal signals of upcoming problems and by that substantially delay any reparative or responsive actions. On the other hand, if the signals are observed, their interpretation may also play a role. To exemplify, developments perceived as threatening are more likely to provoke a reaction than those perceived as opportunity, even if the actual development is the same (Dutton et al., 2001; Jackson and Dutton, 1988).

Responsive actions

Barr and colleagues' (1992) findings also suggest that the managers of AMNEs will react to the environmental change by adjusting their mental models, and if the adjustments are sufficiently substantial and sharp rather than evolutionary in nature, they will elicit according responsive actions. On the basis of the extant literature, several potential actions can be identified. Among them, an increased flexibility is a likely one as typically taken and effective in times of economic instability (Emery and Trist, 1965; Mintzberg and Waters, 1982). AMNEs' subsidiaries located in the emerging markets, if allowed greater autonomy, have the potential of becoming embeddedness in the local networks to an extent on pair with that of EMNEs (Kubny and Voss, 2014). Consequently, they can learn from their environment and develop products, services, and business models better adjusted to those markets, potentially even competing on equal terms against EMNEs (Cuervo-Cazurra and Genc, 2008; Meyer et al., 2011). This is the case of IBM developing its consulting services in India. Thanks to the use of local knowledge and adaptation to the local business models, the Indian division of IBM grew quickly, and relocation of some of the firm's top executives to India also follows this pattern (The Economist, 2007b). A somewhat similar development can be observed in that AMNEs' subsidiaries have the capability of developing competitive frugal innovations (Govindarajan and Ramamurti, 2011; Immelt et al., 2009). This can be illustrated by the case of General Electric, whose locally based subsidiary developed low-cost and small-scale portable ultrasound devices for medical uses as early as 2002. While the conventional ultrasound machines sold at advanced markets exceeded the price of $100,000, they were far beyond the purchasing power of the Chinese hospitals and clinics. The newly designed portable device could be offered at $30,000, and the following development allowed for cutting the price further down to $15,000 by 2007. The device did not only become popular in Chinese healthcare, including shared use of several clinics in the rural areas, but it also found

usage in the advanced markets' emergency rooms and ambulance squads (Immelt et al., 2009).

Obstacles to the responsive actions

The case of GE in China has been referred to as reverse innovation since it diverges from the traditional direction of innovation's spread; instead from the innovation being distributed from the advanced economy to the developing one, it follows the opposite track (Immelt et al., 2009). This process can be at least partly compared to radical innovation, as it bears the risk of cannibalising and discontinuing the technology currently used (cf. Hill and Rothaermel, 2003; Tushman and Anderson, 1986). Additionally, such a process may result in an unorthodox combination of high-end and low-end products and service in the firm's portfolio (Porter, 1998). Such a situation, which may be referred to as strategic ambidexterity (cf. Andriopoulos and Lewis, 2009), can result in several setbacks encountered when it is introduced. These setbacks can be summarised as organisational inertia which needs be overcome in order for the novelty to be implemented (Dougherty and Heller, 1994; cf. Hannan and Freeman, 1984). Namely, the managers are likely to fall into what is called competence trap, i.e. a preference to use (or even incapability of discarding) solutions already known and historically proven to be effective over new, experimental ones (Ahuja and Lampert, 2001; Jonsson, 2008; Levinthal and March, 1993). The risk of rejecting the new solution is greater if it is poorly understood (Dougherty and Heller, 1994) and considered overly radical or unorthodox (Chattopadhyay et al., 2001; Fiol and O'Connor, 2002), potentially resulting in internal conflicts within the firm (Birkinshaw and Ridderstråle, 1999; Day, 1994). This unwillingness to introduce novel solutions may also be strengthened by concerns of harming the well-developed brand (Fiol and O'Connor, 2002), or by the pressure to retain high performance in short term, which is caused by the shareholders' preference for

stability in the stream of revenues and profits (Carroll and Hannan, 2000). In some cases only sufficiently strong signals of an upcoming crisis can enable the introduction of the novel solutions (Barr et al., 1992; Staw et al., 1983).

CONCLUSION

The quick growth and internationalisation of the firms based in the emerging markets have not gone unnoticed by the IB scholars. This process has been well documented and many insightful observations have been made. Arguably, the emerging market multinationals act somewhat different than their predecessors from advanced markets did during their internationalisation period; whether the extant theories accommodate these differing behaviours or if new theory development is needed is a question that stirs a lively debate in the scholarly community (vide e.g. Guillén and García-Canal, 2009; Luo et al., 2011). Inputs in this debate have covered such questions as where the EMNEs come from, where they invest, when they do it, why and how they do it. Interestingly enough, some predictions concerning the future developments of these latecomers to the global business environment have also been made.

However, the global business environment will be formidably affected by the rise of EMNEs as well, and this applies not least to the incumbent actors dominating it, i.e. the advanced market multinationals. The magnitude of this change lacks a counterpart in history and the literature concerning the potential perceptions and responses of the AMNEs is scarce. Therefore the key arguments made on the AMNEs' perceptions and reactions need to borrow support from other streams of literature.

In the face of this global transformation, there appear to be a need of filling this gap by directing the researchers' attention to the advanced market firms in order to add new, contemporary insights and knowledge concerning a multinational firm's perception of and

strategic and organisational responses to an environmental change. This will extend a stream of research with long tradition which has recently been regaining scholars' interest (vide e.g. Weick, 1995; Zander and Mathews, 2010).

Another interesting question is the one concerning the proposed responsive actions, derived from the literature concerned with strategy. The expectations of increased subsidiary autonomy counter the long-standing trends of MNC centralisation. The concept of ambidexterity is particularly interesting in this respect, and applying it to the context of strategy is another interesting avenue for further research (cf. Andriopoulos and Lewis, 2009; Porter, 1998).

Finally, the rise of EMNEs is closely connected to the concept of frugal innovation. Although innovation itself is a concept well researched and understood, the traditional views of innovation do not fully accommodate this new phenomenon. There is a potential of exploring frugal innovation as a potentially disruptive or even cannibalising process, and by that link it to both the literature on radical innovation and the streams literature mentioned above (Immelt et al., 2009; Tushman and Anderson, 1986).

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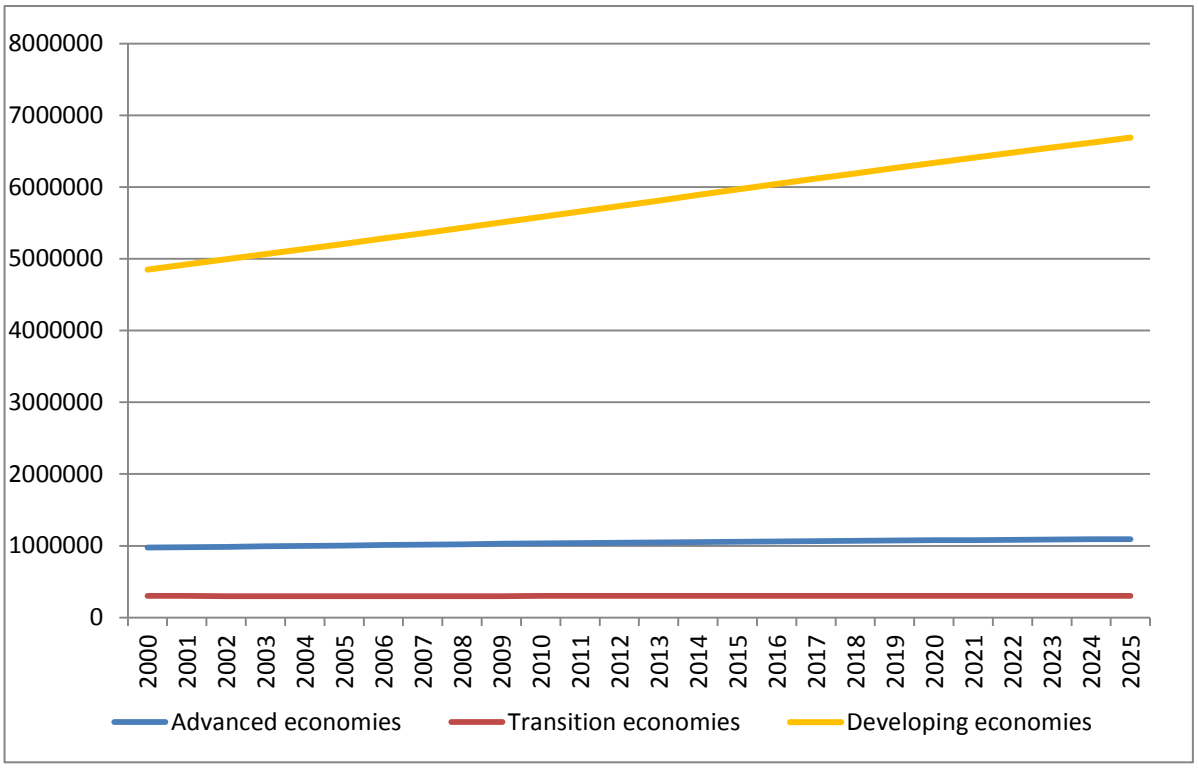

Figure 1. Historical and forecast population numbers (in thousands) in advanced, transition and developing economies. Source: UNCTAD.

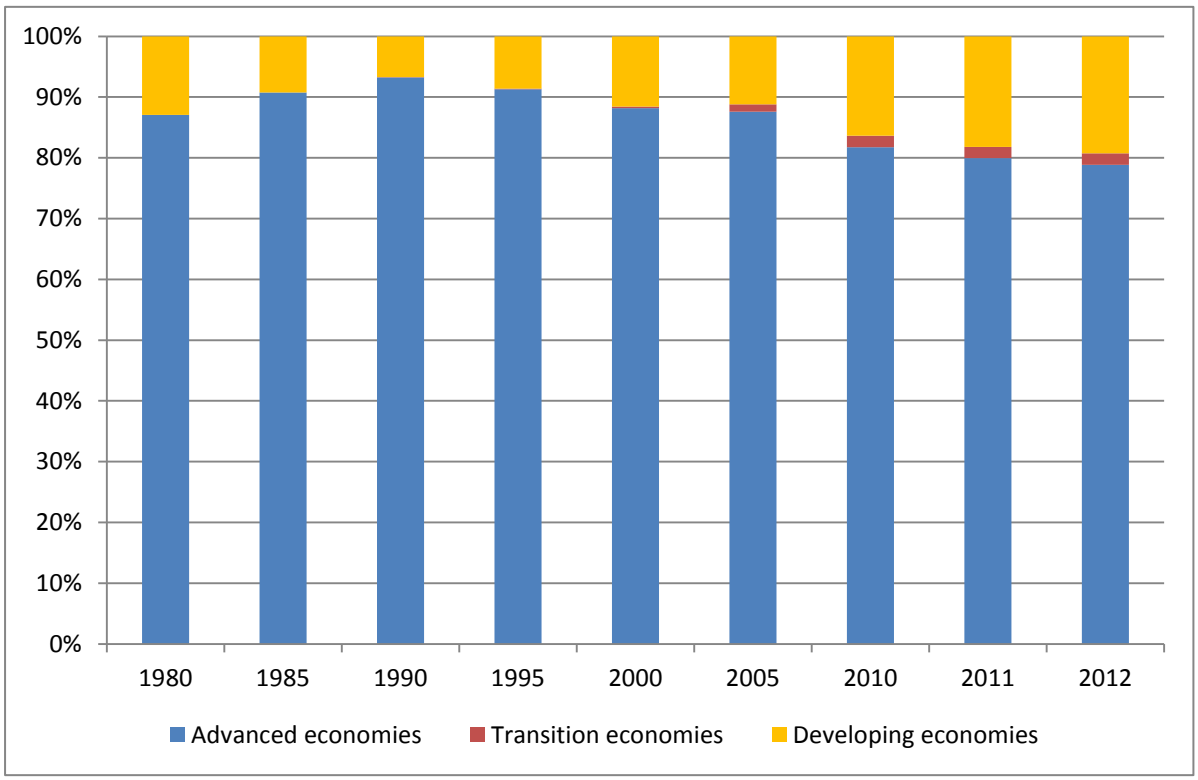

Figure 2. Distribution of outward direct investments among the economies of origin as a share of total OFDI worldwide. Source: UNCTAD.