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REVIEWS

# Dragon multinationals: New players in 21st century globalization

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**Abstract** This review article starts from the question: how does the global business system appear to a challenger firm, and how have challenger Multinational Enterprises (MNEs) from formerly peripheral areas such as the Asia Pacific established themselves successfully, against the sometimes fierce resistance of incumbents? To answer this question, the review develops an argument concerning the pluralistic character of the process of globalization, as contrasted with the conventional account that sees global processes creating uniformity and convergence. This alternative account is based on a review of the experiences of latecomer and newcomer MNEs, particularly those from the Asia Pacific—such as Acer, Ispat International, Li & Fung and the Hong Leong Group—that are dubbed "Dragon Multinationals." I argue that the innovative features that these MNEs share, such as their accelerated internationalization, strategic innovation and organizational innovation, fit particularly well with the characteristics of the emergent global economy as one of complex inter-firm linkages. The core proposition of the review is that this complementarity between the characteristics of the emergent global economy and latecomer and newcomer strategic and organizational innovations is what drives the remarkable success of these Asia Pacific firms in establishing themselves as serious international players. Such a proposition carries implications for the process of globalization as well as for the dominant frameworks utilized in International Business. The review argues that Dragon Multinationals adopt a different perspective to the resources accessed through internationalization, and that this requires a rethink of the criteria normally utilized in resource-based accounts of strategy. The challenger firm internationalizing in order to access resources also poses a challenge to the dominant OLI (ownership, locational, internalization) account of multinational advantage. Thus it is argued that the question posed at the outset goes to the core of the IB frameworks, and thereby counts as one of the 'big questions' that should guide research in IB in the 21st century.

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## 1. Introduction

How do some firms challenge established positions in the global economy, and displace incumbents, some of them highly advanced and fiercely competitive—especially when the challengers start small, lack key resources, and are distant from major markets? This is the question that has motivated my research into Asia-Pacific business dynamics over the past decade, and which guides this review article.

What I call ‘dragon multinationals’ are firms from the Asia-Pacific region—historically a peripheral region in the world economy—that have successfully internationalized and in some cases become leading firms in such sectors as building materials, contract manufacturing, steel production, financial services, hotels and hospitality and many more such sectors. These are firms that start from behind, and overcome their deficiencies to emerge as industry leaders, in sometimes astonishingly short periods of time, without any of the advantages of the incumbent industry leaders. They do so without initial resources, without skills and knowledge, without proximity to major markets, and without the social capital that is to be found in regions like Silicon Valley. But they succeed in spite of these initial disadvantages, indeed by turning initial disabilities into sources of advantage—by leapfrogging to advanced technological levels, for example, or by leveraging their way into new markets through partnerships and joint ventures.

In a context where leading commentators assert that such firms from the periphery can expect nothing but crushing defeat and marginalization at the hands of incumbent leaders, who are said to be shaping the global business arena according to their own preferences, this is a ‘good news’ story.[1] It offers hope not just to Multinational Enterprises (MNEs) from the periphery, but to all firms that can find ways to enmesh themselves in the growing tissue of interfirm connections and networks that characterize the emergent global economy. My story starts with the observation that dragon multinationals are not ‘passive observers’ but are shaping their own future—in the conditions created by globalization.

Globalization is widely seen to be the dominant tendency of our time. It is a shorthand expression for a variety of processes encompassing worldwide integration of financial systems, trade liberalization, deregulation and market opening, as well as pressures towards cultural, economic, and social homogeneity. In one sense it refers to the emergence of a single, global business civilization—a remarkable event, but one that is feared as much as it is celebrated. (For a critical evaluation of globalization as treated in IB, see Clark and Knowles, 2003).

But there is another aspect to the process of globalization that has attracted much less attention. This is the countervailing pressure exercised by the Periphery on the Center, as firms and institutions in the periphery move rapidly to take advantage of the new opportunities generated by the creation of global markets and global patterns of industrial development. It is not just firms and institutions from the Center that can respond to opportunities. Indeed, a plausible case can be made that as globalization proceeds, it is firms and institutions from the Periphery—in particular firms from the Asia Pacific—that can be expected to most clearly

[1] Nolan, Sutherland and Zhang (2002) surely speak for many when they remind us that there is a huge disparity between firms from the developing world and those from the advanced countries. They point out that of *Fortune 500* companies, only 26 are from middle and low-income economies; of *Financial Times 500* companies, only 16 come from the middle and low-income economies; and of the Top 300 companies measured by R&D expenditure, only two come from middle and low-income economies. As Nolan et al put it in the harshest terms: “The [vast majority of firms from developing countries] are almost entirely passive observers of the revolutionary reshaping of the world’s big businesses” (2002: 107).

articulate the global perspective and approach needed to exploit the new opportunities. This is based squarely on the fact that they are not burdened with existing commitments and attitudes born of domestic self-sufficiency and regard the world market as their home. Thus we have the interesting development that as the world globalizes, more opportunities are generated for the Periphery to take advantage of these processes.

Indeed at the beginning of the 21st century there are so many new kinds of internationally active firms—so many new "species"—that one might legitimately talk of the new "zoology" of the international economy. Latecomer firms from the Asia Pacific region can certainly be counted as part of this phenomenon. The rise of East Asia as an industrial power, built on skilful learning and adoption-cum-adaptation of advanced technologies combined with relentless focus on penetrating western markets, held the world in admiration through the 1980s and 1990s (World Bank, 1993). The financial crisis of the late 1990s seemed to put Asian expansionism on hold. But since the crisis, a set of lean and global Asia Pacific firms have been making inroads in manufacturing, in basic sectors like steel, in services like hotels and trading operations, and of course in high technology sectors like semiconductors and most recently in flat panel displays (Mathews, 2005). These firms are the latecomers and the outsiders that have now become global giants themselves—the "Dragon Multinationals"—in the space of one or at most two decades (Mathews, 2002a).

Multinational enterprises (MNEs) from developing countries are the visible manifestation of a sustained increase in outward FDI (OFDI) from developing countries, which has risen from \$60 billion in 1980 to \$129 billion in 1990 to \$869 billion in 2000 and to a total in excess of \$1 trillion for the first time in 2004 (UNCTAD 2004). Outward FDI from developing countries accounts for more than 10 percent of the world's overall outward FDI. And the Outward FDI from the Asia Pacific (excluding Japan) accounts for some two thirds of this total. The rise of this outward FDI and the new MNEs that embody it, from economies as diverse as China, India, Mexico, Korea, Singapore, Malaysia and Taiwan is a fascinating phenomenon.[2] It means that firms from the developing world are becoming players in the global economy and that they have lessons to teach in the strategies they have adopted (Mathews, 2004; Bartlett and Ghoshal, 2000; Sinha, 2005).

The first wave MNEs from the developing world, documented by authors such as Kumar and McLeod (1981), Wells (1983) and Lall (1983), succeeded as international players despite the obstacles encountered. Their success was due as much to the difficulties encountered at home (such as market restrictions and export difficulties) as to the incentives driving internationalization. They were "pre-globalization" success cases, when international investment flows were still rudimentary. But the arrival of the "second wave" MNEs from developing countries represent a quite different phenomenon. Their analysis calls for new perspectives that differ from those developed to account for outward FDI from developed countries, and from the "first wave" of MNEs from developing countries.

The emergence of second wave MNEs is to be sought in pull factors that draw firms into global connections, rather than push factors that drove firms as stand-alone players in the first wave. The second wave MNEs are multiply connected into a global economy—a condition that applies as much to internationalizing small and medium-sized enterprises (SMEs) as to traditional larger firms (Acs, Morck, Shaver, & Yeung, 1997). As Yeung (2000, p. 12) puts it: the rise of second-wave MNEs from emerging economies "is less

[2] Although Mexico is not in Asia, a case can be made that it is an "Asia-Pacific" country: it borders the Pacific and is a member of Asia-Pacific Economic Cooperation (APEC).

driven by cost factors per se, but more by a search for markets and technological innovations to compete successfully in the global economy." These MNEs arrive as latecomers on the world stage, and utilize these pull factors and connections to accelerate their internationalization. The issue to be investigated is this: to what extent is *accelerated internationalization* (Shrader, Oviatt and McDougall, 2000) the principal characteristic of the second wave MNEs and perhaps their prime differentiating factor?

Thus it may be argued that second wave MNEs utilized their late arrival on the global business scene to advantage, and in this sense behaved as classic Gerschenkronian 'latecomers.' Gerschenkron (1962) was concerned to describe the strategic innovations of German and American industry in catching-up and overtaking the 19th century industrial leader, Great Britain, through using advanced technologies, dedicated industrial institutions and rapid internationalization. These concepts can be applied to the catch-up strategies pursued by firms from developing countries today (Mathews, 2002) and in particular to firms that are internationalizing rapidly through clever use of and adaptation to the multiple connections being created in the global economy.

In many ways the International Business (IB) literature still reflects concerns over internationalization developed at the height of the scare about Western multinationals in the 1970s, when the issue was posed in terms of a threat to national sovereignty. The fear was that giant corporations, striding across national borders, would reduce the nation state to subservience (Vernon, 1971). But this fear has not been realized. The international economy at the start of the 21st century is a very different place. It is inhabited by a few giants, true, but mostly by a large number of SMEs which are internationally active. Their modes of internationalizing, their reasons for doing so, their organizational and strategic innovations—these are scarcely captured by existing theories and conceptual frameworks. In this review, I analyze the experience of these "Dragon Multinationals" from the Asia Pacific and update the findings from my 2002 book.

The sudden appearance of these "second wave" firms, and their capacity to create a competitive position in the teeth of opposition from giant incumbents, is the phenomenon that has provided the **central puzzle and topic of interest** for this review. It is a **paradox** that at a time of unparalleled interest in giant firms and globalization, these latecomers and newcomers should make their dramatic entry. Their sudden appearance cannot be explained by conventional multinational strategies; these served the present incumbents, but could not work in the face of incumbent opposition. Nor can their appearance be attributed to a new form of small firm—large firm dependence, since many of the newcomers and latecomers are shaping the emergent form of a global market, and acting as the vanguard for globalization. They are not simply occupying space vacated by incumbents, because in many cases they are creating new economic space by their own organizational and strategic innovations. Indeed the Dragon Multinationals help to expose the weaknesses and limits to traditional accounts of MNEs and to existing theories and frameworks of International Business.

This review unravels this puzzle, and in so doing seeks to develop a plausible account of the accelerated internationalization of firms from the periphery. This will involve elaborating and extending the existing frameworks utilized in the international business literature to discuss the process of internationalization—including the definition of internationalization itself, the impulse to internationalization, the processes through which internationalization is accomplished, and the sources of advantage of international firms over their domestic rivals. Much of this literature and these existing frameworks were developed for the situation two or three decades ago, when the multinational was a species under siege. The situation today is quite different. The latecomers and newcomers do not start out in a cautious way, feeling their way through foreign markets, but tend to regard a highly integrated world as their market from the outset. Thus I develop the argument that it is changes in the character of the world economy, and in particular its globally interlinked character (what could be called the *worldwide web of interfirm connections*) that can be seen as responsible for driving the new approaches to and patterns of internationalization. The argument completes the circle by pointing to the fact that the strategies of linkage and leverage that are most likely to succeed in this interlinked global economy are precisely those likely to be pursued by firms which lack substantial prior resource bases. In other words, they are ideal strategies for latecomers and newcomers, and for small and medium-sized firms, rather than for established, large incumbents. This provides a satisfying resolution to the paradox that initiates this investigation.

This appeal to strategies based on linkage, leverage and learning (accomplished through repeated applications of linkage and leverage) provides a point of contrast with some of the dominant frameworks utilized in International Business. In terms of the Resource-based view, widely regarded in strategy, the Dragon Multinationals may be seen as evaluating resources strategically in ways very different from incumbents. It will be argued that they have everything to gain by tapping the resources of others, and that they internationalize explicitly with this goal. The incumbents see the world as full of competitors who are trying to imitate their success. The newcomers and latecomers see the world as full of resources to be tapped, provided the appropriate complementary strategies and organizational forms can be devised. Thus the challengers may wish to evaluate resources in terms of their imitability and transferability—whereas incumbents are said to view them in terms of the converse characteristics, namely their inimitability and non-transferability.

Likewise the widely adopted OLI framework in IB, characterizing MNE advantages over domestic firms in terms of their ownership, locational and internalization advantages, is a framework that sees MNEs as deriving advantages from their superior resources that they exploit abroad. But the challenger firms will have a very different perspective, looking for ways to access needed resources precisely through linking up with source firms abroad, and internationalizing in order to access the resources that they lack.

This review thus utilizes the experience of a group of latecomer and newcomer MNEs—principally from the Asia Pacific—to argue that such firms should be seen as the harbingers of a new kind of multinational enterprise which is perfectly adapted to the new conditions of globalization. But this also generates a novel perspective on the process of globalization itself. It emerges not as a process dominated by the tendencies towards convergence, uniformity and homogenization, but rather as a process in which multiple futures are being generated, by firms from the periphery as well as by firms from the center.

## 2. New zoology of the global economy

In the past decade a host of new firms have arisen which are active in the global economy while bearing little resemblance to the giant multinationals of popular imagination. According to the United Nations Conference on Trade and Development, by the beginning of the 2000s there are over 61,000 firms operating internationally, controlling at least 900,000 foreign affiliates (UNCTAD 2004). The trade between these firms has been increasing faster than world trade overall, while investments by these firms (foreign direct investment) is also increasing faster than world trade growth. It is the activities of these firms which define the emergent global economy. This economy in reality shows few points of resemblance with the uniform, convergent, giant MNE-dominated economy of popular imagination.

How much do we know about these near million firms that constitute the core of the global economy—in terms of their origins, their mode of operation, their strategies and organization? Certainly they include typical MNEs which have vast resources, operations in more than 100 countries, and multiple sites covering R&D, production, logistics, marketing and customer support—the General Electrics, the GMs, IBMs, Motorolas, NECs, Siemens, Unilevers. But these firms are in a very small minority—albeit an influential minority. The majority consists of firms which are quite different from these conventional and resource-rich MNEs. They include, for example much smaller MNEs, both in terms of resources, staff and capital—which we might refer to as "micromultinationals" (Hedlund, 1993; Dimitratos, Johnson, Slow, & Young, 2003; Ibeh, Johnson, Dimitratos, & Slow, 2004).

They include small or medium-sized firms which originate from the advanced industrial countries but attack the world market with such vigor and with such clever strategies of integration that they must be classified as "newcomers" or as "born-again multinationals" (Bell, McNaughton and Young, 2001). Other firms are included which almost bypass internationalization as a "process" since they are started and operate from day one in global markets as global players, servicing their customers wherever they are to be found; these are the "born globals" or "international new ventures" (Oviatt and McDougall, 1994; 1997; Knight and Cavusgil, 1996; Bloodgood, Sapienza and Almeida, 1996; Madsen and Servais, 1997). Small firms are increasingly active in the international economy, and are thereby changing the dynamics of international competition (Fujita, 1995; Acs, Morck, Shaver and Yeung, 1997; Kohn, 1997; Coviello and McAuley, 1999).

Yet more firms have always been "global" but kept quiet about it, focusing their efforts on maintaining a commanding position in a very narrowly defined niche market. Firms like Hauni, which after several decades continues to supply 90 percent of the world market for cigarette-making machines, show that suitably focused geocentric firms can sustain their world position against the efforts of even huge multinational competitors like a General Electric. These are the species "global niche players" and "hidden champions" (Simon, 1996).

Another interesting cluster of firms may be labelled as "latecomer MNEs" from East Asia, for example. These firms have pursued accelerated internationalization over the course of the past decade and acquired global reach in a fraction of the time taken by their predecessors. Acer is a good example—as are others from other Asia Pacific late-developing countries such as Li & Fung from Hong Kong, or the Hong Leong group from Singapore. Ispat International, started by an entrepreneur from India, is now the world's most globalized steel company, while Cemex from Mexico has emerged as the world's third largest producer of cement and the world's most global supplier and producer. Whereas only a few years ago such firms from developing countries were widely viewed as being of "marginal" significance only (Vernon-Wortzel and Wortzel, 1988) this most definitely cannot be said of them today. Firms internationalizing from China have attracted significant attention (Nolan and Zhang, 2003; Zhang, 2003; Liu, Buck and Shu, 2005).

The Asia-Pacific MNEs identified by UNCTAD as part of their "Top 50 TNCs from developing economies" (counting only those MNEs with assets exceeding $1 billion) are listed in Table 1. Of the 40 such corporations listed, no fewer than 29 are from the Asia-Pacific (counting Mexico)—and the Top 9 are all from the Asia-Pacific. These are the "large" Dragon Multinationals. Then there are the small and medium counterparts—frequently linked to these larger firms through various kinds of contractual networks.

**Table 1** "Dragon multinationals": Asia-Pacific MNEs in UNCTAD list of Top 50 MNEs from developing economies

| Rank | Corporation | Home base | Industry | Foreign assets (US$ b) | TNI* |
|---|---|---|---|---|---|
| 1 | Hutchison Whampoa | Hong Kong | Ports, diversified | 48.0 | 71.1 |
| 2 | Singtel | Singapore | Telecomms | 15.8 | 61.4 |
| 3 | Petronas | Malaysia | Oil | 13.2 | 26.0 |
| 4 | Cemex | Mexico | Cement | 12.2 | 67.9 |
| 5 | Samsung Electronics | Korea | Electronics | 11.4 | 38.5 |
| 6 | LG Electronics | Korea | Electronics | 5.8 | 46.3 |
| 7 | Jardine Matheson | Hong Kong | Trade | 5.7 | 60.7 |
| 8 | Neptune Orient Lines | Singapore | Shipping | 4.6 | 94.8 |
| 9 | Citic Pacific | Hong Kong | Construction | 4.2 | 58.4 |
| 11 | Shangri-La Asia | Hong Kong | Hotels | 3.7 | 78.9 |
| 13 | Guangdong Investment | Hong Kong | Diversified | 3.6 | 92.0 |
| 14 | Flextronics Int | Singapore | Electronics contract mfg | 3.5 | 81.5 |
| 15 | Capitaland | Singapore | Property | 3.2 | 48.1 |
| 16 | City Developments Ltd | Singapore | Property hotels, | 3.0 | 62.5 |
| 20 | First Pacific Co. Ltd | Hong Kong | Electrical and electronics | 2.3 | 66.1 |
| 25 | Singapore Airlines | Singapore | Air travel | 2.0 | 27.7 |
| 26 | CLP Holdings | Hong Kong | Electricity, gas, water | 1.9 | 9.7 |
| 27 | Samsung Corp | Korea | Electrical | 1.9 | 25.9 |
| 28 | Kulim | Malaysia | Food & beverages | 1.7 | 42.6 |
| 29 | Keppel Corp | Singapore | Diversified | 1.7 | 29.5 |
| 32 | UMC | Taiwan | Electronics. semiconductors | 1.5 | 28.9 |
| 33 | Fraser & Neave | Singapore | Food & beverages | 1.5 | 54.8 |
| 34 | Hyundai Motors | Korea | Automotive | 1.5 | 21.3 |
| 35 | Nan Ya Plastics | Taiwan | Rubber & plastics | 1.4 | 15.3 |
| 36 | Grupo Bimbo | Mexico | Food | 1.4 | 33.4 |
| 37 | Orient Overseas Int. | Hong Kong | Transport & storage | 1.1 | 59.6 |
| 38 | CP Pokphand | Thailand | Food | 1.1 | 98.7 |
| 39 | Gruma SA | Mexico | Food & beverages | 1.1 | 57.3 |
| 40 | Swire Pacific | Hong Kong | Business services | 1.0 | 31.0 |

*TNI: Trans-Nationality Index
Source: *World Investment Report 2004*, Table 1.3.1

It is interesting to consider the range and diversity of trajectories through which firms from developing countries become MNEs. Let us take cases of emergent MNEs: now-large firms such as Ispat, Cemex, Acer, Hong Leong/CDL, Li & Fung and Lenovo.

**Ispat** (now Mittal Steel) is the world's largest steel producer, and the most globalized of any steel company in the world (Sull, 1999). Yet it started as a tiny steel producer in Southeast Asia, in Indonesia, founded by an Indian entrepreneur, in 1976, and only made its first international foray, into the Caribbean, in 1989. Ispat grew as a medium-sized enterprise through exploiting a latecomer advantage in utilizing mini-mills and electric arc technology, combined with a new feedstock technology termed Direct Reduced Iron (DRI), and built its operations through leveraged acquisition of former state-owned steel plants around the world periphery. It was only once it had developed a global network of interconnected mini-mills in the periphery that Ispat elected to enter the Triad countries, making acquisitions in Europe and then the United States (Midland Steel) and finally the International Steel Group acquisition, worth $4.5 billion, that took it to be the leading firm in the industry in 2004. As a latecomer, Ispat utilized new DRI technology and integrated management systems to build a global business whereas existing steel companies were domestic or at best regional in focus; it utilized its global presence to attract important global customers like GM, thereby securing a latecomer advantage.[3]

**Cemex** is Mexico's largest TNC and its most globalized. It is the world's third largest cement producer and the largest cement trader: it now operates cement plants on four continents Cemex only began its internationalization in 1989, with the freeing up of controls by the Mexican government (Roberts and Podolny, 1999). The company expanded through strategic acquisitions in several parts of the world, but mainly in Latin countries. Its most recent transaction, to gain better access to the European market, was the acquisition of the RMC cement group in the UK. Cemex is the perfect example of a TNC exploiting latecomer advantages, in that it utilized advanced GeoPositioning Satellite (GPS) technology to keep track of its cement deliveries globally, in advance of any of the established companies.

**Acer** is a global IT firm that was founded as a tiny company in Taiwan in 1976, and has grown to be one of the largest and most successful IT, PCs and PC components firms in the world. Its expected global revenues in 2005 are $9 billion. Acer began its internationalization in the late 1980s through large acquisitions that nearly bankrupted the company. It then regrouped and pursued an incremental strategy of expansion through partnerships with local firms in its target markets, expanding throughout the world's periphery (Bartlett and Ghoshal, 2000). It developed innovative organizational forms as a latecomer, involving a cellular organizational structure and a "fast food" business model (Mathews and Snow, 1999).

**City Developments Ltd** (CDL) started its life in Singapore, as part of the Hong Leong group, and has expanded through mergers and acquisitions to become one of the largest hotel chain operators in the world. It started in Singapore and with hotels in the southeast Asian region, expanding into Europe in 1993 with the purchase of the Gloucester Hotel in London, followed by others in Hong Kong. CDL acquired its first chain in 1993 in New Zealand, followed by the Copthorne chain in Europe acquired from AER Lingus in 1995. It has gone on to develop the Millennium & Copthorne group as a globalized hotel chain pursuing a global strategy with a global brand.

[3] Mittal Steel is not listed as part of the UNCTAD developing countries 'Top 50 TNCs' because it is publicly listed in New York and Amsterdam; but it is an Asia-Pacific developing country MNE in its origins and its distinctive internationalization strategy of expanding initially through the Periphery.

**Li & Fung** is a contract manufacturing services firm, and another transnational, this time from Hong Kong, China. It has globalized through the construction of vast supplier networks across several continents (Magretta, 1998). Li & Fung accelerated its internationalization through the purchase of existing players, including Inchcape, and captures latecomer advantages through its low costs (producing in greater China) and its razor-thin profit margins.

**Lenovo** (formerly the Legend group) is China's most successful manufacturing high-tech firm, which globalized in a recent well-publicized merger with the IBM PC business, in a deal worth $1.75 billion. The acquisition creates two new global brands, Lenovo and IBM, and provides Lenovo with IBM management expertise as well as global reach. In a stroke, Lenovo has globalized, acquired a global brand, and a new global headquarters. IBM has discarded what it views as a peripheral business, and has secured its access to the Chinese market.

It would be tedious to extend the list too far. The case has been established that there exist a number of interesting new players in the global economy that are sufficiently different from conventional, large, resource-rich MNEs as to command analytical attention. I devote the rest of this review to teasing out the characteristics of these new kinds of international firms, and initiating a process of developing new conceptual frameworks which may accommodate them.

## 3. Latecomers and newcomers: Distinctive characteristics

What can be said in general terms concerning the characteristics of these latecomers and newcomer firms that populate the global economy? I shall focus on three such characteristics as a starting point for analysis. Firstly, they all internationalized very rapidly—so accelerated internationalization is a distinctive feature that calls for analysis. Secondly, they have been able to achieve this accelerated internationalization not through technological innovation, but through organizational innovations that are well adapted to the circumstances of the emergent global economy. Third, they have been able to implement these approaches through strategic innovations that enable them to exploit their latecomer and peripheral status to advantage.

### 3.1. Accelerated internationalization

Latecomers and newcomers all internationalized very rapidly. They made use of prior international connections, leveraging their own expansion through making use of these—as in the case of expanding abroad as contractor to an existing multinational, or being carried by a global customer into new markets (Andersen, Blenker and Christensen, 1997). It was as if these firms had executed a "gestalt switch" from domestic to global player—even if their actual pattern of internationalization was incremental. Thus they benefited from surprise in creating their global presence. A firm without this gestalt switch sees the international economy in terms of adding one foreign country to its domestic market, then another, and another in incremental expansion. In such a process, a "global perspective" emerges only slowly, if at all. Trade-offs between country operations, and the rotation of product strategies through the most relevant countries, are barely discernible as potential strategies. A firm that makes the "gestalt switch" by contrast makes its first foreign foray as an initial step not into one foreign market, but into the world. It starts out with a view that it will pursue customers wherever they are to be found, and preferably global customers, since they give maximum internationalizing leverage. Each move is seen as adding another piece in an expanding pattern that was global in scope from the beginning. It should not be surprising that it is firms from the periphery which are most advanced in developing such an outlook, for this can be one of their few sources of advantage over incumbents from the advanced Triad countries. Rugman (2003) makes a similar point in arguing that Triad MNEs are more likely to be regional in their outlook than global. The incumbent MNEs with a genuinely "global" or geocentric perspective are still relatively rare.

### 3.2. Organizational innovation

Latecomers and newcomers adopted a variety of global organizational forms, from highly unconventional global cellular clusters (Acer, Li and Fung) to weblike integrated global operations like Ispat. In all cases they dispensed with conventional "international division"-style organization, which demonstrates that they began their internationalization already equipped with a global outlook. In the case of Acer, the organizational innovation has been the creation of a remarkable global cluster of semi-autonomous businesses, interacting with each other through multiple connections, as well as with suppliers and customers. The autonomy generated by this global cellular architecture, and the business initiative it encourages, ensures that Acer does not suffer from well-known "subsidiary-headquarter" problems of morale and initiative (Andersson and Forsgren, 1996; Delios and Beamish, 2001). The counterpart to this local responsiveness is the issue of maintaining global coherence and integration. Acer has implemented an effective set of common rules that provide the guidelines for decision-making, while building common global assets such as the single brand which acts not just as a marketing tool but also as an organizational symbolic point of reference (Miles, Snow, Mathews, Miles, & Coleman, 1997).

### 3.3. Strategic innovation

As newcomers and latecomers, these firms had to find innovative ways to make space for themselves in markets that were already crowded with very capable firms. Viewed in their own terms, the firms found new ways to "complement" the strategies of the incumbents, such as through offering contract services, through licensing new technologies, to forming joint ventures and strategic alliances. It is plausible that it was through the implementation of these "complementary" strategies that newcomers and latecomers were able to win a place in the emergent global economy, not on the basis of their existing strengths, but on the basis of their capacity to leverage resources from the strengths of others, through making international connections (Melin, 1992). These internationalization strategies, designed to enhance firms' resource base rather than to exploit existing assets, represent a fundamental departure in thinking by firms about what "globalizing" means and how it can be accomplished. It takes the firms beyond earlier stages of multinational expansion, characterized by what Perlmutter (1969) described as ethnocentric and polycentric management attitudes, straight to a geocentric strategic perspective. An indicator of the degree of globalization of these MNEs from the Asia Pacific is that 15 of the 29 Dragon MNEs listed in Table 1 have Transnationality Indexes (measuring foreign sales as a proportion of total sales, foreign assets as a proportion of total assets, and foreign employment as a proportion of total employment) exceeding 50 percent. To be so globalized in a globalized world is a distinct advantage. This turns out to be an advantage of being a latecomer or newcomer.

These characteristics provide the starting point for an analysis of what could account for the success of the latecomers and newcomers, in the face of such overwhelming competition from incumbents. Innovative firms, whether from the periphery or from the Triad, are drawn into a networked global economy through linkage and leverage possibilities that were unknown just a few years ago, and add their own multiply-linked contributions. This creates so many more possible patterns of internationalization, and thus again opens up opportunities for newcomers and latecomers which may well be more nimble in seizing the opportunities created. So the global economy is certainly changing—but the sources of advantage for global firms may be very different from those conventionally depicted.

## 4. Accounting for success: International business frameworks

It is plausible to suppose newcomers and latecomers, like Acer, Ispat International, Li & Fung and the Hong Leong group, form part of the vanguard of the emergent global economy precisely because they are equipped with a global outlook and because they are prepared to experiment with strategic and organizational innovations that place global considerations ahead of all others. In this they may perhaps be holding up a mirror for the incumbents, showing them what the future may hold.

The literature on international business (IB) over the course of the past decade has indeed been responsive to the new trends described above. It has moved from a concern with the multinational enterprise as an agent of internationalization, at odds with and frequently in opposition to claims of national sovereignty, to one where the multinational is seen as both instigator and beneficiary of globalization. The multinational enterprise is seen widely as the chief vehicle through which the multiple processes that are associated with globalization—such as the creation of global markets and the rise of global industries—have been mobilized.

Along with this shift in emphasis there may be detected a shift in understanding the rationale of multinationality and the means through which firms seek to obtain advantages from doing business across borders (Caves, 1996; Chi and McGuire, 1996). The early multinational enterprises were forced to operate within a regime of relatively closed markets, and found themselves constrained to produce mini-versions of themselves as more or less self-contained national subsidiaries, each conceived as a means of implementing head office thinking and decisions in the host country. In such an environment it was inevitable that early theorizing concerning the sources of multinational advantage should focus on the firm's ability to exploit domestic assets abroad. Indeed early formulations of the theory of multinational advantage, developed for example by Hymer and Kindleberger in the 1960s, focused precisely on the means through which the MNE could mobilize its trans-border assets to overcome its perceived informational deficiencies with respect to its domestic rivals. In the hands of Buckley and Casson (1976), Dunning (1981; 1988) and other contributors to the so-called "Reading School" this was elaborated into an extensive set of propositions concerning the sources of advantage—locational, ownership, internalization—available to a multinational firm which utilized its own internal avenues of asset transfer and exchange to maximize its potential to exploit its advantages.

By contrast, over the course of the past decade, as the pace of globalization has quickened, the source of multinational advantage has been discerned not so much to arise through the exploitation of existing advantages as in the tapping of resources that would otherwise not be available to a firm competing solely at home and seeking to sustain an international presence through exports (Forsgren, 1999). As the global economy becomes more and more closely interlinked, so MNEs have been seeking hitherto untapped advantages through the creation of global value chains where production, logistics, product development and other functions are distributed around the world in terms of considerations of cost (e.g. labor-intensive operations being located in low-cost countries) or considerations of knowledge and resources (e.g. locating R&D operations in knowledge-intensive regions) (Zander, 1999).

The case of Japanese firms investing heavily in US-based R&D facilities, particularly in the pharmaceutical industry, is a case in point (Geringer, Tallman and Olsen, 2000). Likewise even well-established MNEs like Swedish firms, which have been internationally active for over a century, now seem to be locating their highest value-adding activities abroad, in the search for global advantages that are divorced from host country considerations.

Existing frameworks that discuss internationalization—the definitions of the term, the impulse to internationalization, the process itself, as well as the sources of advantage of being international—were all formulated two or three decades ago, at a time when internationalization was seen as a major barrier, and available only to the largest and strongest firms. The new developments registered over the past decade, and the new "zoology" of the international economy, call for a reconsideration and reformulation of many of these existing frameworks, along the lines of the new directions discerned in the literature (Andersen, 1993; Cavusgil, 1998; Eriksson, Johanson, Majkgard and Sharma, 1997; Pietrobelli and Sverrison, 2003).

### 4.1. Internationalization

The literature on the process of internationalization (as opposed to the economic analysis of *why* internationalization occurs, which is the subject of separate analysis) has tended to use a "push-oriented" concept, with the outward movement of the firm propelled by some strategic objective. Thus Welch and Luostarinen (1988: 36) define internationalization as "the process of increasing involvement in international operations." This definition implies that internationalization is a linear sequential process of "increasing" involvement—which excludes the cases where firms actually cut back on their international exposure, or follow an "oscillatory" trajectory of increasing then diminishing international involvement—as in the case of the Swedish MNE, Alfa-Laval, for example (Zander and Zander, 1997).

Calof and Beamish (1995) sought a way around this problem with their definition of internationalization as being "the process of adapting firms' operations (strategy, structure, resource, etc) to international environments" (1995: 116). This would appear to be a superior formulation, in that it does not pose any specific direction on the process of engagement with the international economy.

To accommodate the case of newcomers and latecomers, particularly those from the Asia Pacific region, internationalization needs to be reconceived as a "pull" process as well as involving a push. It is the multiple connections of the global economy which draw firms into involvement across national borders, through contracting, licensing or other transacting relationships. Bearing this in mind, internationalization may be defined as "the process of the firm's becoming integrated in international economic activities." The term "integration" covers both cases of push and pull, and provides a more comprehensive formulation, seeing the global economy as pre-existing and offering resources to the firm which seeks strategic involvement at this level. In addition to covering the well-known and studied cases of export activity and foreign direct investment, such a broadly-based definition encompasses the experiences of the latecomers and newcomers which are the focus of this review. It emphasizes the point that internationalization is a process of engagement with the prior existing inter-firm linkages of the global economy.

### 4.2. Strategic impulse to internationalization

A linked issue concerns the impulse that drives firms to internationalize. The conventional approach to discussing the impulse to internationalization on the part of firms starts from the perspective that they have the capacity to exploit their advantages abroad. The prior existence of assets to be exploited abroad is indeed the starting point for the modern analysis of the MNE, which was formulated in the 1960s by scholars such as Hymer (1960) and Kindleberger (1970). Prior to this, international business was discussed in terms of international trade and FDI, rather than in terms of the activities of specific firms.

These approaches to developing an account of the advantages that might be enjoyed by the MNE over non-international competitors (at home or abroad) were in keeping with the dominant experience of MNEs, which were expanding abroad from their strong domestic bases, either in the U.S.A. or Europe or, increasingly in the 1960s and 1970s, from Japan as well. They were seen to be taking with them abroad the advantages and assets built up at home. This has remained the dominant point of view, in theory as much as in practice, with the exception of the Scandinavian/Nordic school, which was concerned to account for the quite different behavior of Scandinavian MNEs. This remained an "isolated" case until the arrival of the latecomer MNEs from East Asia in the 1980s and 1990s turned the conventional assumptions on their head. By contrast, latecomers and newcomers in the 1990s have been concerned not to exploit existing assets or resources, but to gain access to resources through their international expansion (Peng and Wang, 2000).

We may appeal to the recent "resource-based view" of firms' competitive positions to provide a more general account of the successes of the newcomers and latecomers in their quest for international reach (Barney, 1991; Peng, 2001). From a resource perspective, what these firms have in common is that their internationalization is not based on the possession of overwhelming domestic assets which can be exploited abroad—as has been common with conventional MNEs. Rather their international expansion has been undertaken as much for the search for new resources to underpin new strategic options, as it has been to exploit existing resources. This is why they have to expand quickly, to consolidate gains that are fleetingly won. This is why they tend to rely on partnerships and joint ventures, to reduce the high level of risk involved in their leveraged strategies.[4]

The differences between these two approaches are profound. On the one hand, incumbent giants exploit their domestic resources in order to move abroad, while on the other, nimble newcomers and latecomers venture abroad to access resources that would otherwise be unavailable, and thereby create a global position for themselves. On the one hand, global giants see themselves as having much to lose, and little to gain, by sharing their resources in partnerships and other contractual alliances. The newcomers and latecomers, by contrast, have everything to gain by tapping the resources of others, and internationalize explicitly with this goal. The incumbents see the world as full of competitors who are trying to imitate their success. The newcomers and latecomers see the world as full of resources to be tapped, provided the appropriate complementary strategies and organizational forms can be devised.

### 4.3. Sources of international advantage: the OLI framework

A predominantly Anglo-American approach to theorizing the MNE was consolidated by the 1970s in the "internalization" view, cast by Dunning in terms of an "eclectic" theory of multinational advantage (1981; 1988). Dunning brought together the advantages that international firms drew from extending their operations abroad, in terms of three characteristics or sources. There was the potential advantage derived from extending their proprietary assets abroad, such as brands or proprietary technologies, bringing greater fire power to bear

[4] Why the incumbents enter such alliances and joint ventures, frequently for very good reasons of their own, is a separate issue that I do not pursue here.

on their domestic competitors in host markets (the “ownership” advantage). There was the potential advantage of being able to integrate activities across sectors of the world with very different factor costs and resource costs (the “location” advantage). Finally there were the potential advantages derived from building economies of scale and scope through internalizing activities spread across borders that would otherwise be dispersed between numerous firms (the “internalization” advantage).

In the 1990s Dunning and many other adherents to the OLI eclectic framework have sought to push it in various new directions, to accommodate striking developments such as the rise of international mergers and acquisitions, the rise of international joint ventures and collaborative alliances, and not least the rise of fast expanding “newcomers” that appear to lack all the trappings traditionally associated with the MNE (Dunning, 1995; Rugman and Verbeke, 2004). These extensions certainly bring the framework into closer alignment with more recent experiences. But do they change the fundamental fact that the OLI framework is one that sees the MNE as deriving advantages from overcoming market failures through use and transfer abroad of its superior resources?

From the OLI perspective, modified or otherwise, the MNE exists because of its possession of superior resources, i.e. superior to those available to a domestic competitor. It is in this sense a strong statement of the RBV as applied to incumbents and the sustaining of existing advantages. It makes it clear that the prevailing view applies mainly to incumbent MNEs which have created their international empires and are seeking to derive maximum advantage from them. Through the internalization principle, it rules out of consideration cases where a firm can derive advantages by expanding abroad in order to access a resource that is otherwise not available. This is, as I argue here, the case that fits many of the latecomers and newcomers. To make sense of their internationalization, it is appropriate to retain the OLI framework as fitting the case of incumbents, and going *beyond* the framework established by OLI for the new cases such as Dragon Multinationals.

## 5. An alternative and complementary framework grounded in globalization: LLL

The considerations that apply to international expansion in the pursuit of resources (and customers) not otherwise available, are quite different from those that apply to expansion which is designed to exploit existing resources. Utilizing a perspective that focuses on firms’ resources in an international setting (Peng, 2001) three such considerations immediately present themselves. These are that the firms’ international expansion is driven by resource linkage, leverage and learning.

### 5.1. Linkage

The critical starting point for the latecomer and newcomer is that it is focused not on its own advantages, but on the advantages which can be acquired externally, i.e. on resources which can be accessed outside of itself. Thus a global orientation becomes a source of advantage—since the opportunities through which it can expand are likely to be found in the global market rather than in its domestic environment. The global outlook which is an unnecessary luxury for the incumbent is a necessity for the latecomer and newcomer.

An outward orientation carries higher risks and uncertainties than a more conservative inward focus. The firm seeking to acquire resources and complementary assets in foreign markets has to overcome problems of market intelligence and uncertainty regarding the quality of knowledge potentially available. Small and medium-sized firms in particular have to find ways to offset these risks or face bankruptcy if anything goes wrong. Thus joint ventures and other forms of collaborative partnership as a means of gaining entry to the foreign market emerge overwhelmingly as options of choice. Over two decades ago Wells made precisely the same point in his discussion of multinationals from the Third World—they tend to expand abroad through partnerships and joint ventures rather than through wholly owned subsidiaries (Wells, 1983; 1998). Partnerships and joint ventures are seen by the incumbent, generally speaking, as sources of leakage of proprietary assets and knowledge. They are seen by the aspiring MNE by contrast as principal vehicles for reducing the risks involved in international expansion as in the well-documented cases of strategic technology partnering (Narula and Sadowski, 2002).

Studies of internationalization experience of firms demonstrate the reality of resource access as a motive. As two scholars from Taiwan put it, the "resource access" motive can be interpreted as "an attempt to access external resources in order to offset the weaknesses of the investor." (Chen and Chen, 1998: 446) The same motive can apply to advanced technology firms expanding from an advanced home base in the USA in the search of new customers (Bloodgood, Sapienza and Almeida, 1996). These are all ways of expressing international expansion as a search for resources that are otherwise not available.

The point is that globalization multiplies the opportunities for such networks to be formed, and for newcomers and latecomers—such as from the Asia Pacific—to link up to them, thereby drawing themselves into circuits of exchange and sources of advantage.

### 5.2. Leverage

Secondly, the focus of analysis will be on the ways that links can be established with incumbents or partners so that resources can be leveraged. The focus will be directed towards the resources themselves, and their leverage potential. It will be concerned with how accessible such resources are—with their imitability, or transferability, or substitutability.

This kind of analysis contrasts sharply with the conventional approach of the RBV of the firm. In the conventional approach, the object of analysis is the barriers to diffusion, seen from the perspective of the incumbent looking to delay the entry by competitors, i.e. looking to sustain incumbent advantages. By contrast, from the perspective of the newcomers and latecomers, the object of analysis is how such barriers may be overcome.

Linkage and leverage is thus a notion that is directly contrasted with a view that MNEs derive advantages from ownership of superior resources and from the internalization of operations across national borders (the OLI perspective). It is also a notion in alignment with a view of the international economy as a transnational network, or worldwide web of interfirm connections. The study of the global economy from this perspective has been pioneered in Scandinavia (linked to parallel studies of the process of internationalization of the firm) and it has resulted in an understanding of the dynamics of the interfirm linkages, their stability over time as well as their evolution (Johanson and Mattsson, 1988; 1993). This network view of the international economy really is a profound departure from conventional views. It is not a matter, as Mattsson (1998) rightly insists, of seeing the international networks formed by global firms as being some sort of unstable "hybrid" governance structure located somewhere between markets and hierarchies. This transactions cost view of network structures is comparative static, and has a bias against the kind of dynamic considerations that might lead firms into becoming part of global networks—as entertained for example by challenger firms in general and Dragon Multinationals in particular.

### 5.3. Learning

Repeated application of linkage and leverage processes may result in the firm learning to perform such operations more effectively (organizational learning) as in the case of Ispat repeatedly acquiring newly privatised steel mills to add to its global system, or CDL from Singapore repeatedly acquiring existing hotel chains to build a global hotel chain. Entire regions or economies may learn the processes involved more effectively, as they master the intricacies of cluster development, for example, or formation of more effective R&D alliances. The latter process may be dubbed "economic learning" (Mathews, 2003). An example from the Asia Pacific would be the way that R&D institutions in Taiwan learned the most effective ways in which technology could be diffused most rapidly from public R&D institutes to the private sector.

The point here is that it is latecomer and newcomer MNEs such as those from the Asia Pacific that have everything to gain through such repeated applications of linkage and leverage and the learning that may be built up in cumulative fashion from such processes. It is this process of building that helps to explain the sudden appearance and accelerated internationalization of the firms involved.

Thus the innovative patterns of outward expansion in search of new resources can be captured in a set of principles which mirror the OLI framework as developed by Dunning et al for conventional MNEs. In the interests of highlighting the differences between the framework that accommodates the experiences of the traditional MNEs, and this that accommodates the newcomers and latecomers, let us call this the alternative Linkage, Leverage and Learning (LLL) framework. This framework is consistent with the extended resource-based perspective and provides the clue to resolving the puzzle that initiated this paper—namely the question what can account for the extremely rapid appearance of global players given their scarcity of resources and international experience.

The differences between the OLI and LLL frameworks in accounting for the success of MNEs over their domestic rivals, are summarized in Table 2.

## 6. The 'big questions' of International Business research

Buckley (2002) initiated an interesting debate when he claimed that the International Business (IB) research agenda may be running out of steam. He suggested that the 20th century IB research agenda moved through three phases or key topics, namely 1) explaining flows of foreign direct investment (FDI) (1960s to 1970s); explaining the existence, strategy and organization of MNEs (1970s to 1990); and 3) understanding and predicting the development of the internationalization of firms and the new developments of globalization (mid-1980s to 2000). His arresting suggestion was that these topics have now largely run their course and that the IB field has yet to find its next 'big question' to guide research in the 21st century. Buckley and Ghauri (2004) elaborated on the third topic, suggesting that the processes of globalization could constitute such a big question. Peng (2004) intervened to discuss whether the IB field needs a 'big question' at all, and suggested the over-arching question 'What determines the international success and failure of firms?' would continue to serve as the source question for relevant studies in IB, and would continue to distinguish IB from other fields of business scholarship.

What is missing in these debates is any distinction being made between incumbents and challengers. While I accept Peng's overall question, I see the subsidiary question 'What accounts for the success of challenger firms from the Periphery in the international sphere

**Table 2** Why do MNEs out-compete their domestic rivals? OLI and LLL frameworks compared

| Criterion | OLI | LLL |
|---|---|---|
| Resources utilized | Proprietary resources | Resources accessed through linkage with external firms |
| Geographic scope | Locations established as part of vertically integrated whole | Locations tapped as part of international network |
| Make or buy? | Bias towards operations internalized across national borders | Bias towards operations created through external linkage |
| Learning | Not part of the OLI framework | Learning achieved through repetition of linkage and leverage |
| Process of internationalization | Not part of the OLI framework: MNE's international reach assumed | Proceeds incrementally through linkage |
| Organization | Not part of OLI framework; organization could be multinational or transnational | Global integration sought as latecomer advantage |
| Driving paradigm | Transaction cost economics | Capturing of latecomer advantages |
| Time frame | Comparative static observations, comparing one point in time with another | Cumulative development process |

in the 1990s?' as an interesting 'big question' in IB, in that it invites comparison between challenger firm strategies and those pursued by incumbents. The question brings into focus the differences in strategy, in organization and in patterns of internationalization associated with challenger firms as opposed to incumbents. Moreover it is embedded in the wider question posed by Buckley and Ghauri (2004) in that the obvious source for an explanation for the success of 'dragon multinationals' lies in the accelerating pace of globalizing tendencies of the past decade. Insofar as challenger firms from the Periphery are able to take advantage of these globalizing tendencies, and perhaps do so better than their well-established rivals (precisely because they are latecomers), then they provide us with the key to answering the question that motivates this review.

Moreover the question as I have posed it is firmly embedded in the wider setting of strategic management, i.e. in the wider question in strategy: 'What accounts for challenger success?' This has always struck me as *the most interesting question* to be asked in the strategy field (Mathews, 2006). To me, it is much more interesting to account for how Samsung became a world leader in the memory chip industry, within 10 years of entering the industry, than it is to account for how IBM remains a major player in the industry. IBM has a wealth of resources to explain its success—but Samsung started with very little. It was able to use what little it had to insert itself in world production networks to acquire and adapt the technological and market know-how needed, and to build its competences out of these ingredients. Likewise I find it much more interesting to account for how Acer became a worldwide player in the PC and IT industry, using strategies of market leverage and partnership to expand in peripheral markets, rather than to account for the continued international success of, say, HP. Likewise it is much more interesting to account for the success of Ispat in becoming world #1 in the steel industry, within 15 years of its internationalization, than it is to account for the decline of, say, British Steel. Ispat was able to take advantage of opportunities available to a latecomer at a time of globalizing tendencies, and its success must be linked in some way to its rigorous emphasis on building global scale, and globally integrating its operations in order to attract global customers, in advance of any of the incumbents in the industry. Why the latecomer from the periphery should globalize first, and thereby establish a new competitive standard for the industry as a whole, remains a fascinating issue to explore.

Thus the question of accounting for the success of dragon MNEs might be viewed as one of the 'big questions' of IB research and one that brings together issues of strategy and globalization in an interesting and challenging way. Let me close by reviewing just how this is done.

## 7. Globalization and accelerated internationalization from the periphery

Accelerated internationalization from the periphery no longer presents a puzzle when viewed through the extended resource-based perspective of the alternative LLL framework. The argument I develop proceeds as follows. It provides an account that is consistent with a clear notion of globalization, thus responding to the 'global myopia' charge leveled against IB by authors such as Clark and Knowles (2003).

Latecomer and newcomer MNEs do not depend for their international expansion on prior possession of resources, as was the case for most traditional MNEs from Triad countries expanding abroad in past decades. Instead, these new firms utilize international expansion in order to tap into resources that would otherwise be unavailable. They do so quickly because they are tapping into transient advantages; they are not concerned to establish solid international structures, but rather quickly develop flexible and "lattice-like" structures spanning diverse countries and markets.

Let me highlight three features of the patterns of accelerated expansion by linkage and leverage that help to resolve our conundrum of successful global coverage by latecomers and newcomers. These are that, first, it is by linkage and leverage, e.g. partnership in the case of Acer, or acquisition in the case of Ispat, that internationalization is accelerated. It is the reaching out to sources of knowledge in the markets into which the firm is expanding that actually facilitates the accelerated expansion itself. It allows the learning process, as described for example in the "stages model" of international expansion, to be greatly speeded up. *Thus linkage and leverage facilitates accelerated international expansion.*

Secondly, these strategies of linkage are perfectly adapted to the interconnected character of the global economy itself. Whereas earlier patterns of expansion sought to make all trans-border connections through the firm's own internal procedures, in the case of latecomers and newcomers it is a case of leveraging off connections that are already there—such as by Ispat attracting a global customer like GM and expanding the scope of its business through following such a global customer to different parts of its global operations. Many of the most successful latecomers from the Asia Pacific have begun their international career as a contractor to an incumbent MNE and then been drawn by this MNE to supply its regional operations across regional borders. This is a quite different pattern of international expansion and one which helps to account for the speed of the arrival of the latecomers. *Thus linkage and leverage is well adapted to the interlinked character of the global economy.*

Third, the LLL framework of outward-oriented, resource-seeking internationalization via linkage and leverage, is an approach to internationalization that is eminently suited to the needs of latecomers and newcomers which initially lack resources in foreign countries.

It actually fits their needs, and once identified, makes their success in utilizing such a strategy much less paradoxical. *Linkage and leverage fits the needs of firms lacking initial resources.*

This is actually a powerful conclusion, because it means in principle that *any firm which lacks resources in foreign countries* can take advantage of the new features of the global economy, particularly its globally interconnected character, to become an international player as well. What I have identified in the LLL framework is a powerful strategic tool for accelerated international expansion in conditions of globalized inter-connections, that is potentially available to a very wide class of companies. In particular, it should apply to the case of the vast number of SMEs becoming active in the international economy, despite their lack of foreign market resources.

The strategic and organizational innovations that have been described in this paper as emanating from the newcomers and latecomers in the global economy, now have greater plausibility. They are not one-off innovations, with transient or ephemeral appeal. They are in fact deeply rooted in the tendencies within the global economy itself. The newcomers and latecomers that we have identified, and whose strategies and organizational architectures appear to be so innovative, are in fact the *early adapters* to the new conditions of the global networked economy. They are the firms that have taken advantage of new opportunities for linkage, leverage and arbitrage as the worldwide web of the global economy has emerged.

It is because they emerge from the periphery, that such firms may be viewed as truly global firms. They are equipped not just with a geocentric attitude and a global reach embodying global economies and synergies, but they have strategies and organizational architectures that draw their strength and efficacy from their complementarity with the weblike character of the global economy. They have been able to take maximum advantage of the new opportunities presented by the inter-linkages of the global economy. By contrast, giant incumbents like General Motors (GM) are not really globalized; they remain tied to their domestic base, and their international operations are still a small proportion of their total operations. (The UNCTAD "Transnational Index" reveals this fact. In 2004, GM scored a TNI of just under 28 percent—a score which is falling year by year—while genuinely global firms like Roche or ABB scored in the 90 percent range (UNCTAD, 2004).

My concluding thesis is that it is the changing global environment that has hastened the appearance of newcomers and latecomers, and that has provided opportunities for expansion and penetration for firms that can take advantage of, and complement, the weblike character of the multiple networks of the global economy. In other words, the Dragon Multinationals are not burdened with historical baggage in their organizational structures, strategies and mentalities that derive from a previous era.

This is actually a far-reaching conclusion. It goes against the grain of conventional wisdom that sees globalization as a dominant tendency, driven by a handful of huge global firms creating a uniform world in their own image. On the contrary, the picture I have developed is one of the global incumbents struggling to keep up with a fast-changing world economy where they are being outwitted by the more nimble newcomers and latecomers. If this is the case, then the forces shaping the global economy in the 21st century are very different from those that are generally recognized (Weiss, 2003).

Globalization in the 21st century is thus likely to be characterized by the increasing integration of a variety of small and medium-sized players in international networks of production, movement of goods and flows of information and knowledge. These features of globalization in themselves will continue to throw up new opportunities for involvement on the part of innovative small and medium-sized players, who will create constant pressure on incumbents. The international economy is thus likely to become the source of endless novelty and innovation, creating new opportunities but also creating pressures on incumbents to adapt or die. The fear that MNEs would become bloated giants beyond control, shaping the world in their own image, may thus be viewed as a response to a very brief period of dominance of a handful of giant US and European firms going abroad. They helped to create the global economic trends which have created opportunities for the newcomers and latecomers, and these in turn are now helping to shape the global trends that will create yet more opportunities in the future.

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