Exploratory Study on Emerging Market Entry Strategy - Systems Thinking Approach*

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The key foci of this study are the characteristics of emerging markets and strategies for entering emerging markets. Three theoretical frameworks are selected to demonstrate the characteristics of emerging markets: Institutional Theory, Transaction Cost Economics, and Resource-Based View. As a methodology, this study proposes five causal loop diagrams(CLDs), each of which integrates a series of causality mechanisms drawn from a comprehensive literature review. It was found that political activity and institutional void are critical factors in the characteristics of emerging markets, and Corporate Social Responsibility(CSR)/Creating Shared Value(CSV) and cultural distance should be considered as leverage points. While this study provides significant contributions to the field, it has limitations because the CLDs have not been tested.

Keywords: Emerging Market, Causality, Causal Loop Diagram, Institutional Void, CSR, CSV, Cultural Distance

Ⅰ. Introduction

From the viewpoint of the current world market, now is an appropriate time to discuss and determine a new global strategy regarding global recession and stagnation in developed countries (Kumar, 2011; Jones, 2012). As seen through the ninefold increase in foreign capital invested in China between 2002 and 2009 (Tse, 2010), emerging markets including China have become attractive markets as new growth engines in the globally stagnated market. However, it is difficult to analyze emerging markets using theories that were developed by and applied to developed countries due to the heterogeneity of its properties in every emerging country (Wright *et al.*, 2005). In addition, a comprehensive study of emerging markets is required in order to further research them and to propose new approaches for understanding the mechanisms of modern emerging markets, because the outcomes from individual studies have demonstrated that fragmentary independent correlations fail to reveal the

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entire systematic causality. Therefore, in this study, a literature review on emerging markets is presented within the framework of three significant theories and is used to draw causalities from each study. Finally, this study derives a comprehensive causal loop diagram(CLD) based on the casualties found in the literature.

Ⅱ. Literature Review of Three Theoretical Frameworks

Hoskisson *et al*. (2000) described three theories that can be implemented as theoretical frameworks through which the characteristics of emerging markets can be reflected. Firstly, Institutional Theory (IT) can reflect the socially and politically unstable systems of emerging markets when compared with advanced markets. Secondly, the Transaction Cost Economics (TCE) perspective illustrates various factors of transaction costs that occur in emerging markets. Finally, the Resource-Based View (RBV) describes the company activities in emerging markets with the view of learning to satisfy insufficient competence, when compared with multinational companies, and it explains the accumulation and development of competencies. Although industry structure analyses (Gao *et al*., 2010), organizational behavior theory (Peng, 2003), and social network theory (Khanna and Rivin, 2001) have been used previously to describe emerging markets, this study focuses on the three abovementioned theories in order to create new understandings of the causal loop of emerging markets.

<Table 1> Three Theoretical Frames

Theories	Representative study(2000~2012)
Institutional Theory	Li & Atuahene-Gima(2001), Mahmood & Rufin(2005), Peng *et al.*(2005), Khanna *et al.*(2005), Meyer *et al.*(2009), Feinberg & Gupta(2009), Henisz & Zelner(2010), Mair *et al.*(2012), Simanis(2012)
Transaction Cost Economics	Hoskisson *et al.*(2000), Peng & Luo(2000), Dharwadlkar & Branders(2000), Park & Luo(2001), Gong (2001), Douma *et al.*(2005), McCarthy & Puffer(2008), Bhaumik *et al.*(2010),
Resource-based view	Li & Atuahene-Gima(2002), Spencer(2008), Kale *et al.*(2009), Malik & Kotabe(2009), Kumar(2009), Black & Morrison(2010), Zhang *et al.*(2010), Chang *et al.*(2012), Tomson(2012)

1. Institutional Theory (IT) Perspective and Its Implications

Institutional Theory (IT) focuses on the effect of an institutional system on the social and organizational behaviors of the population. IT comprises an important proportion in the study of emerging markets because the social systems of destabilized emerging markets provide the “rules of the game" to companies (Hoskisson *et al.*, 2000). More importantly, the institutional regulations define the limits of corporate strategies from a sociological view, which causes companies to confront limited growth in emerging markets that are undergoing turbulent transformations from existing in a controlled economy to moving toward capitalism. Therefore, companies that are engaged in the emerging markets use network-based growth strategies in order to avoid risk (Peng & Heath, 1996). Moreover, they can form business groups (Khanna & Rivkin, 2001; Li & Atuahene-Gima, 2002), ally themselves with local companies (Peredo & Chrisman, 2006), and work in a positive partnership with foreign multinational companies (Peng *et al.*, 2005; Mahmood & Rufin, 2005; Bhaumik *et al.*, 2010).

Furthermore, the government's role cannot be overlooked. Emerging markets, which are commonly characterized by marketization, privatization, and heavy regulation (Shenkar & von Glinow, 1994), are influenced by government policies and social institution policies (Hoskisson *et al.*, 2000), which includes studies of the market intervention by the Russian government which had a negative effect (Peng *et al.*, 2005; Puffer & McCarthy, 2011) and studies on the executives of Chinese companies being relatively well adapted to political pressure (Li & Atuahene-Gima, 2001; Lu & Ma, 2008; Gao *et al.*, 2010; Tse, 2010). In addition, the role of government has a significant effect on the institutional void (Henisz & Zelner, 2010). Institutional void is an integral concept, following the government's role, in the study of emerging markets; a research group at Harvard University has been investigating this concept for more than 15 years (Khanna & Palepu, 1997; 1999; Khanna, Palepu & Sinha, 2005). The institutional void refers to insufficient infrastructure related to capital, products, and labor power (Khanna & Palepu, 1997; Miller *et al.*, 2009): the greater institutional void there is in an emerging market, the higher the operational cost that multinational companies will confront becomes (Simanis, 2012). For this reason, operational costs are increased and the institutional void phenomenon should be considered as a key strategic attribute when considering emerging market entry strategies.

Entry strategies for emerging markets can be used as problem-sensing tools that diagnose the management environment and establish strategies when multinational companies enter emerging markets (Mair *et al.* 2012). In addition, entry strategies have been investigated as drivers in relation to overcoming inefficiencies in emerging markets that cause instability in the social system, that increase internalization of the transactions of the companies inside the business group in order to improve the efficiency of the overall organization (Lu & Ma, 2008), and that network with the leaders inside the government administrative organization or a strategic partnership (Li & Atuahene-Gima, 2001).

2. Transaction Cost Economics (TCE) Perspective and Its Implications

Transaction Cost Economics (TCE) is an approach to interpreting the interaction between a corporation and the external environment based on contract transactions (Hoskisson *et al.*, 2000). TCE is typically used in studies of multi-structural organizations (Hoskisson, Hill & Kim, 1993), vertical integration, and strategic partnership. It is difficult for companies in emerging markets to expand using inherent growth engines due to unstable political structures. Therefore, network-based growth is considered an essential strategy for companies in emerging markets (Peng & Health, 1996). Using this strategy, companies can acquire the benefits of economy of scale and scope through enlarging the range of available resources, which in turn reduces uncertainty and decreases transaction costs. In this way, unrelated diversifications, which are common in emerging markets, can be rationalized using the TCE perspective (Banga, 2007). Furthermore, Agency Theory is highlighted in the TCE perspective due to the monitoring cost of watching the agency that should represent the interest of the company but could act against the interests of the shareholders due to asymmetric information. Therefore, Agency Theory explains the reason for various types of partnerships, such as mergers and acquisitions (M&As) and joint ventures, being developed as a response to asymmetric information (Kogut, 1998; Hoskisson *et al.*, 2000).

3. Resource-Based View (RBV) and Its Implications

The Resource-Based View (RBV) focuses on the reason for a certain company's performance differs from others and how sustainable competitiveness is created in the same industry and the same environment. However, the factors of competitive advantage are influenced by the context of the company, which is one reason for RBV being considered a blackbox (Hoskisson *et al.*, 2000); furthermore, the past core competence may raise core rigidities that lower strategic flexibility and elasticity in different environmental and managerial contexts (Leonard-Barton, 1992). The issue of core rigidity has resurfaced in various case studies of multinational companies entering emerging markets and failing due to strict adherence to their own core competence (Black & Morrison, 2010; Ichii *et al.*, 2012). RBV has also focused on knowledge as an intangible resource that can generate competitive advantages (Conner & Prahalad, 1996). The interest in knowledge has evolved into studies on the spillover effect of technology from multinational companies entering emerging markets (Mahmood & Rufin, 2005; Peredo & Chrisman, 2006; Banga, 2007; Zhang *et al.*, 2010). RBV is primarily used to study the management of multinational companies, strategic partnerships, entering new markets, globalization, entrepreneurship, and emerging market strategies (Peng, 2001). In particular, it can explain the liability of foreignness, product diversification, and global diversification (Barney *et* *al.*, 2001; Meyer, 2001; Peng, 2001; Miller & Eden, 2006; Lu & Ma, 2008). Furthermore, it can elucidate the mechanism of the competencies accumulated from the experiences of overseas branches (Chang *et al.*, 2012).

<Table 2> Keyword from Three Theories

Theories	Keyword
IT	Institutional Void, Dilemma of Government, Human Network
TCE	Agency Cost, Diversification of Agency, Asymmetric information
RBV	Strategic Partnership, Spillover Effect Absorption of Advanced Competence

Ⅲ. Building a CLD Using the Literature Review

This paper reveals the causalities described in SSCI papers between 2000 and 2012. The primary research keywords were emerging market, emerging countries, and developing countries; Google Scholar was used as the initial search engine. The primary search results were filtered using the journal names on the SSCI list from the 2012 standard. The second step used the references of the papers located in the first step in order to locate meaningful papers that were not located using Google Scholar. The third step classified the papers into topics of either the characteristics and mechanisms of emerging markets or entry strategies of multinational companies in emerging markets. Five types of journals and 55 papers from five top ranked SSCI journals were selected as the result of the three-step filtering process. The five journals were the Academy of Management Journal, Academy of Management Review, Harvard Business Review, Journal of International Business Studies, and Strategic Management Journal. The final results of the classification are shown in Table 3. The causalities drawn from each paper are described in Table 4 and Table 5.

<Table 3> Target References for Discovering Causality

Year	sum	Academy of Management Journal	Academy of Management Review	Harvard Business Review	Journal of International Business Studies	Strategic Management Journal
sum	55	14	10	17	7	7
2000	5	Hoskisson *et al.*, Aulakhetal, Peng & Luo, Khanna & Palepu	Dharwadkar & Branders			
2001	5	Li, & Atuahene-Gima		Ghemawat	Meyer	Park & Luo Khanna & Rivkin,
2002	1					Li & Atuahene-Gima
2003	1	Gong				
2004	1					Davies & Walters
2005	5		Henisz & Zelner, Mahmood&Rufin, Peng *et al.*, Wright *et al.*	Khanna *et al.*		
2006	3	Miller & Eden	Peredo & Chrisman			Douma *et al.*
2007	1				Banga	
2008	7	Vaaler, Lu & Ma, Mesquita & Lazzarini	McCarthy & Puffer, Spencer	Ready *et al.*	Cuervo-Cazurra & Genc	
2009	7	Feinberg & Gupta		Kanter, Kumar, Kale *et al.*	Miller *et al.*, Malik & Kotabe	Meyer *et al.*
2010	7			Black & Morrison, D'Andrea, Marcotte & Morrison, Henisz & Zelner, Tse	Bhaumik *et al.*, Gao *et al.*,	Zhang *et al.*,
2011	3			Johnson, Kumar & Puranam Porter & Kramer		
2012	8	Chang *et al.*, Mair *et al.*, Surroca *et al.*,	Swant	Ichii *et al.*, Jones, Simanis, Thomson		

3.1. Building CLDs for the Characteristics of Emerging Markets

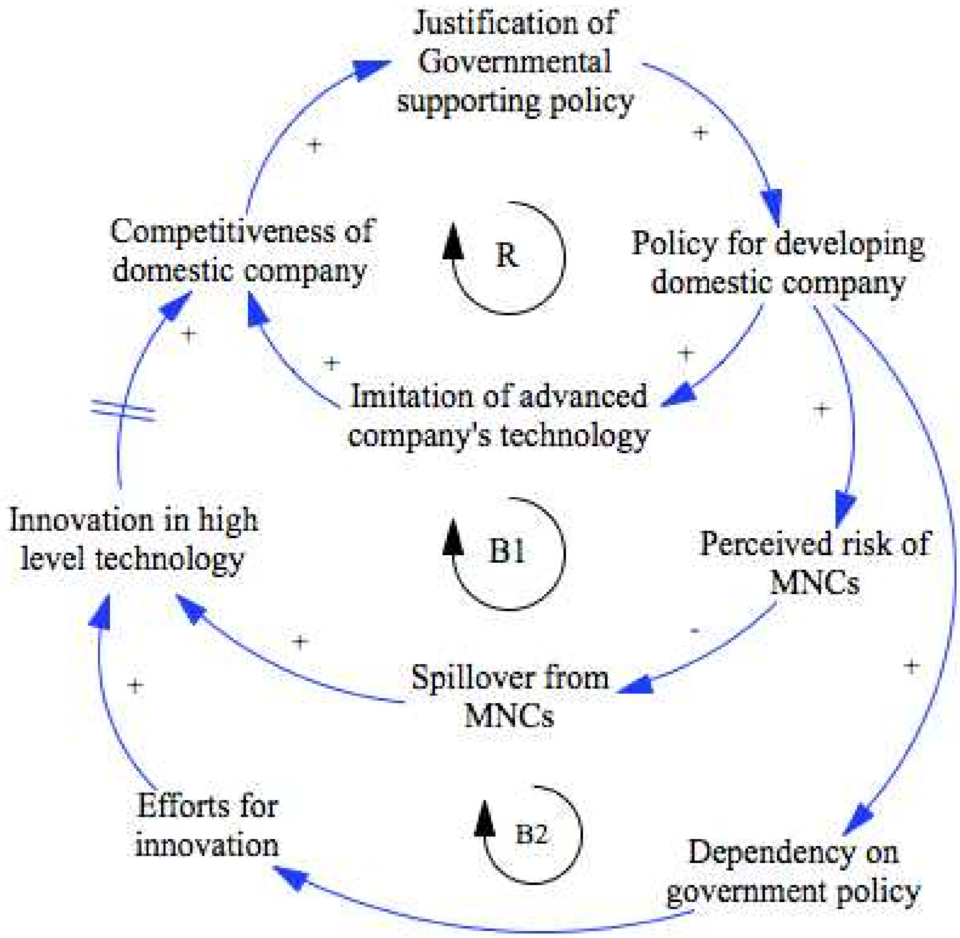
3.1.1. Government Dilemma

The government is regarded as an uncontrollable exogenous variable in existing studies; however, it can be influenced by the political activities of companies under a unique feedback structure due to the illogical, inefficient, and closed characteristics of emerging countries. Although the political activities of companies can increase the transactional costs (Park & Luo, 2001), these activities can also enhance the company and market performance in the long term. Therefore, it is reasonable to include the government and its policies in the feedback structure with causality. In addition, the government displays numerous government-led technology development policies in order to reduce the technology gap between their country and the advanced countries; the government also encourages fast imitation of advanced technologies and spillover effects throughout their domestic industries (Mahmood & Rufin, 2005). However, the more that advanced technologies become equal with the assistance of the government-led technology development policies, the more that the policies and markets become a deterring factor that effectively restrain the efforts of multinational companies in sharing their advanced technologies through partners in the emerging markets. This occurs because the technology policies become a threat to multinational companies in the long term, which is the dilemma that the governments confront with the limit of innovation over time (Mahmood & Rufin, 2005).

This dilemma can be explained through the CLD presented in Fig. 1. The CLD in Fig. 1 borrows the archetypes of the “fixes that fail”, which emphasizes the unintended results, and “shifting the burden”, which emphasizes the negligence of a fundamental prescription due to an addiction in the short-term prescription (Senge, 1990).

The government’s investment activities have primarily protectionism characteristics (Ghemawat, 2001); for example, governments can protect infant industries against multinational companies (Johnson, 2011), which can lead to lowering of the investment value for multinational companies due to government policies about creating jobs that lead to inflation (Vaaler, 2008).

The ‘R’ loop can be used as a logic that government policies can improve the competitiveness of the domestic companies (Peng & Luo, 2000; Sawant, 2012), while the ‘B’ Loop can be used as a logic that government policies that protect the domestic companies can curb innovation in domestic companies and lower their competitiveness in the long term.



<Fig. 1> Dilemma of government in emerging market

<Table 4> Causalities for Mechanism of Emerging Market

Reference	Major causality	Theme	Theoretical frame
Dharwadkar & Branders (2000)	Complexity of organizational structure of the company in the emerging market → Agency cost(-)→Performance(-)	Effect on firm performance right after privatization of TMT, proprietary relations, and organizational structure	TCE (Agency Theory)
Peng & Luo (2000)	Relationship with the government bureaucracy → Firm Performance(+)	Personal human relationship with governmental bureaucrat and relationship between performance in emerging market	TCE
Pakr & Luo (2001)	Guanxi→ Operational Efficiency(+)→ Short-term Performance(+)→Long-term Operational Efficiency(-) Level of Market Opening → Guanxi(-)	Effect of Governmental Relations on firm performance	Organization Theory, TCE, RBV
Ghemawat (2001)	Cultural/Political/Local/Economical Distance → Risk(+), Cultural Distance → Trade(-), Economy Size→ Trade(+) Governmental Investment → Protectionism(+)	Effect of cultural, political, local economic distance on risk of management	TCE
McCarthy & Puffer (2008)	Remain of Traditional Value of Social Culture(Blat)→ Business Network(+) → Performance(+)	Effect of conflicts between Russian traditional values and market values on firm performance	TCE (Agency Theory)
Sawant 2012...	Regulated Management Environment→ Political Activities of Corporations (+) → Transactional Cost (+) Risk of Trade→ Will to Change Environment(+)	Decisive Factors related to political activities of corporations in the regulated market	TCE

(continued)

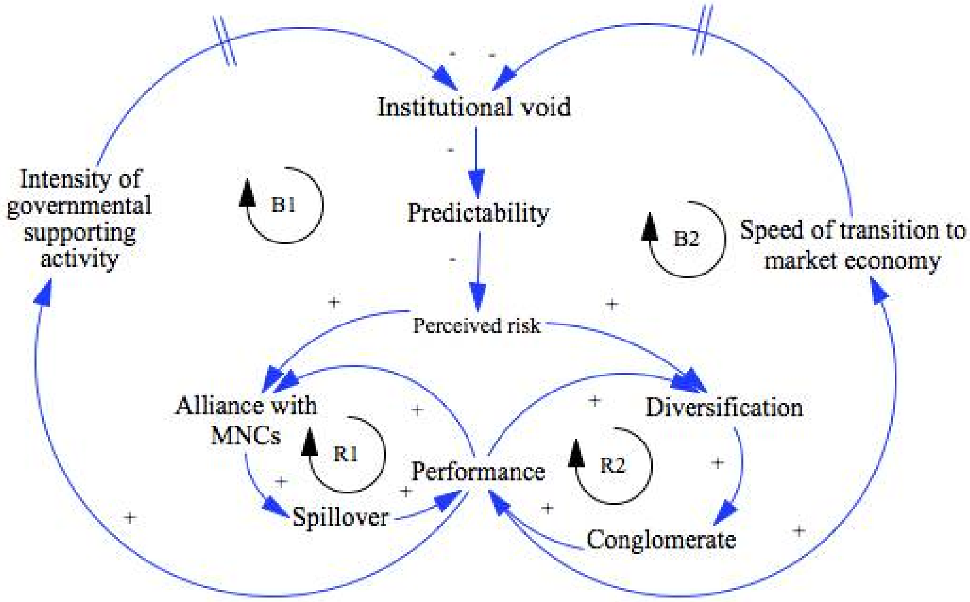
Reference	Major causality	Theme	Theoretical frame
Peredo & Chrisman (2006)	Socioeconomic Stress→Community Activities(+)→ Learning(+)→Social Capital(+)→ Appearance of Local-Based Corporations(+)→ Learning (Spillover Effect)(+)→Social Capital(+)	Exploratory Study on local-based corporations	Social Network Theory, Entrepreneurship
Davies & Walters (2004)	Shift to Market Economy→ Sensitivity to Strategy(+) → Customer Satisfaction(+) Shift to Market Economy → Performance(+) Abundant Management Environment (Resources) → Outstanding Performance(+) Consumer-centered Business Strategy →Performance(+)	Effect of strategy and management environment on performance in emerging market	Industrial Organization Theory
Li & Atuahene-Gima (2002)	Institutional Void→Agency Partnership with Chinese Hi-tech Venture business (+) Institutional Void→ Support from Institution(+) → Uncertain Environment(-) Agency Partnership with Chinese Hi-tech Venture business → Innovation(-) Recognized Industry Growth → Agency Partnership with Chinese Hi-tech Venture business (-) Association with Size of Corporation and Development Products→ Agency Partnership with Chinese Hi-tech Venture business(+)	Effect of characteristics of corporations and environment factors on agency's activities between corporations	RBV, Social Network Theory
Malik & Kotabe (2009)	Organizational Learning within Corporations in Emerging Market→Firm Performance(+) Reengineering of Corporation in Emerging Market→Firm Performance(+)	Effect of dynamic competence and governmental policies on fire performance in emerging market	RBV

(continued)

Reference	Major causality	Theme	Theoretical frame
Li, & Atuahene-Gima (2001)	Institutional Void→Networking with Political Forces(+) → Efficiency(+)	Effect of external environment, such as politics and institution, on products innovative activities of Chinese technology venture businesses	IT
Mahmood & Rufin (2005)	Governmental Policy for Supporting Technologies →Satisfied with Governmental Policy (vested interest)(+)→Development of Innovative Technologies(-)→Achievement of level of Innovative Technologies(+) Governmental Policy for Supporting Technologies→Imitation of Advanced Technologies(+)→Spread Effect of Technologies(+) → Spillover of Multi-national Corporations(-) →Achieve Innovative Technology Level(+)	Adjusting effect of local corporations and multi-national corporations on technology innovation policy of local government	IT
Peng *et al.* (2005)	Institutional Relevancy→ Diversification of Corporations(+) Development of Capital Market → Scope of Management of Corporations(-) Supporting System→ Diversification of Corporations(-) Institutional Relevancy→ Diversification of Corporations(+) → (delay) → Diversification of Corporations(-)	Decision variables for diversification of business in the emerging market	IT
Vaaler (2008)	Governmental Policy(Creating Jobs) → Inflation(+)→ Investment Values(-) Governmental Policy(Attraction of Investment) → Investment Values(+)	Effect of investment into the developing countries on investment of multi-national corporations	IT
Johnson (2011)	Intervention of Government→ Advancement into Market(-) Knowledge of Market→ Sales(+) Institutional Void→ Required Period to Advance into Market(+)	Effect of understandings about the emerging market on performance	IT
Mair *et al.* (2012)	Institutional Void→ Market(Products, Labor, Capital) Attractiveness(-)	Strategic meanings that the institutional void of Bangladesh	IT

3.1.2. Feedback Structure Related to Institutional Void

The institutional void refers to the insufficient available infrastructure related to capital, products, and labor (Khanna & Palepu, 1997; Miller *et al.*, 2009). Companies in emerging markets must diversify their business in order to avoid risks because there are political risks, as well as the institutional void, in emerging markets. This is related to the findings that performance becomes better through more complicated organizational structures (Dharwadkar & Branders, 2000), that the performance of the companies within a business group is higher than that of ungrouped companies in emerging markets (Khanna & Rivkin, 2001), and that the institutional void promotes efficiency through the ties between companies and networking between political forces (Li & Atuahene-Gima, 2002). As well as the supporting systems of the government, the partnership density with multinational companies and the efforts to diversify the business are diminished with the change to a market economy lowering the uncertainty of the environment (Peng *et al.*, 2005). This is because companies in emerging markets do not need to maintain partnerships with multinational companies after absorbing the necessary knowledge (Li & Atuahene-Gima, 2002) and because the more that the management environment is required, the lower the need for partnership with advanced companies (Peng *et al.*, 2005; Feinberg & Gupta, 2009).



<Fig. 2> Feedback structure related to Institutional Void

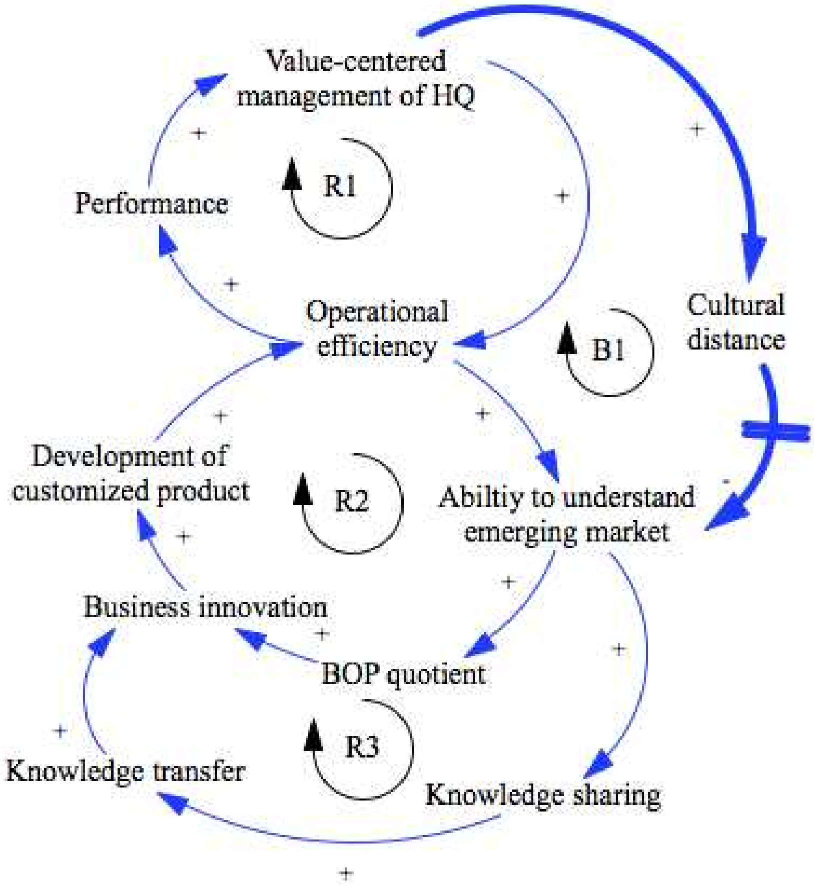
The study by Peng *et al.* (2005) had a significant effect on drawing the CLD shown in Fig. 2: they clarified an exact feedback structure and time delay, which have been developed in this paper as the B1 and B2 feedback structure. According to Peng *et al.*'s study (2005), the importance of institutional relatedness and the scope of the firm are likely to increase in the short term. This is consistent with other studies (Khanna & Rivkin, 2001; Li & Atuahene-Gima, 2002) that found that the companies tend to expand their businesses to take advantage of the supporting policies of the government.

3.2. Building a CLD for Entry Strategies for Emerging Markets

3.2.1. CLD Related to Risk of Emphasis on Wayism

Wayism refers to the manner of operations that large multinational companies use, such as the 'Toyota Way', 'Hyundai Spirit', and 'Samsung Way'; wayism is also used to increase the efficiency of the resources in the company (Black & Morrison, 2010). However, unlike vision, wayism focuses on the way of working, which tends to neglect cultural differences. Therefore, wayism that integrates the way of working has a significant role in increasing operational efficiency in the initial stages of market entry. However, it fails to bridge the cultural distance (including cultural differences) and it fails to understand emerging markets, which is followed by errors in entry strategies (Black & Morrison, 2010; Ichii *et al.*, 2012).

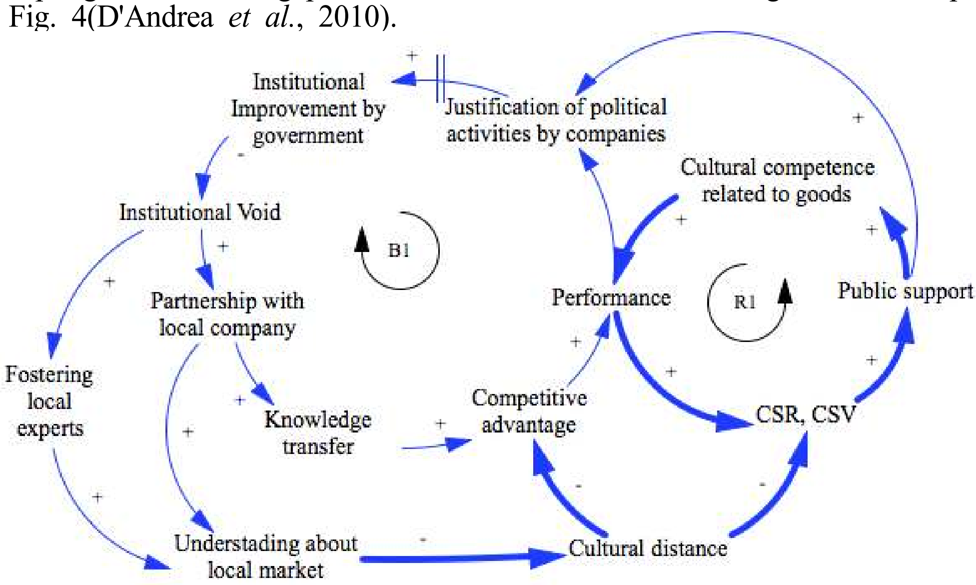
The CLD presented in Fig. 3 was developed based on the archetype of "shifting the burden", which emphasizes the negligence of a fundamental prescription due to an addiction to a short-term prescription (Senge,1990). The key feature of this CLD is the B1 loop in which the cultural distance increases with time. This demonstrates the transferring dynamic mechanism from the R1 loop to the R2 loop and R3 loop as a result of the B1 loop, which is the mechanism that drives research including strategic alliances with local companies rather than M&As as alternatives to decreasing the gap in the cultural distance (Banga, 2007; Spencer, 2008; Zhang *et al.*, 2010), staffing strategies for high level expatriates in institutionally distant environments (Gaur *et al.*, 2007), and human resource development (HRD) strategies to develop the specialists in emerging markets (Kumar & Puranam, 2011; Ichii *et al.*, 2012).



<Fig. 3> CLD Related to Risk of Emphasis on Wayism

3.2.2. Feedback Structure Related to Cultural Distance

In emerging markets where the institution is not well established, companies justify their political activities through notions around economic development and urge governments to make institutional improvements, of which the mechanism creates a virtuous circle. Unlike companies in emerging markets, however, multinational companies should move beyond economic causes in order to take advantage of government policies. It is necessary to prepare other alternatives in order to reduce political risk. This occurs because the outcomes of partnerships are shared and partners in emerging markets are competitors in the political activities (Henisz & Zeiner, 2010). Therefore, it is necessary to prepare practical alternatives that have strategic CSR activities that reduce the political risk and that increase the cultural competence of the consumer products in the emerging market. For this reason, the concept of creating shared value (CSV) has been emphasized recently (Porter & Kramer, 2006; 2011; Henisz & Zelner, 2010). Porter and Kramer (2006; 2011) assert that companies manage CSR in a strategic way in order to share societal values and economic values, namely CSV. The final point, together with the strategic partnership with the local companies and CSV activities, is that the entry strategy into emerging markets should focus on decreasing the cultural distance between the multinational company and the local market (Miller & Eden, 2006; Gong, 2003; Thomson, 2012). It is not possible to enhance performance through cultural competence without attempting to close the gap of cultural distance as seen through the R1 loop of Fig. 4(D'Andrea *et al.*, 2010).



<Fig. 4> Feedback Structure Related to Cultural Distance

<Table 5> Causality Related to Entering Strategy of AMultinational Companies into Emerging Market

Reference	Major causality	Theme	Theoretical frame
Gong (2003)	Cultural Distance → Dependency on staff dispatched to their own countries (+) → Performance of the branches(+) →Delay → Dependency(-)	Effect of cultural distance on dependency and performance related to the dispatched staff to own counties.	TCE, RBV
Douma *et al.* (2006)	Ownership of Foreigners → Performance of limited partnership in emerging market (+) Operated by owner of domestic groups/ grouped corporations→ Performance(-) Ownership of foreign financial agencies → Performance of listed corporations (+) Branch of Foreign Agencies' → monitoring effect(+) → Agency Cost(-) → Performance(-) Beneficiary related to corporations in emerging market→ Performance(-)	Effect of characteristics of ownership structure of foreign corporations in emerging market on performance of corporations	TCE (Agency Theory)
Kanter (2009)	Learning through M&A → Performance(+) Respecting Culture of Acquired Corporation after M&A → Performance(+)	Successful M&A strategy	TCE, RBV
Hoskisson *et al.* (2000)	Inefficiency of Market→ Transactional Cost(+) Asymmetric Information→ Agency Cost(+) Asymmetric Information → Personal Interest of Agency(+)	Effect of institutional void in emerging market on strategy for advancement	RBV,, TCE (Agency Theory)
Spencer (2008)	FDI of Multi-national corporations → Long-term spillover of knowledge (+)	Effect of advancement into emerging market through FDI of multi-national corporation on spillover of knowledge	RBV

(continued)

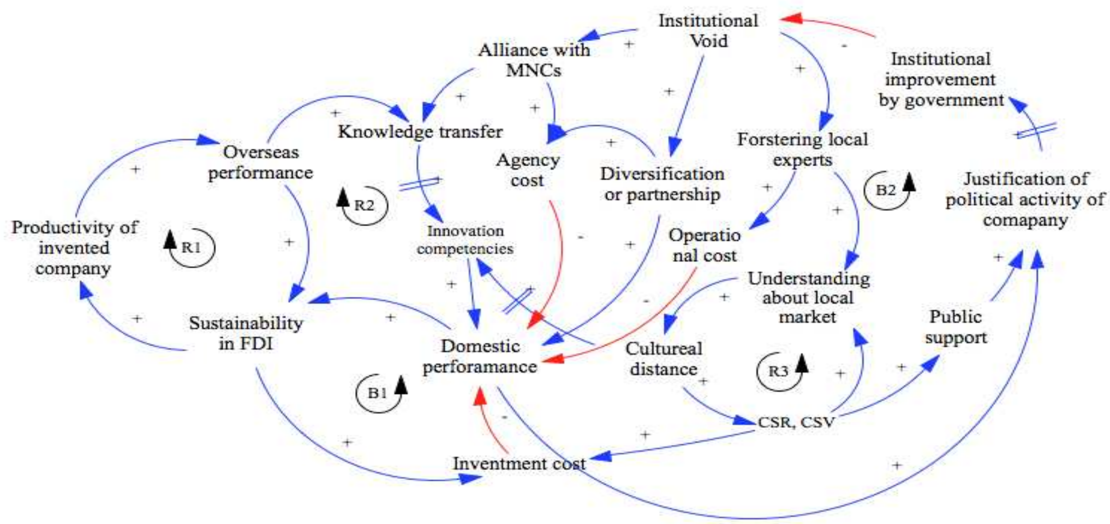
Reference	Major causality	Theme	Theoretical frame
Black & Morrison 2010..	Emphasis on Wayism → Efficiency of resources(+) →Performance of overseas advancement (+) → Reinforcement of Wayism (+) Emphasis on Wayism → Understanding about the culture of the partner(-) Institutional Void→Entry barrier related to foreign corporations(+) → Dependent on domestic market (+)	Effect of closed culture/core values, such as Japan, on overseas advancement	RBV
D'Andrea *et al.* (2010)	Cultural competence of consumer in the emerging market→ Purchasing power(+) Field closing strategy → Sales(+)	Effect of characteristics of consumers in emerging market on advancement of multi-national corporations into the markets	RBV
Zhang *et al.* 2010...	Diversification of countries providing FDI→ Performance of corporation in the emerging market(+) Diversification of countries providing FDI→ Performance corporation in the emerging market (+)	Effect on FDI technology spread effect for each country of origin of corporations that advanced into emerging market and for each absorption competence of the corporations from the countries advanced into the emerging marekt	RBV

(continued)

Reference	Major causality	Theme	Theoretical frame
Ichii *et al.* 2012..	Investment for emerging market investment → Competitiveness in emerging market(+) Targeting upper class → Competitiveness in emerging market (-)	Cases of failure of Japanese that advanced into emerging market	RBV
Thomson (2012)	Joint → Market Understanding(+) → Advancing into emerging market of MNC (+) Joint → Learning advanced competence(+), Institutional difference → Advancemen (-) Cultural difference→ Advancement(-), competence of local staff → Advancement(-)	Strategy for overseas advancement of emerging giants by partnership.	RBV
Chang *et al.* (2012)	(Ability, Motive, Searching opportunity)→ Spillover of Knowledge(+), Spillover of Knowledge →Performance of the branches(+) Absorption ability of the branches →Performance of the branches (+), Sharing identity → Share of Knowledge(+) Share of Vision → Share of Knowledge (+)	Effect of spillover of knowledge through overseas joint and absorption ability of foreign branches on performance of overseas branches	RBV
Meyer (2001)	Institutional Void→ Transactional Cost(+) → Partnership with MNCs(+) Absorption competence of corporation in emerging market→ Transactional Cost(-) → Tactic spillover of knowledge of multi-national corporations(-)	Effect of institutions and transactional cost on advancement into Eastern European countries	IT, TCE
Peng *et al.* (2005)	Scope of corruption within emerging market → Direct advancement of multi-national corporations(-) Randomness of corruption within emerging market→Direct advancement of multi-national corporations(-)	Effect on advancement of multi-national corporations into foreign markets according to characteristics of corruption	IT

3.3. Building an Integrated CLD

The integrated CLD in Fig. 5 includes the variables of the IT perspective (institutional void, government-related variables), TCE perspective (transactional cost, operational cost, investment cost), and RBV perspective (competence, knowledge spillover). This also integrates the characteristics of emerging markets and entry strategies used by multinational companies to enter emerging markets in the feedback structure. The keywords related to emerging markets are the role of government and institutional void, that related to the entry strategies of multinational companies is cultural distance, and those related to global expansion strategies of emerging companies are continuous investment and knowledge transfer. The overall keywords are culture, competence differences, and innovation competence accumulation. The practical implications are described in the feedback structure with time delays. In addition, it is necessary to examine the variables in the feedback loop that influence the innovation competencies and those that influence the government efforts to remove institutional voids. For multinational companies, attempts to close the cultural distance should have a high priority in their entry strategy. This map also indicates the political activities that could be used to create favorable business environments.



<Fig. 5> Integrated CLD on Emerging Market Strategy

Ⅳ.Conclusion

The focus of this study was the clarification of the characteristics and mechanisms of emerging markets and entry strategies into emerging market. It is difficult to create a successful business in emerging markets in which unique mechanisms are functioning. This study reveals reasons for the numerous companies that have rushed into emerging markets have not yet become profitable: it is because they move into emerging markets with a short-term perspective without sufficiently understanding the emerging market itself. From a long-term perspective, drivers of sustainability in emerging markets should be considered in the company activities around closing the cultural distance.

In this study, the CSR and CSV are highlighted as key drivers of leverage effects in emerging markets. The characteristics of emerging markets and entry strategies for theses markets should be a measuring tool for companies that have already entered emerging markets or plan to enter them. In particular, it can be applied to human resource strategies, strategic partnerships, M&As, and CSR/CSV strategies. In addition, this study can guide researchers who examine issues related to the emerging markets due to the extensive literature review undertaken here. Furthermore, three theoretical frameworks were selected to demonstrate the characteristics of emerging markets: Institutional Theory (IT), Transaction Cost Economics (TCE), and Resource-Based View (RBV). However, each theoretical framework can be impractical if used alone without an integrated view of the emerging market issues.

As a methodology, this study proposes a set of CLDs that integrate a series of causality mechanisms that were drawn from the literature. This approach is valuable because it is the first attempt to extract the causalities from the existing literature regarding emerging market strategies. The five CLDs presented in this paper demonstrate and clarify strategies for the expanding into emerging markets for multinational companies. Furthermore, political activity and institutional void are critical factors related to the characteristics of emerging markets, and CSR/CSV and cultural distance should be considered as leverage points in emerging markets. Although this study contributes to the clarification of the causality of emerging market strategies through an extensive literature review, it is limited because it has not tested the CLDs; moreover, further research with more data about various emerging markets is recommended.

Reference

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