

Essay on emerging market

[Finance](#), [Market](#)



This report reflects some details about the multinational enterprises (MNE) and transnational enterprises (TNE) in the world of International Business. We will see how 'rules of the game in society' helps MNEs and TNEs in selecting an emerging market for business. Then it will discuss the entry level strategies along with the advantages and disadvantages which they face while choosing an emerging market. But as there are always some risks while expanding business globally. The role of government of the host nation (emerging market) plays a vital role for the selection of entrance into it.

We will see the advantages that Vodafone achieved while selecting India as emerging market for expanding its telecommunication services. The recommendations to the MNEs and TNEs are purely evidential and useful from globalization point of view. Terms of Reference This report is intended for internal use only and is specific to the advantages and disadvantages of multinational and transnational enterprises while choosing an emerging market. The internal use is primarily as an assignment for International Business for the course of MBA. MNE is a synonym for multinational corporation (MNC).

It is a firm or company which engages in foreign direct investments by controlling and managing value added services in multiple countries (Peng, 2009). TNE or TNC is also a MNE but differs with the use of transnational strategy, which is the most direct response in the globalization of business. It differentiates capabilities and contributions from country to country, applies interactive " global learning", uses them in improving core competencies and then shares this innovation throughout its global operations (Daniels et al,

2009). Emerging market is a synonym for emerging economy which is the new term used for developing countries.

(Peng, 2009) Some of the emerging economies are Brazil, China, India, Russia, Argentina, South Korea, Thailand and Turkey (Peng, 2006). The sole discussion is about the benefits and threats to be faced by MNEs and TNEs when selecting an emerging market for global business. In emerging economies, the development is taking place in a rapid pace and the government policies also favor the economic liberalization (Wright et al. , 2005). " CEOs and top management teams of large MNEs and TNEs, particularly in North America, Europe, and Japan, acknowledge that globalization is the most critical challenge they face today.

" Successful MNEs and TNEs develop strategies to expand their business in emerging markets (Khanna et al. , 2005). The advantage of MNE and TNE depends on when and how to enter the emerging economy (Papyrina, 2007). MNEs have strong ownership advantages in respect of branding, advertising, and technology. They have the favor from the host government, which believes that MNEs bring more advanced technology to their emerging market and consumer will also prefer to use products with advanced technology and highly branded.

The cultural, administrative, geographic and economic (CAGE) dimensions of host country influence a MNE in choosing an emerging economy (Cuervo-Cazurra and Genc, 2008). MNEs, by entering into an emerging market, can expand sales, acquire resources that cut costs and minimize the risk of swing in sales and profit (Daniels et al, 2009). MNEs can get raw materials and

cheap labor in emerging markets. They can make higher profit from the emerging market and balance it with the cost incurred (especially the high taxes) in the home country (www.

scalloway.org). The challenges to MNEs are the underdeveloped market institutions and political and economic uncertainty characterizing many emerging markets. These institutions are defined as 'rules of the game in society'. In emerging markets, the host governments play a vital role in FDI decisions of MNEs. The host government may change the FDI policies at any moment, which may affect the entry strategies of the MNE. Henisz (2003) contradicts that the ability to manage the tricks of institutions is one of the key abilities of MNEs.

Since emerging markets are different in regime, degree of process and stages of development, it becomes difficult for MNEs to efficiently carry out their strategies dynamically (Hatani, 2009). The disadvantage of MNE would be its late entry into that host country with the same product or services, which some other MNE would have already established some time back. Some difficulties of MNEs in selecting host country can be absence of proper infrastructure and well developed market mechanisms (Cuervo-Cazurra and Genc, 2008).