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Rethinking Theoretical Frameworks for Understanding Emerging Market Multinational Enterprises: Implications for Management and Policy

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Traditional international business (IB) theories are being reexamined due to the rise of emerging market multinational enterprises (EMNEs), which challenge established assumptions about multinational behaviour. These firms, rooted in rapidly developing economies, disrupt conventional strategic frameworks, necessitating novel theoretical models. This study emphasizes the limitations of existing IB theories in explaining EMNE behaviour and proposes a multilevel approach tailored to their distinct characteristics. It offers actionable insights for EMNE managers to adapt strategies, mitigate risks, and seize global opportunities. Policymakers can also leverage these findings to craft environments that foster EMNE growth and competitiveness on the international stage.

INTRODUCTION

The rise of EMNEs as key players in the global economy has prompted reconsideration of traditional theories in international business (IB). These theories were mainly designed for large multinational firms from developed markets, overlooking the strategic nuances of firms originating from rapidly growing economies (Cuervo-Cazurra & Ramamurti, 2014). The unique internationalization paths and competitive strategies of EMNEs challenge the traditional understanding of how firms expand globally. As a result, current frameworks require updates to explain better EMNE growth and competition strategies in global markets (Ciasullo, Montera, Cucari, & Polese, 2020).

This observation emphasizes the need for customized theoretical frameworks that capture the complex characteristics of EMNEs. Effective frameworks must account for interconnected variables across macro-level environments, industry-specific challenges, and firm-level strategic decisions, particularly within emerging markets' diverse socio-political and economic contexts. A multilevel approach is critical, providing a more nuanced view by integrating traditional IB theories and emerging realities for firms in these markets.

By incorporating multi-theoretical perspectives such as dynamic capabilities, industry lifecycle theory, institutional theory, and RBV, this study aims to create a comprehensive structure for understanding EMNE strategies. Each article section builds upon this framework, addressing macro, institutional, industry, and firm-level dynamics. The goal is to provide actionable recommendations supporting policy formulation and strategic managerial decisions.

Furthermore, this research seeks to contribute to IB by broadening the theoretical lens used to study EMNEs. It offers academics a solid foundation to analyze EMNE behaviour, particularly its influence on global economic and business practices. Applying these theories in sections two, three, and four, combined with the detailed strategies in [Table 2](#), provides theoretical and practical guidance for managers and policymakers.

WHY A MULTILEVEL APPROACH FOR EMERGING MARKET MNES? FRAMEWORK FOR UNDERSTANDING EMNES

The multilevel approach is crucial because various factors at different levels influence EMNE strategies and performance. This approach provides a detailed analysis of the global business landscape, recognizing the challenges and opportunities EMNEs face. When evaluating EMNEs, a multilevel approach is utilized to examine the impact of various factors on the firms' strategies, operations, and performance (Cuervo-Cazurra, 2012). Using this multilevel framework, managers of EMNEs can develop tailored strategies that account for their unique competitive environment and effectively leverage internal capabilities and external resources. Scholars can acquire a holistic comprehension of the behaviour of EMNEs and their ramifications on IB by integrating insights derived from various levels of analysis. [Table 1](#) summarizes these levels, associated questions, and theoretical frameworks for future research and managerial practice.

Emerging markets are influenced by macro-level factors like socio-cultural dynamics, politics, and economics

(Cuervo-Cazurra & Ramamurti, 2014). Understanding these factors helps contextualize EMNE strategies and identify opportunities and risks. The macro-level analysis is commonly supported by institutional theory, particularly new-institutional economics (North, 1990), Comparative Capitalism, and the institutional-based view (Aguilera & Grøgaard, 2019), emphasizing how socio-political structures shape organizational strategies. Resource dependence theory (RDT) also highlights how external resource constraints influence strategic decisions.

At the institutional level, the behaviour of EMNEs is substantially influenced by regulatory frameworks, governance structures, and gaps in local regulations and governance (Ghauri, Strange, & Cooke, 2021). This analysis provides insights into how firms navigate legal complexities and leverage institutional resources and networks to support international growth. Institutional voids, discussed by Doh, Rodrigues, Saka-Helmhout, and Makhija (2017), highlight the strategic challenges EMNEs face in weak or under-developed governance systems.

An additional crucial level of analysis pertains to industry dynamics (Porter, 1980). Diverse sectors exhibit distinct degrees of competition, obstacles to market entry, and technological progressions. The examination of industry-specific variables aids in identifying competitive positioning, market prospects, and domains for expansion and innovation for EMNEs (Luo & Tung, 2007). Theories like industry lifecycle and Porter's five forces help explain how firms assess competitive environments and strategic opportunities.

At the firm level, evaluating resources, capabilities, and strategic decisions is essential (Barney, 1991). The RBV explains how firms develop sustainable competitive advantages through their unique resource endowments. Additionally, the Uppsala model offers a key practical framework for internationalization at the firm level, emphasizing a gradual and experiential process. Firms initially expand to markets with lower psychic distance (cultural and institutional similarities) to reduce uncertainty. For example, firms may start by exporting or establishing joint ventures before moving toward full ownership models as market knowledge and confidence grow (Johanson & Vahlne, 1977). This approach highlights how EMNEs strategically manage risk and resource commitment during market entry and expansion.

Additional insights into the relationships of EMNEs with their stakeholders, suppliers, customers, and partners can be obtained through network analysis (Freeman, 2010). Examining the characteristics and importance of these networks illuminates how EMNEs utilize external resources, expertise, and market entry to bolster their sustainability and competitiveness. The Uppsala model complements this by showing how firms often rely on networks in foreign markets to build trust, gather market knowledge, and reduce barriers to entry.

A multilevel approach provides a comprehensive framework for evaluating EMNEs, considering the interplay between network relationships, macro-level trends, institutional environments, industry dynamics, and firm-specific

attributes. By embracing this all-encompassing viewpoint, scholars can produce significant revelations regarding the conduct of EMNEs and make a scholarly contribution to IB theory. This approach provides theoretical insights and practical guidance for managers seeking to thrive in complex, emerging markets.

The table highlights how macro-level environments, institutional settings, industry dynamics, and firm-level capabilities influence EMNE performance. By applying these insights, managers and scholars can better understand and navigate the complexities of emerging markets, fostering both strategic growth and theoretical advancements.

WHAT MANAGERIAL INSIGHTS CAN BE DERIVED FROM A MULTILEVEL APPROACH TO ASSESSING EMNEs?

Entering emerging markets is equivalent to navigating a labyrinth with unforeseen challenges, twists, and turns. The voyage necessitates a combination of strategic foresight and adaptability for EMNEs. Managers can refine their strategies, transform obstacles into opportunities, and thrive in these intricate environments by employing a multilevel approach, which provides essential insights. To guide managers, a structured framework—akin to transitioning from navigating with “no map” to using a real-time “GPS”—can help supervise a practical path forward. This framework consists of six key pillars stated below:

LOCAL ADAPTATION – THE COMPASS FOR CONTEXT

Local adaptation is the foundation of success in emerging markets. Imagining the launch of a product in a new market without considering local regulations or preferences is a recipe for disaster. EMNEs must customize their strategies, products, and operations to accommodate each market's distinctive cultural, economic, and regulatory environments. This necessitates familiarizing oneself with local legal requirements, comprehending regional business practices, and adhering to consumer preferences. The objective is to prevent costly errors by guaranteeing that offerings are pertinent and compliant (Cuervo-Cazurra, 2012).

LOCAL PARTNERSHIPS – ESTABLISHING LOCAL GUIDES

Local partnerships significantly influence this adaptation process. Consider a newcomer navigating a complex market without local guidance, where the obstacles are multiplied. EMNEs acquire invaluable expertise and networks by establishing alliances with local enterprises. In addition to overcoming operational obstacles and penetration barriers, collaborating with regional firms offers strategic advantages (Doh et al., 2017).

PROACTIVE REGULATORY ENGAGEMENT – EARLY WARNING SYSTEMS

Proactive regulatory engagement is equally critical. Consider the challenge of navigating a regulatory environment

Table 1. Multilevel Framework for Understanding EMNEs

Framework for Understanding EMNEs	Questions	Theory Link	Future Studies	Citation/Reference
Contextual Analysis				
Macro-Level Factors	What are the economic, political, and socio-cultural trends shaping emerging markets?	Institutional Theory (e.g., New-Institutional Economics, Comparative Capitalism, Institutional-Based View); Resource Dependence Theory (RDT)	Investigate the impact of macro-level trends on EMNE strategies and performance.	(Cuervo-Cazurra, 2012; North, 1990)
Institutional Environment	How do regulatory frameworks and institutional supports influence EMNE behaviour?	Institutional theory (e.g., New-Institutional Economics, Institutional Voids, Comparative Capitalism, Institutional-Based View)	Examine the role of institutional environments in shaping EMNE strategies and operations.	(Aguilera & Grøgaard, 2019; Doh et al., 2017)
Industry Dynamics	What are the key industry-specific factors affecting EMNE competitiveness?	Industry Lifecycle Theory; Porter's Five Forces	Analyze industry dynamics and their implications for EMNE growth and sustainability.	(Luo & Tung, 2007)
Firm Level Analysis				
Resource Endowment	What are the core resources and capabilities of EMNEs?	Resource-Based View	Assess the resource strengths and weaknesses of EMNEs relative to global competitors.	(Barney, 1991)
Internationalization Strategies	How do EMNEs choose entry modes and expansion pathways?	Internalization Theory; OLI Framework Upsala Model	Investigate the factors driving EMNE internationalization strategies and their outcomes.	(Dunning, 1981; Rugman, 2010)
Innovation and Adaptation	How do EMNEs innovate and adapt in response to market dynamics?	Dynamic Capabilities Theory	Explore the role of innovation and adaptability in EMNE's success and sustainability.	(Teece, Pisano, & Shuen, 1997)
Network Analysis				
Stakeholder Relationships	What is the nature and significance of EMNEs' stakeholder networks?	Network Theory; Stakeholder Theory	Examine the dynamics of stakeholder relationships and their impact on EMNE performance.	(Contractor, Kumar, & Kundu, 2007)
Global Value Chains	How do EMNEs participate in global value chains?	Global Value Chain Analysis	Assess EMNE integration into global value chains and their implications for competitiveness.	(Antràs & Chor, 2022; Gereffi, Humphrey, & Sturgeon, 2005)
Knowledge Spillovers	How do EMNEs acquire and leverage knowledge from global markets?	Absorptive Capacity Theory	Investigate the knowledge transfer mechanisms and their effects on EMNE innovation and growth.	(Cohen & Levinthal, 1990)
Performance Evaluation				
Financial Performance	What are the financial metrics used to evaluate EMNE performance?	Financial Theory; Accounting Measures	Analyze EMNE financial performance indicators and their implications for stakeholders.	(Vernimmen, Quiry, & Le Fur, 2022)
Strategic Outcomes	What strategic outcomes do EMNEs aim to achieve?	Strategic Management Theory	Assess the alignment between EMNE strategies and organizational objectives.	(Hill, Schilling, & Jones, 2017)
Long-Term Sustainability	How sustainable are EMNEs in the long term?	Sustainability Theory	Evaluate EMNE resilience and contributions to sustainable development goals.	(Elkington, 1998; Gomez-Trujillo, Gonzalez-Perez, & Baena-Rojas, 2024)

that is constantly changing without a map. It is imperative to maintain ongoing communication with regulatory bodies and government entities. In addition to facilitating the effective management of regulatory challenges, establishing solid and constructive relationships with regulators offers valuable insights into forthcoming policy changes. This interaction promotes flexible strategic planning and guarantees more efficient operations (Luo & Tung, 2007).

TECHNOLOGICAL INNOVATION – CREATING COMPETITIVE DIFFERENTIATION

An EMNE can distinguish itself through technological innovation. Technology is not merely an option in a competitive market but an absolute necessity. Managers should investigate technology's potential to address consumers' unique requirements in emerging economies, enhance operational efficiency, and develop distinctive products or services. By adopting technological innovations, EMNEs can succeed by establishing a specialized position in saturated markets (Teece et al., 1997).

COMPREHENSIVE RISK MANAGEMENT – CONTINGENCY PLANNING TOOLS

In light of the inherent volatility of emergent markets, comprehensive risk management is an absolute necessity. It is essential to establish comprehensive frameworks that can be used to identify, assess, and mitigate risks, such as those related to currency, economics, and politics. Preparing contingency plans and the readiness to confront unforeseen challenges are essential for preserving stability and resilience in unpredictable environments (Barney, 1991).

CULTURAL SENSITIVITY AND ORGANIZATIONAL ADAPTABILITY – BUILDING TRUST AND ENGAGEMENT

Another critical element of success is cultural sensitivity. A company's capacity to establish positive relationships, cultivate trust, and negotiate social complexities can be significantly influenced by its understanding of local customs and professional etiquette. Teams' engagement with local markets is facilitated, and long-term success is contributed by ensuring they are culturally aware (Contractor, Kumar, & Kundu, 2007).

Managers can effectively address the intricacies of emerging markets, mitigate risks, and capitalize on growth opportunities by incorporating these insights into their strategic planning. This comprehensive understanding enables MNEs to confront obstacles wholly and directly leverage the advantages of international expansion. By applying this structured framework, managers gain critical navigational support. Each pillar serves as a checkpoint, enabling them to make informed decisions, anticipate risks, and maintain strategic alignment throughout their journey in emerging markets.

ACTIONABLE RECOMMENDATIONS

EMNE managers should prioritize several key strategies to succeed in emerging markets. [Table 2](#) presents these strategies with real-world examples, offering a practical reference for decision-making. Managers can use this summary to tailor strategies like local adaptation, partnerships, and risk management to market-specific needs.

The table highlights key techniques for EMNEs' success in emerging markets, emphasizing how enterprises can effectively adopt these approaches. Examples include how Huawei and McDonald's overcame significant hurdles by adapting to local demands and developing strategic alliances. Each row explains the strategy's goal and how it helps overcome market challenges. By succinctly summarizing these issues, the table serves as a quick reference for managers seeking actionable information.

CONCLUSION

In summary, EMNEs must navigate challenges posed by various macroeconomic, institutional, industry, and firm-specific factors to successfully engage and thrive in emerging markets. The capacity to establish strategic partnerships, adapt to local conditions, and maintain proactive engagement with regulatory authorities is essential for success. By addressing these multilevel challenges, EMNEs can customize their products and services to accommodate distinctive cultural and regulatory requirements, reducing the likelihood of costly errors. In addition to facilitating market entry, partnerships with local firms can provide critical access to local networks and expertise, strengthening EMNEs' overall strategy. Industry-level competitiveness factors like effective risk management and technological innovation improve competitiveness and operational stability. By adopting technological advancements, EMNEs can maintain a unique market position and meet specific needs. At the same time, organizations can safeguard their resilience by preparing for and mitigating uncertainties by implementing robust risk management strategies.

Understanding local customs is crucial for establishing strong stakeholder relationships and promoting long-term development. Cultural factors -part of the macro-level environment -require firms to exhibit sensitivity and adaptability. Therefore, cultural sensitivity and adaptability are equally critical. Managers who align their strategies with insights from this multilevel approach can effectively overcome obstacles and seize growth opportunities in emerging markets.

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Table 2. Key Strategies and Examples for EMNE Managers

Strategy	Description	Example
Local Adaptation	Customize products and operations to fit local cultural, regulatory, and economic conditions.	Huawei adapted smartphones in Africa to support mobile money transactions, addressing the region's dependence on mobile banking infrastructure.
Local Partnerships	Form alliances with local businesses to gain market expertise, improve supply chain efficiency, and enhance regulatory compliance.	Tata Motors partnered with Chery Automobile in China to leverage Chery's production expertise and networks, easing market entry challenges.
Proactive Regulatory Engagement	Maintain strong relationships with regulatory bodies to stay ahead of policy changes and streamline operations.	Embraer expanded into China by engaging with government officials and aviation authorities, securing smoother aircraft sales and operations approvals.
Technological Innovation	Leverage technology to meet local needs, differentiate products, and improve operational efficiency.	Firms invest in localized technological solutions to enhance productivity and reduce costs, maintaining a competitive edge.
Comprehensive Risk Management	Develop frameworks to mitigate risks such as currency fluctuations and political instability, ensuring business continuity.	Mahindra & Mahindra mitigated risks in Latin America through a diversified supplier network and currency hedging strategies.
Cultural Sensitivity	Understand and respect local customs to build trust and maintain positive stakeholder relationships.	McDonald's success in India came from offering a menu without beef or pork and creating localized vegetarian options to align with cultural preferences.

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