

THE CHALLENGE OF BRIC MULTINATIONALS

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Dr. Verbeke has been a member of the European Science and Technology Assembly (ESTA), the highest advisory body to the European Commission on the future of European scientific and innovation policy and has served on the board of directors of various educational and scientific research institutions. He is a leading thinker on complex project evaluation, the strategic management of multinational networks, as well as the governance and restructuring of complex organisations.

In the consulting sphere, Dr. Verbeke has personally directed over 100 strategic management projects, most of these with a focus on the interface between large-scale investment programmes and governance challenges. His academic research agenda consists of revisiting, rethinking and augmenting the core paradigms in strategic management and international business, especially internalisation theory, which is a joint transaction cost economics and resource-based view of the firm, focused on the governance

of new resource combinations. He has particular expertise in the management of headquarters – subsidiary relationships and broader governance challenges in large multinational enterprises.

Dr. Verbeke has authored or edited more than 30 books and more than 200 refereed publications, including many articles in leading scholarly journals such as *the Journal of International Business Studies*, the *Strategic Management Journal* and the *Journal of Management Studies*.

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Editor-in-chief of the *Brazilian Administration Review* (2010–2015; BAR is published by ANPAD and is among the top five Brazilian management journals), guest editor of four special issues on Latin America published by the *Journal of Business Research*, and current member of the editorial advisory board of the *Brazilian Administration Review* and of *Management Research* and member of the editorial review board of the *International Journal of Emerging Markets*.

Carneiro has published more than 40 peer-reviewed articles. His research interests focus on strategic planning, internationalisation of emerging market enterprises, and organisational performance measurement. His research has been published in *International Business Review*, *Journal of Business Research*, *Management Decision*, *Engineering Economics*, *Latin American Business Review*, *Brazilian Administration Review*, *Academia Revista Latinoamericana de Administración*, among other journals.

Carneiro's PhD thesis received the 2008 Award from the Brazilian Ministry of Education for best PhD dissertation in Business Administration.

Prior to embracing the academic career, Carneiro accumulated extensive professional experience in the oil & gas industry and at dotcom companies.

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Dr. Gonzalez-Perez has published 12 books, 40 academic peer-reviewed papers and several book chapters in the areas of internationalisation, sustainability, corporate social responsibility and international migration. She is a regular contributor to Latin American business media. Her research results have been presented in nearly 90 international academic conferences in all the continents. Also, she was trained as a Clinical Psychologist at the Universidad Pontificia Bolivariana (UPB) in Colombia. Maria Alejandra has lived, studied or worked in the UK, USA, Ireland, France, Spain and Colombia, and have travelled as a tourist to over 60 countries.

PREFACE TO THIS VOLUME – A TRIBUTE TO LOUIS T. WELLS



Louis T. Wells then.....



... and now

The extant body of scholarly work on multinational Enterprises (MNEs) has been hampered by an inevitable *selection bias*. With the majority of MNEs coming from developed countries, theories of international business have been informed mainly by the study of (large) corporations from countries or regions such as the United States, Europe and later Japan. Subsequent empirical studies have also regularly suffered from a *confirmation bias* – the tendency to search inductively for particular information and to interpret such information in a way that confirms existing hypotheses, while giving comparatively less consideration to alternative research avenues. The growing importance in the world economy of ‘emerging economies’, accompanied by the large-scale appearance of MNEs from

these countries, has not only widened the empirical basis of research but has also made it increasingly important to augment international business theory. Over the last decade, this debate has increasingly focused on the question whether ‘emerging market multinationals’ (EMNEs) are fundamentally different from ‘developed country MNEs’ and thus require new theory. Whatever side one chooses in this debate (see the various contributions in this volume), the danger of another selection bias arises: if all emerging economy MNEs are simply lumped together in one set, and contrasted against developed economy MNEs in general, the absence of more fine-grained analysis will lead to research outcomes lacking much relevance.¹

In order to address the selection bias and confirmation bias challenges in international business studies, while paying sufficient attention to the diversity associated with the recent phenomenon of ‘multinationals from former developing countries’, proper ‘calibration’ of the research would appear essential. More specifically, in case the selected empirical basis is too narrow, this might hamper generalisation; in case the selected empirical basis is too broad, studies will lead to overly general results that will not contribute to enriching substantively the international business literature. This volume takes as its starting point that an intermediate approach is needed, with requisite contextual and institutional differentiation among emerging economies being acknowledged. With regard to developed country MNEs, efforts were made in the past to distinguish among various countries of origin (Anglo-Saxon vs. European vs. Asian MNEs), between small and large country multinationals, between state-owned and private sector MNEs, and among groups according to sectorial specialisation. With regard to developing country MNEs, the literature has been less distinctive at the outset and has followed a more sequential pattern. In a first stage, the analysis revolved around ‘Third World Multinationals’, where Louis T. Wells was a – if not the – key intellectual contributor.² This was followed by literature on ‘developing country multinationals’, engaging primarily in South-South investment. More recently, there has been a focus on ‘Emerging Market Multinationals’, which supposedly also invest in developed economies. The present research volume argues that this last designation is much too broad, to arrive at any meaningful conclusion for theory development or managerial practice. In contrast, the group of ‘BRIC’ multinationals (Brazil, Russia, India, China) would appear to represent a more cohesive set of countries to study, given the size of each domestic market involved, the presence of substantial entrepreneurship in each of these

countries leading to the formation of several, large internationally operating firms, and the attempts by each national government to establish a contextually optimal mix between active government involvement in international trade and investment, and international market openness.

Given our choice of this specific set of countries, we attracted papers for this volume that contain new empirical data, often collected by young scholars who only recently entered the area of international business scholarship. But we must also pay tribute to the original insights from the pioneers in this area – who typically had a profound understanding of the phenomena they studied. In this context, we decided to dedicate this research volume to Louis T. Wells. His classic 1983 book on ‘Third World Multinationals’ was two decades ahead of its time. It demonstrated convincingly that studying a different sample of multinationals could refine and seriously enrich the study of international business. As of 2014, each *Progress in International Business Research (PIBR)* volume has been dedicated to a leading international business scholar. The 2014 volume on institutional diversity was dedicated to the late *Daniël Van Den Bulcke* – an early institution builder in the field of international business and a founding father of the European International Business Academy (EIBA). The 2015 volume on the future of global organising was dedicated to the memory of Alan Rugman, a leading international business scholar and educator. Fortunately, the honouree of the present volume, Louis T. Wells is alive and well, as illustrated by his thoughtful essay, which represents Chapter 1 of this book, and in which he provides a personal reflection on his scholarly oeuvre. In Chapter 2, Kano, Verbeke and Van Tulder provide a contemporary interpretation of the core ideas developed in Wells’ classic work, and couch this in modern internalisation theory terms. In Chapter 3, the more externally oriented dimensions of Wells’ work are expanded upon, in order to provide further credence to the choice of BRIC multinationals, as the main subject matter addressed in this research volume.

Louis T. Wells is presently the Herbert F. Johnson Professor of International Management – Emeritus, at Harvard Business School. Professor Wells was born in Nashville, Tennessee, but grew up in Atlanta, Georgia. He received a B.S. in Physics with Highest Honors from Georgia Tech. He studied for one year at the Technische Hochschule Stuttgart, in Germany. After a short period in the U.S. Army and repossessing cars for a bank, he went to Harvard Business School, where he received an MBA. He continued and earned a DBA in International Business and then joined the faculty. At Harvard, Professor Wells taught courses on the

international economic and political environment of business and managing in developing countries, in the MBA and executive programmes. He was director of the doctoral programmes for several years. He retired from the School in 2012.

His books and monographs include *Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiary* (with John Stopford); *Negotiating Third World Mineral Agreements: Promises as Prologue* (with David N. Smith); *A Product Life Cycle for International Trade* (as editor); *Third World Multinationals*; *The Choice of Technology in Developing Countries: Some Cautionary Tales*; *Marketing a Country* (with Alvin Wint); *Using Tax Incentives to Compete for Foreign Investment: Are They Worth the Costs?* (with Nancy J. Allen, Jacques Morisset, and Neda Pirnia); and *Making Foreign Investment Safe: Property Rights and National Sovereignty* (with Rafiq Ahmed). His articles have addressed similar subject matter, as well as African art and tokens.

Professor Wells was involved in the start-up of management schools in Indonesia (IPMI) and Pakistan (LUMS) and served on the faculty council of the Harvard Institute for International Development and the steering committee of the Columbia Center for Sustainable Investment.

He has worked as an advisor to governments – directly and through the World Bank, UN agencies, GIZ and Harvard Institute for International Development – on mining negotiations, foreign investment policy, industrial policy and establishing investment promotion agencies. He has worked for the governments of Liberia, Sierra Leone, Ghana, Nigeria, Democratic Republic of the Congo, Namibia, Mozambique, Egypt, Tanzania, Kenya, Colombia, Peru, Venezuela, the Dominican Republic, Croatia, Serbia, Montenegro, Turkey, Malaysia, Papua New Guinea, Mongolia, Sri Lanka and Thailand. He was a frequent advisor to the Indonesian government over a 30-year period and resident advisor for 18 months. He continues to be involved in arbitrations of disputes between foreign investors and host countries as well as an advisor to governments in mining negotiations.

His non-professional interests have included traditional African and tribal Indonesian art, vintage sports cars, and tokens issued by foreign investors in developing countries. He is married to Ellen Seidensticker and has two children and one grandchild.

NOTES

1. For a detailed analysis, see Verbeke and Kano (2015).
2. Wells (1983).

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