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Country of Origin and Host Country Effect on the Competitive Advantage of Developing Country Multinational Companies Ascendancy to Business Superiority

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Abstract
As the key drivers of globalization, multinational enterprises (MNEs) play an important role in increasing economic interdependence among national markets. Despite the ranging and overdramatized debate on globalization, Rugman and Verbeke (2005) argue that there are few firms that are truly global and most are, at best, regional. Scholars in global strategy have attempted to examine reasons for internationalization, how firms internationalize, the entry modes they use and how they structure their operations in global markets. The strand of these studies aims to examine how firms ascend to global markets and the internationalization approaches they pursue. A number of approaches that firms use to internationalize have been adopted among them The Penrosian approach (Penrose, 1959; Prahalad and Hamel, 1990); The 'product cycle hypothesis' (Vernon, 1966; Bradley, 1995; Svend Hollensen, 2004, 2008)); The Uppsala Internationalization model, (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Barkema et al., 1996; Johansson and Vahlne, 1977, 1990); The transaction cost approach (Svend Hollensen (2004, 2008); The eclectic approach, (Dunning, 1981; Buckley and Casson, 1976; Rugman, 1981)); and The network approach, (Johanson and Mattson, 1988). Sorensen (1997) has classified the internationalization models in four groups, based on internationalization modes (progressive models), contingency models, business network (interactive models) and social construction and Rubaeva, (2010) has examined these from a reason for internationalization, environment factor and more of entry (REM) perspective. Despite spirited efforts to study the MNEs, a lot of research on these enterprises has focused on MNEs from developed economies, (Advanced Country Multinational Companies, ADMNCs). There has been limited attention on how Developing Country Multinational Companies (DMNCs) ascend to business superiority and how they penetrate regional and global markets. Existing views on internationalization do not sufficiently explain the internationalization of DMNCs. The country of origin and its effect on the competitive advantage of the DMNCs is host country is an area that is under researched. The competitive disadvantages that host country poses to the DMNCs is not fully elucidated. The effect of the country of origin image on the entry mode as well as how this affects the competitive posture should be areas that raise research interest.In this paper, we examine theoretical perspectives of MNCs, the sources of competitive advantages for DMNCs, how the DMNCs build and deploy their competitive advantages in pursuit of internationalization, the host Country and country of origin effect, and the variations of sources of competitive advantage across locations of DMNCs. We posit that AMNCs and DMNCs ascendancy to business superiority follows different trajectories, given the differences in resource base, technology, image of country of origin, cultural context and variations in Government policy among others, and that the MNCs in their current form, as advanced by Rugman and Verbeke, (2005) are more regional than global and that globalization has been over-dramatized. We contend that regionalism and nationalism need to occupy the space that has been granted to globalization, and that DMNCs can take advantage (location, cultural, market etc.) of the new wave of slowing down on globalization. Our perspective is that we do not have a grounded theory on DMNCs business superiority ascendancy, and research attention in this area should be profound.
Keywords: Internationalization, advanced country multinational companies, developing country multinational companies, competitive advantage, country of origin, host country, Uppsala model, Eclectic Theory, Transaction Cost Approach

1.0 Introduction
Over the last years, the effects of globalization have escalated the growth in strength and visibility of multinational companies. Numerous companies in emerging markets are evidently contributing to the regional and global business in a dynamic way. The internationalization of such companies is facilitated by various factors which represent vital development in a global business environment that has been traditionally dominated by companies from the developed countries, (Aharoni, 1970). Across the African continent, many such multinational companies have emerged including Safaricom, Shoprite, Movenpick Hotels, Kenya Airways, Ethiopian Airlines, Equity Bank and Kenya Commercial Bank among others. These companies have been operating from different African countries with diverse subsidiaries around the continent or the globe.

Although the dominance and leadership of these companies in their respective industries has been widely acknowledged, it has raised interest in the intellectual circles as to whether their internationalization is

contributing to a new theory of the existence of development countries multinational companies (DMNCs) or it is still based on existing theories on Multi National Companies (MNCs).

The aim of this paper is to attempt to explore this notion by providing a novel explanation that moves forward our understanding on how the country of origin of the companies affects their behavior abroad and how their behavior differs from that of advanced economy multinational companies (AMNCs).

This paper will in the first instance briefly explain what the multinational companies are and specifically the DMNCs. The paper will then explore the existing theories that the DMNCs base their operations on. In order to have a gist of these DMNCs, this paper will explore their sources of competitive advantage and how they build them; look at how they deploy these competitive advantages in other countries and also how these sources of competitive advantage vary across locations. The differences between the traditional advantages and the new competitive advantages will also be investigated. We also examine how the country of origin of DMNC's affects their competitive advantage, how the same country of origin results in competitive disadvantage and how the country of origin affects DMNCs.

2.0 Multinational Companies (MNCs)

Multinational companies are organizations or enterprises that manage production or offer services in more than one country, Wild, (2003). Their main purpose is to utilize capital, technology, managerial and technical knowhow and marketing skills to carry out production or business services across borders (Booth *et al*, 2001). MNCs comprise of multinational companies that originate from *advanced economy countries* such as the US, Japan, UK and South Korea and examples of such companies include Cocacola, Starbucks, General Motors (GM) and Ford among others. These are often called advanced economy multinational companies (AMNCs). In the recent past, however, here have been multinational companies emerging from developing countries such as India, Malaysia, Brazil and South Africa to mention a few. These include companies such as Airtel, Tata, Safaricom in Kenya, MTN and Shoprite Group amongst others. These have come to be known as developing countries multinational companies (DNMCs). Instructively, previous definitions of MNCs have missed out those from developing countries, and examples of such companies that have been consistently cited are biasedly from the developed countries. The Boston Consulting Group (BCG, 2009) contends that although MNCs originated from advanced economic countries, companies from developing countries have evidently increased their cross border direct investments.

Although there has been growing academic interest on the performance of DMNCs in the recent past, there is limited literature and research to effectively deduce their entry behaviour, structure and even operations in host countries. By exploring more into the existing theories and other new theories, insights on why DMNCs are emerging as an effective approach to advancement of developing countries could be generated.

3.0 Theoretical Perspectives of DMNCs and AMNCs

Attempts to explain the recent rapid growth of DMNCs outside their country of origin has met mixed reactions from various theorists. This phenomenon has, in other cycles, been seen as an export of capital (Greer *et al*, 2003). In some quarters, MNCs are seen as investments of capital by parent companies from their home country into host country in a form which is defined as foreign direct investment (FDI) while in some cases FDI is referred to as long term participation by one country into another (Mellors, 1973). It involves foreign investor activities such as participation in management, joint ventures, transferring technology and expertise.

DMNCs fall within the categories of foreign investors which according to theorists may require voting power of a company in an economy through either incorporating a wholly-owned subsidiary or company (Drezner, 2002).

Studies by international business researchers explain that present theories of MNC are based on analyses of how an advanced country FDI behaves (Mellors, 1973). Accordingly, it is observed that companies from developed countries tend to use high marketing and technology input to produce new, high-quality products that are not very sensitive to price competition and that their relationships with subsidiaries is kept close. However, DMNCs from developing countries' differ from those of an advanced country in that the special conditions of the home market do not seem to play an important role in generating advantages as that of the advanced country MNC.

Review of literature reveals that existing theories of FDI establishes an assumption that a multinational company operating in a foreign country is faced with certain extra costs that the local competitor is not. Such costs arise from cultural, legal, institutional and linguistic differences; insufficient knowledge of local market and the conditions thereof; increased expense for communications; and the possibility of misunderstanding because of operating distance (Geer and Kavaljit, 2003). Arising from this, it is instructive that DMNCs must explore some factors of comparative advantage to compensate the cost of foreignness.

Dependency theory has argued, until recently, that resources move from poor to wealthy states, and enriches the latter while making the former poorer, (Hymer, 1960). The theory makes the case that poor countries become natural resources and cheap labour providers to wealthy nations and in turn provide markets

for obsolete technology and markets for developed countries – a situation that has led to the quality of life developed countries enjoy.

Analysis of this argument on existing theories of FDI in relation to the dominance to leadership of most DMNCs reveal that there is lack of proper explanation to that effect. Hymer (1960) asserts to this observation and explains that lack of a theory to explain why DMNCs are increasingly dominating in business development is challenging.

Buckley and Casson (1976) approached the explanation of increased dominance of DMNCs by using internalization theory which examines the management of economic interdependencies using the relative efficiency and effectiveness of alternative governance mechanisms. It is applicable where DMNCs are embedded in both strong and weak attachments among parent and their subsidiaries to evaluate the relative costs and benefits of managing these economic interdependencies across national borders. Buckley and Casson (1976) attempted to explain this relationship on to the functioning and efficiency observed in DMNCs business operations.

Similarly, Dunning (1981) contributes to this search for an explanation of increased DMNCs dominance by arguing that their recent rapid increase in business environment can be explained by using Eclectic theory of FDI. According to Dunning (1981), Hollensen, 2008; Buckley and Hashai, 2009; Rubeeva, 2010), international production intensifies when a company has the advantages of Internationalization, Location and Ownership (ILO) advantages.

This theory is blended on three areas that include ownership advantage which addresses why DMNCs go abroad. It assumes that these DMNCs have one or more competitive advantages such as assets and core competencies which allow it to overcome the costs of operations in a foreign country. These include brand names, benefit of economies of scale as is manifested in Safaricom of Kenya, Airtel of India and MTN of South Africa in Uganda. Location advantage is the second area which attends to where the DMNCs are going to be located. The main motive being to move abroad to use the competitive advantages in conjunction with factors of that foreign country. Dunning further explains that DMNCs could be growing because of internalization of advantages which deals with how these companies go abroad and makes an observation that DMNCs have various choices of entry modes into a host country.

UNCTAD (2001) explains that DMNCs could be developing business superiority because after the crisis of international trade and tariff barriers which had favored AMNCs, most governments of developing countries removed and or lowered down trade restrictions making their economic environment more conducive for foreign investment. The reduction of restrictions on trade and cross border investment, it is argued, freed corporations to search the globe for a country or region where they can earn the highest return. Mittal, (2011) observed that ‘’ Europe is a done industry. The US is a done industry. South-Asia is old”. This is a pointer that developing countries are then left as the dancing ground for emerging MNCs.

The lifting of international trade and tariff barriers has enabled the DMNCs to base their economic activities using comparative approach where each company has to strategically develop its resources for competitive advantage over its rivals.

Existing theories of FDI and dependency theory were successful at the time when AMNCs had the monopoly to penetrate developing countries through enactment of international trade and tariffs. However, the lifting of trade restrictions in developing countries ensured that although with limited resources, DMNCs pursue other theories including resource based theory which makes organizations create competitive advantages to effect sustainable gains.

4.0 Sources of Competitive Advantages

While it is relevant to acknowledge the relationship between various theories that shaped the operations of developing multinational companies, it is also imperative to understand what drives the business of these organizations. It is acknowledged that competitive advantage is the strength and strategies that keep an organization ahead of its competitors (Porter, 1985), and that if these are well sustained, they enable firms to be successful amongst the competitors. Strategic management literature suggests product focus, cost leadership and differentiation as three competitive strategies that firms use (Porter, 1998), but Kim and Mauborgne, (2005) suggests that these are not ‘either-or’ scenarios and that firms can pursue differentiation strategy while at the same time competing on cost leadership if value-cost trade-offs are rethought in blue ocean manner and that value innovation is achieved.

Assets, capabilities, organizational processes, company attribute, information, knowledge, financial resource, reputation, brand loyal customers, legal, patents and trademarks, tax advantages, agreements and relationships, supplier relations, quality and features, costs/economies of scale, management and R&D, (Welnerfert, 1984) to name a few, are among the assets that a firm must possess and defend in order to maintain a competitive edge over its rivals. However, firms have to compete in uncontested market spaces (Kim and Mauborgne, 2005) today, constructing, deconstructing and reconstructing markets, products and processes in

blue oceans instead of competing in red oceans. This calls for consistent value innovation as firms pursue various strategy paths. DMNCs must weave harmony out of intricate individual technologies and production skills that yield quantum customer benefits, delivered in a manner that is inimitable by competitors, and based on their core competences, (Prahalad and Hamel, 2005).

It is acknowledged that firms that have valuable, rare, difficult to imitate and resources that can be organized can, if they exploit those resources, be on a pedestal for creating sustainable competitive advantage. The high performing firms have something special and difficult to imitate, and this allows them to do better than their rivals. Such assets are often rooted in intangible assets. Indeed, ''a firm's competitive advantages are those distinctive that allow it to do well even in the face of average industry wide performance and free entry into the industry as a whole" as championed by Porter (1985). Assets that allow a company to outperform its rivals for a sustained period of time provide key success factors in industry leadership, Penrose, (1959). Both AMNCs and DMNCs need to cultivate and nurture a culture that aims at sustaining long term competitive advantages.

A firm must aim at developing its core competencies that help consolidate their competitive posture, and offer superior value in its value chain configuration in comparison to other existing players. This includes building an undisputable organizational capital in relation to other firms that exist within and across the industry structure. These achievements are often made over a medium to long term horizon and require investments from the top management. DMNCs that outdo the AMNCs in these respects have profound command on competitive position across emerging and developed economies.

Management of unique capabilities and resources in a dynamic manner is a prerequisite for DMNCs to survive in a globalized and hypercompetitive market, and a precursor to the DMNCs competitive advantage. The performances and the decision making processes of the DMNC's are primarily driven by their unique resources, capabilities and strategic moves they make. Both the resources and capabilities must evolve over time and executive management teams must maintain focus on building these competitive advantage drivers.

Take an example the case of an airline. In the intensely competitive airline industry, there must be resources and capabilities specific to a particular airline that permit it to move people worldwide at a lower cost and on schedule in relation to other airlines. In such an instance, management must appreciate that the business of the airline is in the air and not on the ground. As such, turnaround time between landing and take-off, fuel efficiency, seamless connectivity for the passengers and so on become important competitive metrics. Each company within an industry has a unique combination of tangible and intangible assets and must therefore identify, combine, develop and exploit the unique set of resources and capabilities and continually maintain and strengthen those resources.

5.0 Building Competitive Advantages

Building competitive advantage based on resource and capability sets that are resident in an organization and crafting strategies that build additional tangible and intangible resources and capabilities (BCG, 2009) is a fundamental consideration for any firm. In order to generate superior value than the competition, firms may focus on cost, product differentiation or have a targeted product focus as has been traditionally acknowledged. However, competitiveness today requires that a multi-pronged approach that combines either all or any of these two aspects be taken into account, and a constant reconstruction and deconstruction of markets be pursued.

Technological sophistication and finesse has made it possible for firms to register superior efficiency, lower costs, improve quality and, often times charge higher price and deliver superior customer service. This furthers the notion that a higher degree of responsiveness to customers based on efficiency, innovation and quality are building blocks to achieving competitive advantage, (Porter, 1985).

Organizational level core competencies inform the operational and functional level strategies. Functional level managers make choices and build resources and capabilities at the functional level. These in turn feed into, and can consolidate the organization's core competencies. The organization must aim at increasing customer value by offering a superior portfolio of cost structure and differentiation, a feat that cannot be achieved without having a robust diagnosis of the customer value curve. Importantly, the competitive advantage dictate would require that the organization offers this better than the competition, while at the same time being conscious that these advantages shift over time. At the intersection between strategy and business survival in today's hostile markets, the need to re-imagine products, processes, markets requires that innovation takes up a central space in corporate boardrooms.

Skills in basic and applied research, design of robust operational processes and a tightly knit integration of functional level processes and strategies that support cross-functional product development teams are all essential if a firm is to achieve superior innovation. These must be supported by senior management teams in an optimal way.

One of the requirements for effectively building competitive advantage is that the firm must generate more overall value than the competitors in one or more activities. Quite often, there will be a narrow base of the competitive advantage and an even narrower one for core competitive advantage since core capabilities will be

very few. Given this scenario, DMNCs need to improve their core competencies as well as performance ceaselessly.

6.0 Deployment of Competitive Advantages in the DMNCs Internationalization Agenda

The internationalization of businesses has characteristically been informed by a number of approaches and theories. Penrose, (1959) argues that firms use their core competences to exploit opportunities in foreign markets. In so doing, firms examine the advantages they possess ('compensating advantage) and the 'cost of foreignness', (Kindleberger, 1969; Hymer, 1976) and apply this cost based view of the Penrosian tradition as they internationalize. Thus, technological and marketing skills are key elements for firms that wish to register successful foreign entry, and these capabilities must be developed. Prahalad and Hamel, (1990), have been proponents of the core competence school of thought and its primacy on a company's competitiveness.

Vernon (1966) articulates the view that exporting phase precedes market-seeking FDI before firms that internalionalize seek cost-oriented FDI, and that this 'product cycle hypothesis' is driven by technology and market factors that shape product and process standardization; and that these in turn drive location decisions. The first production facilities, according to this hypothesis, are located in advanced countries (ACs) since firms in those countries are closer to the markets that other producers. Standardization of products then takes place as demand expands and economies of scale become important with the passage of time. This triggers mass production and concerns about production cost is then replaced by product adaptations. Once standardized products become available, the less developed countries (LDCs) then offer location advantage when it comes to production. In essence, DMNCs must take cognizant of such approaches when internationalizing their operations, and they can leverage on technology and production processes that create room for product standardization.

The Uppsala school of thought articulates a scenario where foreign market entry and consistent deepening of financial and operational commitment to serve each market increases and happens in a sequential pattern, (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). This commitment increases as the experience grows. The sequence in which the commitment increases follows a four-staged approach, (Johanson and Wiedersheim-Paul, 1975) namely; i) sporadic export where the firm does not have any regular export activities; ii) export modes that use independent representatives in the foreign markets; iii) creation of a subsidiary to coordinate sales and iv) establishment of a subsidiary that is involved in manufacturing or production in the foreign markets.

The incremental approach of the Uppsala model is that foreign operations start on a small scale and incrementally increase, and that countries that have cultural proximity are first beneficiaries of this expansion. The commitments are then expanded and the geographical scope widened; a scenario that takes note of experiential learning. Thus, knowledge of the markets being ventured into by the MNEs provides momentum for resource commitments, (Barkema et al., 1996; Johansson and Vahlne, 1977, 1990).

The externalization (market-based) versus internalization (firm-based) aspects of internationalization are captured by transaction cost approaches. In expanding operations to foreign markets, mode of control and firm location play a significant role in the transaction cost approach. The core issue in internationalization therefore is whether a firm should do so using its own subsidiary (internalization) or establish collaboration with an external firm (externalization). The objective is to minimize transaction costs, minimize risks and market failure. In their analysis, firms take into account the characteristics of a transaction and then make decisions based on the most efficient foreign entry transaction which may, for example, include governance mode and transaction cost minimization. Other modes that may be analysed include exporting, subcontracting, licensing, joint ventures, franchising and wholly owned subsidiaries.

Locational variables that support decisions on production in international markets could be traced in firm ownership, internalization advantages and locational advantages. This view is supported by Dunning (1981, 1988) in the eclectic approach. International production increases if these three conditions are present. On firm ownership, the firm owns foreign production facilities and has bigger ownership advantages compared to firms of other nationalities; on internalization advantages, the firm finds it more profitable to use its internal advantages rather than sell them or licence a foreign firm to engage in production on its behalf and on locational advantages, it must be more profitable for the firm finds it more profitable to use its own resource endowments (labour, materials, transport etc.) in the foreign markets instead of exporting its products. Research in this trajectory has gained traction over the last two decades, (Buckley and Casson, 1976; Rugman, 1981), with a running theme that when firms have strong ownership, location and internalization advantages, they are likely to establish foreign connections. In the eclectic model, a systematic cost-benefit algorithm of all possible foreign market entry modes is applied, and the one yielding the greatest benefits chosen.

There is also the network approach which assumes that firms exist within a galaxy of many other firms and that it is not sufficient to analyse one firm in isolation. Other players in the international environment bear on the firm being analysed, and in turn, the firm being analysed in some ways influence some of the other players in the environment. The firm being analysed is dependent on resources that are controlled by other firms, (Johanson

and Mattson, 1988). Relationships that the firm has in the domestic network, and how these networks help it connect with the networks in foreign markets must therefore be taken into account.

7.0 Host Country Effect on MNE Performance

The host countries specific advantages that are of economic advantages include quality factors of production; size and scope of the market,; transport and telecommunication links; social cultural advantages that may include the distance between country-of-origin (COO) and host country general attitude towards foreigners. Additionally, political stability also affects inward FDI flows.

According to UNCTAD (2001), the foreign direct investment incentives which DMNCs may influence deployment in host countries may take forms such as low corporate tax and income tax rates; preferential tariffs; EPZ – Export Processing Zone; Bonded Warehouses; Investment financial subsidies; Soft loan or loan guarantees, free land, job training & employment subsidies; infrastructure subsidies and R&D support.

The strategy for the MNEs in foreign markets is to use their home advantages and markets which they already occupy and minimize costs of their operations by adopting tested practices and processes at the organizational level in host countries. However, some host country conditions require MNEs to adapt or abandon some unfeasible solutions if and when they are incompatible with host country requirements. The nature of MNE operations can therefore be seen as a result of mutual tension between uniformity with the parent/headquarter practices and the influences of the external environment in which the MNE operates, (Forsgren 1990, Morgan, Kelly, Sharpe, Whitley 2003, Stępień 2007).

It is appreciated that host market environment is distinctly more challenging than for an MNE than for firms operating in the local (host for MNE) market. Foreign market penetration attracts additional costs for venturing, publicity in order to enhance recognition and institutional and cultural adaptation. This liability of foreignness (LoF) determines the possibility of synchronizing host country with home country practices for the MNE, (Kostova, Zaheer 1999; Mezias 2002; Miller; Parkhe 2002; Eden, Miller 2004) and, when these costs are negligible, the MNE tends to transplant practices from other regions where it has a presence to the host market. Similarity in culture, ideology and organizational practices leads to intensification of technology transfer between parent and strategic business unit of the MNE.

Largely, the need for the MNEs to adjust to the practices to the local environment is weighted higher than the need to standardize activities for the MNE, (Edwards *et.al,* 2005; Dickman, 2003; Ferner, Quntanilla and Varul, (2001)

8.0 Variations of Sources of Competitive Advantage across locations

Recent research has revealed that location choices and the advantages that locations generate as well as firm-specific characteristics are some of the variables we have to take into account when examining variations of competitive advantages across locations.

A number of firm-specific characteristics influence DMNC's selection of host country. Laroche et al (2005), for example, attributed the selection of countries by individual DMNC's size and the composition of production factors and also considered differences in R&D intensity between the home and host countries to be the driving force and showed how they affect the knowledge-seeking inclination of firms and their subsequent location choices. Ghemawat (2001) illustrated the impact of entry mode and ownership on location preferences, attributing variation to the organizational structure of the firms concerned, and specifically their chain affiliation and size. Technological capabilities and the size of human capital base, together with competence levels of the human capital affect DMNCs benefits, (Bilkey, 1982). Other aspects that have been examined include market orientation and whether these are import or export oriented and the size of investors, (Cuervo-Cuzarra, 2008). This suggests that these aspects help generate insights on commonalities in firm resources and heterogeneity in the firm location choices.

Product differentiation is another aspect that affects location choices. Product heterogeneity can motivate a firm to structure its operations and organizational set up on basis of products. Indeed, it has been argued that product differentiation and DMNC agglomeration tendencies are strongly related. If two firms with different product differentiation levels are located in close proximity, strategic implications for these firms could be different from if they were at the same product differentiation level.

Some empirical observations suggest that firms assign different values to the same location advantages. Firms may for example react to an increase in real wages by exiting the market and moving their operations to locations where wages are low while other firms may engage on upgrading their processes and operations (Reierson, 1967). Different firms generate different demands for resources, (whether these are complimentary or otherwise) in the foreign markets. The firms will also exhibit different abilities to utilize those resources effectively as one of their basis of competitive advantage. It is therefore clear that though DMNCs may have identical location advantages, the competitive traction each firm will generate from these advantages will be different. It is thus important to analyze the characteristics of a given location and the investing firm attributes.

9.0 Competitive Advantages: New Vs Traditional

An essential premise in the increasingly vital role being played by DMNCs is the development of firm-specific advantages. In the recent times, the development of firm-specific advantages has shifted from being the exclusive concern of the country of origin to a collective responsibility for the DMNCs corporate arrangement. Others have looked at global advantages being as a result of capabilities bundles and corporate DMNC DNA that informs corporate mindsets (Aharoni, 1970) which, in the first instance, DMNCs leverages the products, technologies, processes, systems and know-how developed in traditional home markets and then sells, distributes and then begins production around the world. In this instance, global economies of scale and simultaneous purchase of goods and deployment of systems and people on a cross-border basis are enjoyed. This gives the DMNC the advantage to serve multi-national customers and compete with established champions, use global resources and increase their financial strength. However, Rugman and Verbeke, (2004) contend this view arguing that there are actually few firms that are truly global and that most multinational enterprises tend to concentrate their operations in their regional markets and that few of the fortune 500 companies have a presence in the triad.

In the second instance, MNEs move production function or back-office functions to the developing world and the higher value activities such an R&D, product design, coordination, strategy and global marketing operations as well as systems development and finance in the home country.

The difference in competitive advantage between the traditional approach of AMNC and the DMNCs lies in the fact that DMNCs have developed their competitive advantage through resource based approach over the years. As such, although they have a parent company in their country of origin, they are flexible to enact innovative activities at subsidiary's host country area. Safaricom has established business in Tanzania which uses local resources and is managed by local skilled managers.

10.0 Country of Origin Effects on the Competitive Advantage of DMNCs

Country of origin, whether for products or for companies has a bearing on the competitive advantage of the foreign firm. While this is an aspect of 'foreignness', products and companies are associated with particular countries, and the perception of the host country consumers about the product and the country both affect product uptake, The home country characteristics such as focus on quality, technological dominance, political background, history, tradition, products diversity and so on can either create barriers to market entry in the host country or create advantages to the DMNC (Bruning, 1997; Bilkey, 1982). The generation of either positive or negative consumer bias on imported products can particularly affect the DMNC where market entry mode in foreign markets is exporting.

Country of origin can affect the consumer's decision on whether or not to buy the product to a greater extent than the quality of the product, Indeed, it has been argued (Bellack, 2004) that 'foreignness' might affect preferences that domestic consumers make. This creates a challenge to foreign firms since their desire to build relationships with customers from the host country so that they enhance their competitive position is more challenging.

If the country of origin has negative image internationally, and customers in the DMNC host country have negative perceptions about the COO, market positioning in the host country becomes more challenging. When the country of origin enjoys a positive image abroad, many more customers in the host country would want to associate with the products from that country and indeed with products originating from a country with robust reputational capital.

China is one of the best illustrations in this case. China is a vast country which has high quantity of resources (both natural and human). China's industry growth is extremely high. However, it is a known fact that most of its products come out with cheap, lower quality image with the label "made in China" on them. Furthermore, it also fames on counterfeiting. Most procurement that is made in China has got high percentage on being pirate. These aspects affect the image and perception on Chinese products negatively in the international markets. Even though some products from China might have higher quality and standard, customers still have a bad feeling towards its China as a country of origin. When consumers get choices from around the planet, earning share in the market is far more difficult.

DMNC's can overcome the Country of Origin paradox by building some loyalty from their customers and being more responsive on a timely basis to the needs of the customers. Furthermore, COO image still has a chance to being transformed over time and, should this happen, it is of relevance on future expansion, Laroche et al, (2005). On the other hand if the image remains negative or becomes discredited, further expansion would be characterised with difficulties to overcome that image. Besides, DMNCs business perspectives would expand internationally if the brands become well-known.

One attribute that has the potential for conferring a competitive advantage is the product country image, which is more generally described as the country of origin effect (Han, 1989). In shoe industry, it is important to see the product's country image so that consumers can determine whether the shoes are good or not. The shoes

made in South Africa, for example, have a competitive advantage compared to shoes made in China. The South African shoe is made to be more prestigious, exclusive, and elite because it uses leather material from Cape Town. In contrast, a shoe made in China is not seen as prestigious, exclusive, and elite as the one made in South Africa. The selection of country to manufacture products is essential and it requires careful thinking to move the production from country of origin to host country.

11.0 How does country of origin of DMNCs result in a Competitive Disadvantage?

For DMNCs to maintain a competitive advantage, they must develop advantages that are rare, costly to imitate, with no substitutes and non-transferable (Porter, 1998). However, competitive disadvantage for DMNCs can emerge in countries with less developed capital markets and banking systems (Booth et al, 2001). This can be evident in DMNCs which lack funds at home thus failing to buy high performing firms in host countries. Lack of development in the financial markets in COO of DMNCs limits the ability to obtain funds to purchase high performing companies in other countries. According to Hymer (1960), investors who fund such acquisitions would worry that the DMNCs may not be able to repay the funds. This is a competitive disincentive for DMNCs that aspire to regionalize or internationalize their businesses.

Another competitive disadvantage is that developing countries have less developed technological systems (Geer and Kavaljit, 2003). The lack of sophistication of human capital and the lack of protection of intellectual property limit the ability and incentives of companies to develop highly sophisticated technology.

As in most industries, logistical difficulties for DMNCs dealing with retail would arise from the distance from COO to the host country. As there is a need to move perishable or fast-moving consumer goods from ware houses to stores, in geographically far-flung locations this competitive advantage based on focus strategy would on the contrary become a competitive disadvantage.

Despite the benefits of expanding overseas, there are certain problems that DMNCs may encounter. One significant problem that Adidas has encountered in China is the underdeveloped Infrastructure – roads and communications networks, in particular, are less developed thereby limiting the efficiency of Adidas' operations in China. Additionally, storage, transportation and distribution costs will increase and this may create problems for firms that are unable to control their costs.

Political relationship between COO and the host country would also turn to be a competitive disadvantage, particularly if the 'bad neighbour effect' between the two countries is alive. Often, such political heat waves present in diplomatic rows and non- tariff barriers such as road blocks, red tape, rent seeking behaviour and slow custom clearances (Massarmart, 2009).

12.0 How does country of origin affect DMNCs differently from previous existing analyses?

We have stated above that the country where the product is manufactured affects the perception of consumers in foreign market either positively or negatively, (Reierson, 1967). We term this 'country of origin effect' and take the view that as companies spread their production networks globally, country of origin and its influence on consumers becomes even more important. In the East African region, for example, in the apparel sector, suits from Turkey will resonate with the high-end market segment and shoes from Italy will be in higher demand than shoes produced locally. The country of origin effect will affect market segmentation strategies and also market penetration approaches. The country of origin can therefore affect DMNCs' business direction either positively or negatively.

Mostly, the analysis of the country of origin effects focuses on the consumer's opinion regarding the relative quality of goods and services based on the country where a particular product is manufactured. Country image is therefore a very vital element in this analysis. The image of COO is formed by consumers' beliefs about the country's industrial development and technological advancement that describes consumers' emotional response to the country's people and consumers' preferred level of dealings with the sourcing country (Laroche et al. 2005).

Non-market resources such as the distance between the COO and host country also affects the DMNCs abroad. Distance would affect the flow of information to and from country of origin to host country and differences in cultural practices, education, language, levels of industrial development, business practices and political ideologies (Ghemawat, 2001), can affect the DMNCs. In planning foreign market entry, these factors need to be taken into account.

Recently, a shift of paradigm has witnessed most COO being used as the parent of DMNC whilst their network such as technical, market, and functional knowledge generates continuously in all its subsidiaries shared across the organization (Bellack, 2004). In a differentiated network of DMNCs, subsidiaries in foreign markets have a tendency to develop a niche based distinctive resources that they accumulate over time (Drenzer, 2002) and this in turn benefits the entire DMNC, (Barlett and Ghoshal, 1989).

In the existing theories of MNC, Dunning (1981) observes that MNCs are usually based in COO which are usually highly productive and profitable, prone to engage in international transactions, and tend to be both

vertically and horizontally integrated. MNCs depend wholly on their COO for resources as they target optimal FDI outflow and linkages with suppliers, customers, and competitors around the globe.

13.0 Conclusions

It is evident that as the DMNCs gain ascendancy to business leadership, academics and other interested parties need to advance their knowledge about this phenomenon. We are of the view that AMNCs and DMNCs ascendancy to business superiority follows different trajectories, given the differences in resource base, technology, image of country of origin, cultural context and variations in Government policy among others.

Analysis into the existing theories reveal that earlier assumptions of MNCs were based on penetrating their targets through wholly owned and licensee modes whilst using high marketing and technology inputs to produce, distribute high quality products that are not sensitive to price competition. The mainly focused on theories of FDI and maximized the use of dependency.

With the collapse of international trade and tariffs, internalization and eclectic theories emerged in an attempt to explain the development of DMNCs. While these theories have enhanced the DMNCs to ascend to superiority in terms of business globally, we find them insufficient in addressing the myriad aspects that DMNCs face in their internationalization agenda.

We have observed that the country of origin of the DMNCs affects their behavior abroad basing on its image. Consumers perceive the goods and services of DMNCs depending on their beliefs of that country of origin, and, most notably, social-cultural, political-legal, geographic and economic aspects shape the host country and international perception of products from a given country of origin.

Conditions of developing countries such as low education, low costs, poor governance, volatile conditions, poor infrastructure, fewer and less developed suppliers, less developed technology tend to impact on the behavior of DMNCs and in turn affects their path to ascendancy into international markets. We are of the view that DMNCs face peculiar challenges than AMNCs in this trajectory.

We posit that the MNCs in their current form, as advanced by Rugman and Verbeke, (2005) are more regional than global and that globalization has been over-dramatized. Our considered position is that regionalism and nationalism need to occupy the space that has been granted to globalization, and that DMNCs can position to take advantage of the new wave of slowing down on globalization. Theory for DMNCs ascendancy to business superiority needs to capture the attention of researchers in a more profound manner than has hitherto been the case, moreso because there is a knowledge gap in these DMNCs internationalization theory.

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