A Conceptual Framework for Developing-Country Transnationals: PROTON Malaysia

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In this article, we offer guidance for the potential advance of developing-country transnational corporations (TNCs), often referred to as third-world multinational corporations. After reviewing the topical literature and establishing the soundness of the case approach for model construction, we examine the case of Perusahaan Otomobil Nasional Berhad (PROTON), the Malaysian National Car project. We find insights emanating from the experiences of this firm that are applicable to other developing transnationals, particularly those involved in complex manufacturing. Based upon the theoretical foundation of the literature, in conjunction with the real-world successes, challenges, and failures of PROTON, we offer a conceptual framework for effective developing-country TNC emergence and, more important, eventual global competitiveness. © 2008 Wiley Periodicals, Inc.
As the phenomenon of globalization inexorably marches on, various questions concerning global competitiveness and integration continue to dominate much of the business and academic literature (Pudelko, 2006). While some still argue the merits of such international amalgamation (Rudra, 2005), it appears much of the discussion has broadened toward the interaction challenges of modernization within developing economies (Qiu, 2005), the cultural challenges emerging from such transformation (Lu & Lee, 2005), and the subsequent opportunities provided by transitional economies (Hoskisson, Eden, Lau, & Wright, 2000). Unfortunately, many examinations are unidirectional, focusing primarily on competitiveness of firms from the developed world and placing developing-country companies merely in the role of supplier and recipient of foreign direct investment (Yeung, 1994). In reality, though, there are numerous accounts from the past three decades of third-world multinational corporations (MNCs) who have moved beyond simple export labor to considerable foreign investment in various economic systems (Donnelly, Mellahi, & Morris, 2002; Mirza & Giroud, 2004). We concur with the proposition of Heenan and Keegan (1979, p. 102) that the “rise of the third-world multinationals offers both developing and developed countries a unique opportunity to gain the benefits of a truly international economy.” Consequently, it is imperative we begin to advance our knowledge of third-world MNC emergence and competitiveness. To that end, Yeung (1994) suggested researchers attempt to construct new conceptual paradigms. Although an arduous undertaking for countless reasons, none greater than the sheer diversity of MNC individual operations (Yeung, 1994), we propose a model we believe is an important initial step in developing just such a framework.

We begin with a brief review of relevant literature concerning the debate and occurrence of third-world multinational corporations, focusing on a more accurate characterization rather than oversimplified stereotypes (Yeung, 1994). Further, we discuss the value of the case approach in the comprehension of this trend in real-world settings and as a basis for the construction of theory. Finally, based upon the case of Perusahaan Otomobil Nasional Berhad (PROTON) of Malaysia, we offer a conceptual framework for effective third-world MNC emergence and, more notably, the realization of global competitiveness.

Developing-Country Transnationals

Although we bow to convention by using the term third-world multinationals in our introduction, we prefer the more unbiased label of developing-country transnationals (TNCs). We agree with Yeung (1994, p. 297) that the term third-world multinational is “fraught with definition problems” and believe his label and description is more suitable:

“Developing country transnational corporations are defined as domestic enterprises headquartered in developing countries, which control assets and/or exert influence in the decision-making process of one or more cross-border subsidiaries and/or affiliates.”

While this definition helps avoid the imperialistic connotation of the third-world moniker, more important, it avoids many of the methodological issues surrounding the traditional definition (interested readers are encouraged to see Yeung, 1994).

Although we find the term more generically descriptive and palatable, we also think it helps address one other central question: Do developing-country TNCs in fact exist, or is this notion the creation of those somehow invested in the hope of such trends in the future? For example, in reviewing the seminal works of Wells (1983) and Lall, Chen, Katz, Kosacoff, and Villela (1984) concerning the appearance of multinationals in the developing world, Jenkins (1986, p. 458) offered the following:

“However, despite the recent international expansion of firms based in Third World countries, it is difficult to avoid the conclusion that they have been the subject of academic and media hype. Despite constant references to Third World multinationals, the term is only justified by adopting the broadest possible definition of what constitutes a multinational.”
The idea is that developing-country transnationals are not authentic TNCs but potential transnational corporations in a stage of infancy. Even Jenkins (1986), though, offered no reason to think these embryonic multinationals would not eventually surface, behave, and function as their more established transnational counterparts. Indeed, skeptics still exist about the notion of developing-country TNCs, as well as many other issues surrounding the umbrella term of globalization (Pudelko, 2006). Rugman (2001) called globalization a myth and suggested even developed-country multinationals are really regional in nature. Of course, if one accepts his academic definition of globalization existing “in terms of a single world market with free trade” (p. 583), we would concur, though we doubt many practitioners would deem it satisfying, since trade will always have provincial degrees. Further, within the narrow U.S. transnational regional perspective, Moore and Rugman (2003) labeled developing countries as largely unimportant. We respectfully disagree and believe that developing countries can play a significant role in the future global economy, and not simply on the receiving end (Yeung, 1994).

Others, of course, view the rise of transnationals from developing countries as more distinctive, with greater potential influence on the global competitive landscape (Athukorala & Jayasuriya, 1988; Yeung, 1994). Unique or not, this is certain—although most developing-country TNCs do not pose an immediate risk to more established multinational companies, they must be considered in the strategic analyses of the global competitive environment (Buxey, 2000). In support, Antoine van Agtmael, president of Emerging Markets Management, LLC, declared the current 25 internationally competitive developing-world transnationals would balloon to 100 within the next 15 years (Garten, 2005). From either perspective, however, we believe Yeung’s (1994) definition more appropriately characterizes what we would describe as a developing-country transnational corporation. Moreover, this broad definition is not in conflict with those who favor a regional slant to international trade.

Evidence of developing transnational corporations “can be dated back to the pre-World War I period . . . within Latin America” (Yeung, 1994, p. 297). In the early 1980s, developing-country TNCs in the Asia-Pacific Rim were already “becoming a significant mechanism for the transfer of capital, technology, management and other assets within and between developing and developed countries” (Linge, 1984, p. 193). Of course, many of the contributory concepts (e.g., foreign trade and investment, cross-cultural cooperation, labor utilization) associated with transnationalism can be seen in many ancient economic systems (e.g., China, Egypt) as well (Pudelko, 2006). More than 25 years ago, Heenan and Keegan (1979, p. 109) asserted:

The multinational corporation, long regarded by its opponents as the unique instrument of capitalist oppression against the impoverished world, could prove to be the tool by which the impoverished world builds prosperity. . . . Third world multinationalism, only yesterday an apparent contradiction in terms, is now a serious force in the development process.

We agree and see this growing transnationalism as an economic boon to a range of developing economies, and an impending force in international competition. As a result, and considering the probable relative shift in global economic power from North America to Asia during this century (Humphreys, 2007a), we must attempt to better understand and depict how such organizations could develop and prosper within a competitive global context.

The Case Approach

Due to the limited scholarly knowledge available concerning developing-country transnationals, it appears to us the real-world experiences of a developing-country TNC are crucial to any attempt to represent a broad conceptual model for their growth and development. Specifically, Eisenhardt (1989) suggested case studies were appropriate when the ultimate goal was the construction of models, so that prior assumptions would not bias the direction of thought. In fact, such historical approaches often allow us to create a richer mode of description and understanding (Booth, 2003). We agree with Voss, Tsikriktsis, and Frohlich (2002, p. 195) that the case method can create new insights and paradigms, and “have high validity with practitioners—the ultimate user of research.”

While we readily acknowledge the limitations of a case approach, principally the idea that different authors could come to different conclusions based upon a single case, we find the offsetting strengths provide justification. Stuart, McCutcheon, Handfield, McLachlin, and Samson (2002, p. 431) suggested: “This is a limitation of cases but not one that is exclusive to them. It is analogous to extrapolating survey results to other contexts for which the survey has no control.” Moreover, even flawed case studies (e.g., Hawthorne Works of Western Electric) have significantly altered the evolution of some of our most basic theoretical assumptions (Stuart et al., 2002).

One of the confounding, and limiting, issues involved in a historical case methodology, however, is the choice of industry and target organization (Stuart et al., 2002). For
this effort, we have selected automobile manufacturing, as “it is probably the most globalized industry in the world” (Donnelly et al., 2002, p. 30).

The Automobile Industry

Although the automobile industry does exhibit considerable internationalization, clearly transnational firms from developed regions (the United States, Japan, and Western Europe) are the dominant forces (Donnelly et al., 2002). There is also general consensus the automobile industry is one of the drivers of world economic growth and has the potential to shape “how we make things . . . , how we work . . . , what we buy, how we think and the way we live” (Womack, Jones, & Roos, 1990, p. 11). Because of such substantial influence, developing-country economies are attempting to take advantage of this market opportunity (Donnelly et al., 2002), further altering the complex, often turbulent, global competitive environment. With Malaysia exhibiting a “strong driving culture” and “one of the highest penetration rates of cars per capita in the world” (Bonami, 2005, p. S3), as well as the growing clout of the Association of Southeast Asian Nations (ASEAN) markets, we submit Perusahaan Otomobil Nasional Berhad (PROTON) as an appropriate sample case (unless otherwise cited, the history and facts presented are available at http://www.proton.com).

The Emergence of PROTON

Malaysia made an unprecedented leap in the 1980s and 1990s by emerging as the fastest-developing country across the ASEAN region. A foundation to propel Malaysia into the League of Developed Nations was orchestrated under the visionary leadership of Dr. Mahathir Mohamad, an eye surgeon turned politician, and was introduced in a national development policy document entitled Vision 2020.

Vision 2020 was designed to make Malaysia an industrialized country by the year 2020. In the 1970s, the then Deputy Prime Minister and Trade Minister requested a study to assess the feasibility of introducing a Malaysian-manufactured car. This is important, as Malaysia had not gone through the usual industrial stages—craft era (highly skilled, labor-intensive) to mass production (semi-skilled, limited products) to multispecialized, mass customization (Simpson, Sykes, & Abdullah, 1998). Of course, one might argue they did, but in an accelerated time frame (Womack et al., 1990). After due consultation, the National Car Project was approved and the Heavy Industries Corporation of Malaysia Holdings Berhad (HICOM) signed a joint venture agreement with the Mitsubishi Corporation in December 1982. This agreement established a manufacturing complex of over 862,000 square meters in Shah Alam, a suburb of Kuala Lumpur, Malaysia’s capital. Thus, PROTON was born.

In order to develop national capabilities in the automobile industry, the Malaysian government initially provided protection to the fledgling company, allowing the firm to withstand some early environmental downturns (Todd, 1986). For example, import duties were set at roughly 21% on domestic components, as compared to 40% on the equivalent foreign parts. Moreover, PROTON cars required excise duties of only 11%, while foreign branded automobiles were taxed up to 25%. Further, the authorities demanded car assemblers charge a profit margin of 16 to 17% to avoid price wars.

In addition, PROTON implemented a development strategy concentrated on localization and the expansion of core competencies (Simpson et al., 1998). By 2002, 232 indigenous vendors, located across Peninsular Malaysia within a 50 km radius from the PROTON plant, were supplying components for the carmaker. In fact, the number of local parts produced ballooned from 228 to 4,850, significantly reducing the firm’s reliance on the import of Japanese components while encouraging the development of local entrepreneurs.

In order to expedite the transfer of technology to Malaysia, PROTON was proactive in initiating programs between local vendors and numerous established overseas technical collaborators. By 2002, some 222 collaborative arrangements were in place representing specialized assistance from various regional neighbors (primarily Japan, South Korea, and Chinese Taiwan), as well as Western Europe. These cooperative agreements allowed PROTON to acquire several strategic skills, primarily in the areas of research and design, manufacturing techniques, and the development of human resources. Such capabilities were fundamental not only to the growth of PROTON and the Malaysian automobile industry, but also to the industrialization of Malaysia as a whole.

As an automobile manufacturer, PROTON is the only company across the ASEAN region endowed with full facilities to independently design and manufacture an automobile completely (Bonami, 2005). Overall production at the Shah Alam plant for the fiscal year 2002 increased by 24% to 240,119 units, compared to the 193,622 units produced the previous year. The process begins with product planning and design, during which concepts are formulated and modelling begins. PROTON’s state-of-the-art rapid prototyping equipment is the most advanced in the region and has given PROTON a competitive advantage in design.
At the engineering design departments, activities are planned, executed, and monitored to ensure the technical and production requirements of the design concepts are met. At the homologation level, the only benchmark accepted is excellence, and everything from PROTON’s signature ride and handling qualities to emission levels, safety, and endurance is tested to ensure global compliance. The use of computer-aided design and engineering (CAD/CAE) systems, as well as computer-aided styling (CAS) at the R&D Center, has significantly accelerated the product development process. This facility, noted as a landmark national achievement for Malaysia, has ensured an endorsement of PROTON standards for design and manufacturing by industrialized nations (e.g., European Union)—critical if a firm has transnational ambitions.

Equally important as technological development was the investment in human resources. In order to acquire expertise in automobile manufacturing, PROTON, since its inception, has sent several hundred key personnel to Mitsubishi Motor Corporation in Japan for intensive and extensive training in engineering, design, production, and operations management. As one of the most competitive employers in the Malaysian economy, PROTON’s philosophy was to maintain a highly skilled and globally competitive workforce.

Branding and Distribution

PROTON also recognized the need to build significant brand awareness within the domestic marketplace. Their wholly owned distributor—Proton Edar Sdn. Bhd.—focused on building a prominent presence through a strong emphasis on customer retention programs.

In keeping with its mission to be the distributor of choice, Proton Edar has also taken its products to the consumers by setting up special financing and mobile showrooms at popular recreational destinations across Malaysia. Proton Edar recognized the need to make buying a car a pleasant experience. In response, the New Center of Excellence was created, not only housing its operational headquarters, but serving as a flagship showroom.

The combination of capable partners, favorable policy, technology, people, and branding saw PROTON come to dominate the Malaysian marketplace. When the firm was listed publicly on the Kuala Lumpur Stock Exchange (KLSE) in March 1992, it controlled two-thirds of the domestic market share.

International sales, however, were also deemed critical to PROTON’s global success. Its automobiles have been sold around the world, reaching every continent, with the notable exception of North America. In fact, by 2002, PROTON cars had been exported to 53 countries, with the United Kingdom leading the way as the firm’s most important export market. In addition, the firm intended to build even greater efficiency through exports to other developing countries such as China and India. Exports alone, however, do not make a global company, and PROTON intended on becoming a genuine transnational organization.

A Transnational Organization

PROTON took three very important steps in becoming a transnational firm. The first was an alliance with Petronas, the Malaysian petroleum giant. This partnership allowed the firms to jointly develop designs and prototypes for engines, transmissions, and other advanced materials. The support of Petronas, in technical synergy and resources, was a prerequisite for the international expansion of PROTON. This joint venture, together with the building of PROTON City, brought the firm closer to its transnational vision.

PROTON City: Malaysia’s Automotive Hub

PROTON City sits on a 1,600-hectare site, of which 480 hectares have been set aside for production of automobiles, in Tanjung Malim, 90 kilometers from Kuala Lumpur. Another 240 hectares are dedicated for vendors...
to produce components and parts. PROTON’s vendors were incorporated into the city’s plans for ease of parts delivery based on the just-in-time delivery system (Simpson et al., 1998), forming closer networking relationships between the company and its supply chain.

One of the strategies pursued by PROTON to realize its vision was economy-of-scale production. The firm saw the need to build an integrated automotive city to provide the necessary infrastructure to support high-volume manufacturing operations to enable low unit cost. As part of the firm’s long-term capacity expansion plan, the building of the new plant in PROTON City marked a significant milestone in attaining the auto manufacturer’s future dreams. The production of a truly Malaysian car using supplementary local components, equipped with Malaysian-led design and development, enhanced Malaysia’s national pride. National pride alone, though, does not create a global player in the international automobile industry. The ability to compete with established and emerging car producers around the globe was further facilitated by the strategic acquisition of the Lotus Group.

**Acquisition of Lotus Group: A Milestone in Transnationalism**

With a limited domestic market in Malaysia, PROTON sought to intensify efforts to penetrate foreign markets in order to absorb the expected increase in production capacity. On October 30, 1996, the company acquired a controlling interest (80% stake) in Lotus Group International Ltd, the British automotive engineering company, one of the best equipped and capable consultancies in the automotive industry (as testimony, engines with Lotus input power roughly 10% of all new cars sold across the European Union).

Despite the change in ownership, Lotus did not change the way in which it was managed, as it continued to pursue its role as a leading independent supplier of engineering services and technology to the global automotive industry. The coming together of the two companies (British and Malaysian), nonetheless, brought larger-scale manufacturing capabilities with world-class engineering expertise. It allowed the National Car Project to advance significantly, especially in the areas of power train and advanced technologies. The automaker believed this upgrading in their product range would not only improve the performance of its cars but also, more important, reposition its brand image by giving its vehicles distinction in the domestic and overseas markets. The distinctive combination of value and reliability resulted in the sale of over 100,000 PROTON vehicles in Britain. Moreover, PROTON planned to bring the Lotus Elise production to the main plant in Shah Alam for export to the ASEAN region, which held great promise for the growing automaker. This is of great importance, as the region is an important external variable, both in positive and negative terms, one that traditional internationalization models ignore (Welch, 1982).

**AFTA**

The ASEAN Free Trade Agreement (AFTA) is a regional free trade agreement among Malaysia, Singapore, Thailand, the Philippines, Indonesia, Brunei, Vietnam, Cambodia, Laos, and Myanmar. The ten participating countries agreed to develop a free trade area that would become a single market with more than 550 million potential consumers (Bonami, 2005). An integrated ASEAN would be the eighth-largest automobile market, with 1 million new car sales each year. With projected growth trends, it has the potential to actually become the fourth-largest auto market, with as many as 2.2 million new auto sales annually (“Seeking for Bigger Share,” 2002). The creation of the free trade zone in Southeast Asia allowed PROTON greater access to its neighboring countries. While good news from the marketing front, AFTA would also set the stage for greater future competition for which PROTON was inadequately prepared.

**“PROTON Hits Heavy Traffic”**

The above clever heading is credited to the July 25, 2005, issue of *BusinessWeek* (Shameen, 2005, p. 16). Savvy readers may have noticed we have described PROTON’s emergence and development, advances, and setbacks through the year 2002, as it appeared the organization was poised to become a successful transnational participant. This is intentional, as we desire to emphasize the barriers that have come to light in the recent past so we may incorporate potential solutions into our conceptual framework.

The protective tariff regime, which imposed rates of up to 300% on imported cars and helped PROTON dominate market share in the domestic market, is being phased out. In line with AFTA, all but a few import tariffs will be reduced to between 0 and 5% by 2008 (Shameen, 2005). PROTON, which has enjoyed a cosseted position in Malaysia since its inception, has unprecedented competition looming ahead (Prystay & Takahashi, 2006). This means the automaker will have to compete against imported vehicles, most notably from Ford and General Mo-
hamad, an Ariff supporter, has argued for continuing domestic protection (Shameen, 2005), although the current leadership is moving forward with Malaysia's commitments under the free trade agreements (Prystay & Takahashi, 2006). The stakes are very high, as approximately 100,000 jobs are on the line when considering PROTON and its component supply chain (Burton, 2005). Of course, Malaysian consumers will likely benefit from greater competition, further complicating the debate. One answer would be to sell PROTON to an overseas transnational firm, but that would mean Malaysia losing its national champion, something management has resisted (Burton, 2005; Shameen, 2005). Some believed that Mitsubishi, still a parts supplier for PROTON although it sold its remaining equity position in 2004, would come to the rescue, but Osamu Masuko, president of Mitsubishi Motors, has stated any “cooperation wouldn’t extend into a capital alliance” (Prystay & Takahashi, 2006, p. 1). Many thought Volkswagen was the prime candidate, particularly after signing an October 2004 agreement to assist PROTON in developing new models in exchange for the use of its production facilities (“Business: Malaysia’s Motor Mess,” 2005, p. 62). In January 2006, however, the German automaker “scrapped plans” for the partnership, apparently due to the Malaysian firm’s refusal “to let a foreign company become a substantial shareholder or take a major management role” (Prystay & Takahashi, 2006, p. 1). As desperation sets in, however, it appears the

PROTON, notwithstanding its earlier intentions of a large-scale strategy, is simply not big enough to gain economies of scale to compete effectively in the export market against giant global competitors.
Malaysian transnational is now willing to consider proposals it once shunned, and the Volkswagen deal seems to be back on the table (“Chances of Proton, VW Alliance Good,” 2007).

A Conceptual Framework for Developing-Country Transnationals

Without a doubt, “PROTON is at a crossroads” (Shameen, 2005, p. 16), and industry analysts will continue to argue whether the company will ultimately survive (Burton, 2005). Our aim, however, is much broader than the mechanisms by which this specific Malaysian transnational corporation fails or goes forward. We find the experiences of the company—successful moves, environmental challenges, and strategic underestimations—provide a basis for the conception of a general structure for global aspirants from various developing countries. Accordingly, based upon our understanding of PROTON’s emergence, we offer our visualization of a broad framework for developing-country transnational firms (Figure 1).

First, the establishment of PROTON has to be attributed to the vision of the Malaysian government. The firm successfully positioned itself as the national car and pride of Malaysia, a symbol of its country’s accomplishment on the global stage. We agree that government initiation of a national champion (Donnelly et al., 2002) is certainly a powerful force for the vision and subsequent emergence of a developing country TNC (Yeung, 1994). Thus, we graphically represent the governmental contribution to the vision in our framework.

We acknowledge, however, the visionary leadership needed for such an endeavor could also originate outside of parliamentary authority. Although in the case of PROTON, a creative thinker within government sought out a strategic partner for the expertise and competencies needed to form the joint venture, we see no reason why this impetus should not form in the reverse. That is, an established transnational firm might seek a developing-country administration to propose similar collaborative efforts, as many large global firms have pursued such joint arrangements (Hill & Jones, 1992), especially when entering developing countries (Luo, 1997). Further, this momentum could also derive from individual businesspeople or even other provincial governments. Therefore, we show the potential for the vision emanating from these entrepreneurial sources as well.

In addition, we have included the various levels of strategic analyses necessary for such an undertaking within the boundaries of the vision box. We are following the example set by PROTON in the completion of such analyses as a basis for establishing the soundness of the entrepreneurial idea. Vision, while crucial, is never a substitute for effective analysis and must be considered in tandem. “Strategy is a circular progression in which the starting and finishing line should be redrawn continually by a consistent, comprehensive examination of the various environments surrounding the company” (Humphreys, 2004, p. 96). Accordingly, and learning from the case examination, we encircle the strategic analysis and radiate it toward infinity as a means to represent its continual function and nature. While PROTON conducted quality feasibility studies to support the vision, their analytical focus appears to have dissipated from there. Proper environmental and SWOT (strengths, weaknesses, opportunities, and threats) analyses throughout the organization’s growth and development may have foreseen a myriad of missed opportunities and looming threats (Humphreys, 2007b). While this is critical to any firm, the importance is magnified with the fragility common to an immature company, especially within a developing economy.

Though Dr. Mohamad’s vision was necessary for PROTON’s birth, so was the initial partnership with Mitsubishi Corporation. With the constant injection of technological know-how from collaboration with its strategic alliance partner, PROTON surfaced as an industry competitor. As a result, supporting industries became more vibrant as well, a benefit of the designed spatial proximity (Ivarsson & Alvstam, 2005). Meanwhile, the fledgling firm began equipping itself with the capabilities needed for success, allowing the company to make small, but significant, inroads in the industry (Donnelly et al., 2002). The importance of the joint venture to domestic emergence and growth of the firm, and its constituent supply chain, simply cannot be overstated.

Moreover, if approached correctly, joint ventures can provide long-term win-win scenarios for both participants (Vanhonacker, 1997). While the developing TNC needs expertise and competencies, very often, established multinationals seeking to enter developing markets lack local knowledge, which makes competing effectively more difficult (Qiu, 2005). We agree with Perlmutter and Heenan (1986, p. 136) when they write, “For smaller companies, these global partnerships . . . represent the most profitable route to future opportunities.” As such, the joint venture plays a central role in the birth, growth, and domestic dominance of the developing-country TNC in our illustration.

Once again, we realize there are those who would maintain that domestic dominance is no longer a require-
ment for transnationalism (Chetty & Campbell-Hunt, 2004), often referred to as the born-global phenomenon (Rialp, Rialp, Urbano, & Vaillant, 2005). The idea is that some firms do not go through the traditional stages of gradual internationalization, including the development of a substantial domestic base, but, rather, “initiate global operations upon inception” (Gleason, Madura, & Wiggenhorn, 2006, p. 97). First, while we very much subscribe to the concept of maintaining “a global vision from inception” (Gleason et al., 2006, p. 97), and that changing market conditions are accelerating globalization processes, we agree with Knight and Cavusgil (2005, p.
We do not believe complex industrial production fits the born-global model. Moreover, we think the introduction of new technologies to manufacturing is still important, particularly within developing economies.

Conversely, the traditional stage models do not escape criticism either, as most are considered overly deterministic (Fina & Rugman, 1996), too simplistic (Dicht, Leibol, Koglmayer, & Muller, 1984), and frequently inaccurate through hierarchical stage progression (Oviatt & McDougall, 1994). Further, these models often completely ignore acquisitions (Forsgren, 1990), a critical element in our model.

The academic debate continues with born-global proponents challenging the significance and applicability of the gradual stage perspective (Oviatt & McDougall, 1994), while traditionalists retort “that talk about the death of the conventional stages approach... is largely exaggerated” (Luostarinen & Gabrielsson, 2006), as many born-global firms are forced to follow the normal stages, at least in early phases (Chetty & Campbell-Hunt, 2004), even if they exhibit born-global characteristics later in their evolution. As this is the case, there are elements of support for both the traditional stages and the born-global approach (Chetty & Campbell-Hunt, 2004; Rialp et al., 2005). Consequently, authors have called for better models (Moen & Servais, 2002) and a more holistic approach that combines traditional and emerging perspectives (Rialp et al., 2005). Although our conceptual framework is specifically focused on developing-country TNCs, we believe it is a step in that direction. Further, we deliberately propose such collaborative efforts are generally required for the combination of domestic eminence and accelerated expansion.

We would admit, though, such collaborative arrangements can also bring substantial managerial communication issues (Lin & Germain, 1998; Lu, 2006). Indeed, transnationalism in general makes business relationships a bit complicated for all partners since it implies both intensified competition and enhanced cooperation (Child & Faulkner, 1998). Qiu (2005) suggested two important limiting dimensions in choosing the right partner and maintaining a good rapport with them. While these are fairly intuitive, from the case of PROTON, one could surmise they were somewhat wanting with the latter. In reality, these decisions must be left to the individual firms and situations involved at various points in time and are beyond the reach of a general framework. That being said, Qiu (2005) also raised the issue of differing agendas concerning development as a latent joint venture hindrance. We find this concept particularly salient.

Although PROTON intended to pursue an economy-of-scale strategy, that magnitude never materialized, and no viable contingency plans were in place. There were regular disputes with Mitsubishi, many arising from different development agendas. Now, as the organization urgently needs an association with a major TNC, management is struggling with the direction and specificity of such a concession. Because of this, we have included the reference to a capital alliance plan within our model. Our suggestion is for a development outline at the time of the joint venture, not during some future period of desperation. Decisions as to the appropriate ceding of some portion of management control to a future partner at this stage of the process could help eliminate obstructive defensive reactions and let the developing TNC bargain from a position of greater relative strength. Furthermore, willingness to enter into a predetermined capital alliance plan with the developing-country TNC should be a valuable criterion with respect to partner selection.

Just as the strategic partnership was essential to PROTON’s growth, equally vital was the protective environ-
In order to compete in the highly competitive market, they recognized the need to gain economies of scale in production and manufacturing to reduce costs. Further, in order to compete in the highly competitive international car market, the company needed to improve its brand image and manufacturing process so that it could satisfy the preferences of international consumers.

At roughly the same time, the company also entered into collaborative agreements with Petronas for the development of engines and additives and created the automotive hub of PROTON City to enhance its consumer reach. These strides allowed PROTON to enhance quality, brand awareness, cost structure, and distribution capabilities, allowing the organization to further expand beyond Malaysia. We suggest these steps were not only beneficial but, rather, necessary stages in the quest to become an authentic transnational corporation. Hence, in our generic model, we include the strategic acquisitions needed for the generation and maintenance of growing international demand.

Unfortunately, current events indicate PROTON did not go far enough, nor fast enough. Although their mounting capabilities did lead to international demand, as depicted by our conceptualization, they did not achieve self-reliance. In essence, they were unable to establish a stable supply to compete with their global rivals, primarily due to a still-limited scope of operation. To thrive, PROTON will have to gain additional economies of scale, which likely means merger/acquisition by one of the global giants in the automobile industry.

We think this holds great import to our conceptual framework. Once a developing-country firm becomes a dominant domestic force and seeks appropriate strategic acquisitions globally, it must quickly create the scale necessary for self-reliance. The time frame available will be dependent upon industry specificity, but we’re confident that, as globalization continues, the self-sufficiency horizon is likely to narrow and the required resources will expand. If the developing-country TNC achieves this level of autonomy, however, then let the games begin, as it has achieved at least some degree of global competitiveness and fundamental success determinants shift more to strategic and operational management abilities. If not, though, and the protective environment begins to collapse, as it ultimately will, a predetermined plan with a larger player should be implemented. Please recall we described such a pre-planned capital alliance during the search for initial strategic partners. We make the suggestion, and include this as a step in our conceptual framework, to avoid the ambiguous and unpleasant scenario faced by PROTON today.

In summary, based upon the conceptual framework presented, and the elucidation provided by the case analysis, we propose the following central implications for prospective developing-country transnational corporations:
• Potential developing-country TNCs must move quickly past the notion of national pride as a driving force behind competitive emergence. These nationalistic feelings may serve as an effective impetus to firm creation, but vision is never a replacement for the strategic analyses necessary for global competitiveness.

• Impending developing-country TNCs must begin strategic planning for intense global competition during the start-up period, not when such competition appears on the horizon.

• Strategic joint partner selection is critical to success. Selection criteria should extend further than capabilities and expertise and include discussions of future development agendas and capital alliance plans far beyond a cursory level, as prior planning should guide the ceding of portions of management control needed to create a positive, collaborative relationship.

• Developing-country governments should provide initial shelter for emerging TNCs but must also understand the limited time frame available for such incubated growth.

• Economies of scale must be achieved quickly to become self-reliant. It is likely to require effective cooperation with larger global partners.

Contributions, Limitations, and Future Research

This article contributes to our understanding of developing-country transnational corporations by providing a comprehensive conceptual framework illustrating the path from emergence through global competitiveness. Based upon the disparate experiences of the Malaysian firm PROTON, we believe the broad model offers real-world applicability often missing from such conceptualization, while providing specific steps needed to advance on the international stage. As such, it is our hope the paradigm will create debate and assist genuine transnational contenders, as well as the scholars studying the phenomenon, in their quest.

We find the primary limitation of our effort is the methodology. Whereas the case approach allows for greater flexibility in interpretation, this elasticity is gained with at least the potential of bias (Yin, 1994), particularly when attempting to extrapolate the experiences of only one organization (Eisenhardt, 1989). Having acknowledged that, we believe the organizational target for this endeavor is acutely desirable for the firm’s “potential to help contribute to the research” (Stuart et al., 2002, p. 426). Nonetheless, future study to examine the validity of our comprehension would benefit from greater direct observation and interviews with various organizational stakeholders.

Above all, though, we concur with Yeung (1994) in that the task begs for an interdisciplinary pursuit. “Invaluable contributions can be made from a fusion of ideas, concepts and methods from such diverse disciplines as international business, industrial economics, organizational analysis, economic sociology, economic geography and political science” (Yeung, 1994, p. 308). We welcome the insights and debate from these and other disciplines as we attempt to advance our understanding of the appearance, growth, and sustained competitiveness of transnational corporations from the developing world.

Conclusion

When it comes to grasping the dynamic path of global competitiveness, those seeking guidance quickly understand that our “reservoir of knowledge is modest” (Zahra & O’Neill, 1998, p. 13). While Zahra and O’Neill (1998) were addressing broader competitive issues for senior executives, we see the emergence of future developing-country TNCs as an important component of these changing competitive patterns and find the literature is narrow in this quarter as well. Accordingly, we have attempted to offer at least a modicum of direction by presenting our representation of emergence and competitiveness for prospective developing-country transnational corporations, based upon the disparate real-world experiences of the Malaysian firm Perusahaan Otomobil Nasional Berhad (PROTON).

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