

COMPETITIVE AWARENESS OF CHINESE AND DEVELOPED ECONOMY MULTINATIONALS

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ABSTRACT

In this article, we develop a framework to explore the differences of competitive awareness between Chinese multinational enterprises (CMNEs) and developed-economy multinational enterprises (DMNEs). First, we categorize the sources of competitive awareness into four quadrants based on the known or unknown information to both DMNEs and CMNEs. All four quadrants represent different challenges as firm strategy depends on how accurately firms perceive their competition. Second, we apply our framework to four different competitive landscapes as the home country of the CMNE, home country of the DMNE, another emerging economy, and another developed economy. Based on this framework, we develop our propositions by integrating the micro-foundations of the attention-based view. The rivalry between Alibaba and Amazon in their home countries (China and the United States) and third countries (India and Europe) is used to illustrate our model.

Key words: Attention-based view, competitive awareness, competitive dynamics, emerging market multinationals, competitive landscapes

INTRODUCTION

How do multinational enterprises from China (CMNEs) differ from multinational enterprises from developed economies (DMNEs) in terms of their competitive awareness? The traditionally-acknowledged superiority of DMNEs has been challenged by the recent rise of CMNEs that have developed considerable capabilities in their home countries — and outside them (Estrin, Meyer, & Pelletier, 2018; Guillén & García-Canal, 2009; Luo & Tung, 2018; Mutlu, Zhan, Peng, & Lin, 2015). Although some have argued for divergence of capabilities between DMNEs and CMNEs (Lu et al., 2017; Mathews, 2017; Meyer & Sinani, 2009; Spencer, 2008), others view CMNEs as evolving along a distinct path (Meyer & Peng, 2016). This co-evolution of DMNEs and CMNEs calls for a finer understanding of their competitive awareness and how they make sense of their competitive landscape in an era of global flux (Aguilera et al., 2019).

Awareness entails a firm's recognition of competitive opportunities and threats and requires a clear understanding of both its own and rivals' resource advantages (Chen, 1996; Ferrier, 2001). Awareness is therefore highly associated with a firm's boundary-spanning, information-seeking, and decision-making capabilities (Kilduff, Elfenbein, & Staw, 2010; Liu & Meyer, 2018). These capabilities are critical for multinational enterprises (MNEs) to access and leverage knowledge that lies beyond their formal boundaries (Ambros, Fuchs, & Zimmermann, 2020; Birkinshaw, Ambros, & Bouquet, 2017; Bouquet, Morrison, & Birkinshaw, 2009; Liu & Meyer, 2018).

Organizational awareness, however, is finite within the limited attention span of managers (Levine, Bernard, & Nagel, 2017; Shepherd, McMullen, & Ocasio, 2017). Recent research increasingly leverages micro-foundations of the attention-based view (Ocasio, 1997; 2010) to understand how MNE managers channel their attention (Ambos & Birkinshaw, 2010; Monteiro, 2015; Eklund & Manor, 2021; Hu et al., 2017). Limited organizational awareness further depends on environmental configurations that determine what decision makers attend to (Livengood & Regeer, 2010; Ocasio, 1997; Withers et al., 2018).

Originating from and embedded in different institutional configurations, DMNEs and CMNEs may have divergent levels of awareness about their competitive landscapes.

We explore this difference by developing a framework that represents MNEs' competitive awareness in four quadrants. In our model, each quadrant reflects a certain level of competitive uncertainty — which stems from organizational differences between DMNEs and CMNEs — and institutional differences in where they compete. Similar models have been used in exploring individual interactions to understand the impact of self-awareness (Luft & Ingham, 1961; Vazire, 2010). We elevate these cognitive models to the firm level and apply them to the competitive interactions between DMNEs and CMNEs. We further examine how different contexts shape the level of competitive awareness. Specifically, we identify the four distinct competitive landscapes as (1) CMNE's home country, (2) another emerging economy, (3) DMNE's home country, and (4) another developed economy.

We rely on two assumptions to build our propositions. First, DMNEs and CMNEs have asymmetric experiences that cultivate asymmetric awareness in different contexts. Second, emerging economies are fundamentally different from developed economies in the transparency and reliability of competitive information and the ease of access to it (Estrin et al., 2018; Guillen & Garcia-Canal, 2009; Rabbiosi & Santangelo, 2019). Such differences in the competitive landscapes of emerging and developing economies affect how MNEs channel their attentional resources (Ambos & Birkinshaw, 2010; Monteiro, 2015). While we recognize that a host of other factors may matter, such as industry and firm characteristics, we keep the model focused on macro-economic differences.

Addressing the important but previously underexplored question of how DMNEs and CMNEs differ in their competitive awareness, we endeavor to make two contributions to competitive dynamics research. First, we develop a comprehensive framework to explain and predict the role of awareness in DMNEs and CMNEs, exemplifying it through a hypothetical pair of DMNE and CMNE. The competitive dynamics literature has often overlooked the impact of international elements of competition (Yu &

Cannella, 2007), and has had an isolated focus on either DMNEs or CMNEs ignoring the mutual dynamics that are pervasive in this competition (Peng, Tan, & Tong, 2004; Mutlu et al., 2015). This leads to a limited understanding of competitive dynamics, which, in the case of MNEs, involves diverse interactions among rival firms embedded in unique institutional settings — home country, host country, and third countries (Estrin et al., 2018; Meyer & Peng, 2016; Meyer & Sinani, 2009; Peng et al., 2018).

Second, as competition between DMNEs and CMNEs is scarcely captured by existing models (Mathews, 2006, 2017), we aim to integrate the micro and macro elements of the competitive interactions between DMNEs and CMNEs (Gammeltoft, Barnard, & Madhok, 2010). At a micro level, we rely on the attention-based view as there is an increasing interest to understand the role of informational and attentional capabilities between firms (Kilduff, 2019; Peteraf & Bergen, 2003; Waldron et al., 2019). Our paper specifically responds to the need to understand how cognitive capabilities impact interfirm rivalry (Levine et al., 2017; Livengood & Reger, 2010; Marcel, Barr, & Duhaime, 2011). At a macro level, we distinguish our model based on the characteristics of the competitive landscape. We examine the contextual differences because relational context is a strong predictor of firm competitive behavior (Aguilera et al., 2020; Chi, Ravichandran, & Andreovski, 2010; Withers et al., 2018). Overall, we endeavor to bring together the insights of both micro and macro elements of competition as both lines of research tend to work in isolation from one another, yet both are instrumental to untangle the role of awareness in competitive dynamics between DMNEs and CMNEs.

COMPETITIVE AWARENESS

Organizational decision-making is the result of the limited attentional capacity of humans and the environmental influences on managerial awareness (Durand & Jacqueminet, 2015; Levine et al., 2017; Ocasio, 1997; Shepherd et al., 2017; Simon, 1947). Building on the foundations of bounded rationality (Simon, 1947), the attention-based view of the firm has emphasized the importance of competitive awareness under three premises (Ocasio, 1997; 2010). First, decision-makers' actions depend on the focus

of their attention and awareness. Second, this focus depends on the specific context in which the decision makers are situated. Third, this context is shaped by the rules, resources, and social relationships that arise in each organizational context. Based on these three conditions, MNE competitive strategies can be explained by how firms channel the attention of their decision-makers (Birkinshaw et al., 2017; Eklund & Manor, 2021; Haq, Drogendijk, & Holm, 2017; Hu et al., 2017; Monteiro, 2015).

Competitive awareness — information processing capabilities in terms of gathering, transforming, and storing information — is particularly crucial for MNEs (Egelhoff, 1991; Tihanyi & Thomas, 2005; Tsai, Su, & Chen, 2011). MNEs are embedded in multiple contexts that require elevated levels of attention to heterogeneous competitive elements (Ocasio, 1997; Monteiro, 2015). For example, MNEs cope with liabilities of foreignness due to their non-native status and face challenges in terms of language barriers, local government discrimination, national cultural differences, and consumer expectation variations (Stea, Linder, & Foss, 2015; Xu & Shenkar, 2002). Such ambiguity demands notable levels of competitive attention and information processing skills. In addition to the external challenges, some MNEs may suffer from increased levels of organizational complexity that adds layers to communication problems within and outside of the organization (Schulz, 2001). These challenges are especially pronounced between headquarters and subsidiaries (Ambos et al., 2020).

MNEs' competitive awareness is therefore critical for the outcomes of international competition as the dynamic nature of competition creates a transient window for competitive opportunities that require superior information gathering, processing, and ultimately decision-making capabilities. The complicated nature of rivalry in both product and geographic markets necessitates astute levels of awareness to inform effective strategic decisions. However, embedded in different institutional configurations, DMNEs and CMNEs may have inherently divergent levels of awareness about their competitive landscape.

To explore the competitive awareness of DMNEs and CMNEs, we first categorize competitive awareness into four areas: (1) open area (public information known to the firm and its competitors), (2)

blind area (known to competitors, but not to the firm), (3) hidden area (known to the firm but not to others), and (4) unknown area (known to no one in the industry, neither the firm nor its competitors). In our categorization as shown in Table 1, we extend a psychological model (Luft & Ingham, 1961) that explores individual cognitive differences to firm-level competitive interactions. All four quadrants represent different challenges as firm strategy depends on how accurately firms perceive their competition (Bloodgood & Bauerschmidt, 2002). For example, the blind spots are viewed as flaws in competitive analysis (Zahra & Chaples, 1993), while hidden areas may be a source of competitive advantage as they provide the capacity to formulate unpredictable strategies (Connelly et al., 2017). Competitive awareness in all quadrants, therefore, stems from a firm’s ability to manage situations where data are not fully available and cause-and-effect relationships are ambiguous (Milliken, 1987).

Table 1. Competitive Awareness Areas

	Known by the firm	Not known by the firm
Known to rivals	I. Open area	II. Blind area
Not known to rivals	III. Hidden area	IV. Unknown area

The open area represents publicly available information. This is the area where (1) firms do not or cannot hide information about their internal assets and (2) firms have access to the same amount and quality of information about their external environment as their competitors. Since the rules of the game in terms of information availability are the same in this area, both sides have equal opportunity to access and process the available knowledge and leverage it in the competitive landscape (Luo & Child, 2015).

The blind area represents information that one focal firm has limited awareness about, which is perceived or analyzed more accurately by rival firms. Compared to the open area, the blind area poses a strategic threat to the focal firm as it offers a great opportunity for rival firms to attack the “loose bricks” of the competition.

The hidden area represents private information that is known to the focal firm itself but has successfully kept unknown from others. This can be any information which the focal firm prefers to protect or is reluctant to reveal. The hidden area can stem from how information is embedded within the layers of a strategic network. For example, business groups in emerging economies enable member firms to protect strategic information and resources within the network boundaries (Khanna & Rivkin, 2001). The hidden area may also stem from firms' competitive complexity and deep knowledge reservoirs that help obscure competitive information and formulate unpredictable competitive actions (Connelly et al., 2017). For instance, firms purposefully obscure a wide range of information, including the rationale and execution of their competitive moves to confuse or mislead their rivals (Marcel et al., 2011).

The unknown area represents the information that is unavailable to both DMNEs and CMNEs. The unknown area requires superior information processing skills to anticipate opportunities and circumvent potential threats as firms with higher levels of competitive awareness can take more accurate and rapid actions to reduce uncertainty (Chen, 1996). The unknown area is characterized by environmental uncertainty in which it is difficult to identify or predict critical variables and cause and effect relationships among environmental and organizational variables are difficult to understand (Fredrickson & Iaquinto, 1989; Priem, Rasheed, & Kotulic, 1995). Uncertainty may originate from internal or external sources. Firms can control or get smarter about internal uncertainty, which is inherent in the blind or hidden areas. External uncertainty, on the other hand, is surprising to every economic actor and takes different forms that mandate differing skills to cope with. Defined as the degree to which managers perceive it difficult to accurately anticipate the future state of the external environment (Milliken, 1987; Priem et al., 1995; Yu, Brouthers, & Yang, 2016), external uncertainty may broadly originate from market factors or institutional factors.

Overall, all four areas expose rival firms to different competitive challenges that require significant attentional and cognitive capabilities. The open and the unknown areas pose similar opportunities or

threats to competing firms as the information is either available or unavailable to all market players. The size of the blind and hidden areas, however, may differ for rivals as it depends on firm characteristics, institutional differences, and market level complexity. In all four areas, the outcomes of the competition boil down to rivals' strategic intelligence and attentional capabilities in different competitive landscapes (Levine et al., 2017; Stea et al., 2015).

The Impact of Competitive Landscape

The characteristics of the competitive landscape help determine the level of competitive awareness (Livengood & Reger, 2010; Ocasio, 1997; Withers et al., 2018). The multimarket contact between DMNEs and CMNEs has intensified as CMNEs increased their global footprint, meeting their DMNE rivals in a number of countries (Mutlu et al, 2015; Yu, Subramaniam, & Cannella, 2009). Multimarket contact has introduced a multidimensional form of competition as both firms are originally embedded in different institutional and factor markets that promote different competitive capabilities (Baum & Korn, 1996; Fuentelsaz & Gómez, 2006). On the one hand, some view CMNEs as lacking the knowledge needed to compete in world markets (Awate, Larson, & Mudambi, 2015). On the other hand, others view them as global challengers for DMNEs, at least in some industries (Casanova & Miroux, 2020; Luo & Tung, 2018; Mathews, 2017). The increasing competition and the multimarket contact between DMEs and CMNEs, therefore, require a closer understanding of the role of different competitive landscapes.

As shown in Table 2, we explore the competitive awareness of DMNEs and CMNEs based on the four quadrants of information availability in four competitive landscapes as (1) an CMNEs' home country, (2) another emerging economy, (3) a DMNEs' home country, and (4) another developed economy. Our arguments in these competitive landscapes rest on two assumptions. First, asymmetric experiences between DMNEs and CMNEs lead to asymmetric awareness in different contexts. For example, CMNEs may rely more heavily on relational capabilities to access information and lack transparency compared to DMNEs. Second, we assume that emerging and developed economies as host markets differ in terms of

the nature and sources of competitive information (Estrin et al., 2018; Guillén & Garcia-Canal, 2009). These differences explain where and how foreign firms channel their scarce attentional resources (Ambos & Birkinshaw, 2010; Monteiro, 2015).

To illustrate our arguments, we leverage the interactions of two e-commerce firms, Amazon and Alibaba, in four competitive landscapes. Historically, Amazon focused on developed regions like the United States, Europe, and Japan, while Alibaba concentrated on China, with occasional forays into the emerging markets of Southeast Asia and Central Asia. However, the increasing global competition is pushing Alibaba and Amazon to collide head-on in both developed and emerging markets (Sawhney & Khosla, 2014; The Economist, 2017).

Table 2. Competitive Awareness in Different Contexts

CMNEs Home Country		Another Emerging Economy	
<p>Open CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs' compositional capabilities lead to more effective use of open information. 	<p>Blind CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs' embeddedness leads to a better comprehension of the competitive landscape. ▪ DMNEs have limited competitive acumen. 	<p>Open CMNE=DMNE</p> <ul style="list-style-type: none"> ▪ Awareness parity 	<p>Blind CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs have higher competitor acumen and familiarity. ▪ DMNEs liability of foreignness lead to asymmetric awareness.
<p>Hidden CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs have limited transparency and higher competitive unpredictability. 	<p>Unknown CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs are agents of the institutional unknown in their own competitive domain. 	<p>Hidden CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs insider status enable easier access to hidden sources of information. 	<p>Unknown CMNE>DMNE</p> <ul style="list-style-type: none"> ▪ CMNEs can cope better with institutional uncertainty in another context.

DMNE's Home Country		Another Developed Economy	
<u>Open</u> CMNE<DMNE ▪ Little or no information asymmetry. CMNE's compositional skills are not as effective.	<u>Blind</u> CMNE<DMNE ▪ CMNEs have limited informational capabilities in institutionally distant locations.	<u>Open</u> CMNE=DMNE ▪ Awareness parity	<u>Blind</u> CMNE<DMNE ▪ DMNEs have higher market intelligence in institutionally closer context.
<u>Hidden</u> CMNE<DMNE ▪ DMNEs are in their identity domain and can more easily obscure competitive information.	<u>Unknown</u> CMNE<DMNE ▪ DMNEs are better suited to cope with market uncertainty.	<u>Hidden</u> CMNE<DMNE ▪ CMNEs' limited legitimacy hinders access to hidden sources of information.	<u>Unknown</u> CMNE<DMNE ▪ CMNEs' limited experience hinders competitive scanning.

Competitive Awareness in the CMNE's Home Country

The institutional differences between emerging and developed economies have a significant impact on MNE performance. Specifically, the institutional turmoil in emerging economies contribute to transactions costs associated with information ambiguity and opportunism, which significantly affects multinational operations (Boddewyn & Peng, 2021; Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017). Unique configuration of informational resources manifests itself differently in the four awareness quadrants.

Open area. Despite the convergence in capabilities, the CMNE, in comparison to the established DMNE, has less developed firm-specific advantages (Kim et al., 2015). Although the CMNE possesses relatively inferior core technologies, it has the advantage of identifying and leveraging readily available resources in its home market (Mathews, 2017). Developed by Luo and Child (2015), the composition-based view argues that ordinary firms in emerging economies can achieve superior performance through their creative use of open resources and unique integrating capabilities. Given its relational capabilities and decentralized networks, the CMNE possesses superior compositional capability in its home countries. In the open area of the emerging economy, compositional capability leads the CMNE to identify,

configure, and integrate different sources of information swiftly compared to DMNEs. The DMNE, on the other hand, needs to shift from local adaptation to “insiderization” in emerging markets (Luo, 2007; Meyer & Peng, 2016). This shift requires expending greater resources to rapidly utilize information that is available to all economic players. We therefore propose that in the CMNE’s home country, given its native status, the CMNE has higher levels of competitive awareness in the open area where information is available to all parties, and cause and effect relationships are easy to identify.

Blind area. The blind area poses significant threats for the DMNE in the home country of the CMNE. The literature considers competitive blind spots as an outcome of insufficient attention to competitors' contingent decisions (Levine et al., 2017; Stea et al., 2015; Zajac & Bazerman, 1991). Blind spots are therefore a result of flaws in competitive analysis, which is the process by which a firm attempts to understand its external environment in terms of its industry, its competitors, and its strategic moves (Zahra & Charles, 1993). Porter (1980: 59) views competitive blind spots as “areas where a competitor will either not see the significance of events at all, will perceive them incorrectly, or will perceive them very slowly.” The lack of strong market-supporting institutions may blur the competitive vision of the DMNE, making its competitive analysis and strategic decisions flawed or incomplete compared to the CMNE. This specifically applies in the case of the DMNE’s competitive acumen about domestic players and their strategic assets. Being embedded in the strategic business networks and thus having higher competitor acumen enables the CMNE to better understand and predict domestic rivals’ intentions (Tsai et al., 2011). Liability of foreignness and newness further contribute to the difficulties faced by the DMNE in navigating the complex competitive landscape. The CMNE enjoys sharpened market intelligence that include superior knowledge about competitors, supplier and buyer networks, and strategic relationships. Thus, we argue that the DMNE has a larger blind spot in the home country of the CMNE.

Hidden area. The hidden area represents private information that market players are reluctant to reveal. Private information, the difference between the information sets available to the firm’s insiders

and uninformed investors (Easley & O'Hara, 2004), is problematic in many emerging economies. Although policy makers in emerging economies make substantial efforts to improve corporate transparency by setting accounting and disclosure standards, there are still problems in enforcement and application. For example, China's regulatory efforts to oversee firm applications to issue additional shares led to excessive earnings management and therefore non-reliable financial reporting (Chen & Yuan, 2004). Abuse of private information by majority owners is another widespread problem within less developed markets (Filatotchev, Zhang, & Piesse, 2011). In contrast to emerging economies with ineffective or selective disclosure of firm private information (Young et al., 2008), developed economies are known for firm private information being capitalized into stock prices (Easley & O'Hara, 2004; Morck, Yeung, & Yu, 2000).

While a lack of transparency may hurt firms operating in developed economies, it may become an *asset* for the CMNE to protect or hide strategic information from the outsiders. The CMNE can strategically withhold firm-level private information or even selectively disclose wrong or incomplete information, thus making it even more difficult for competitors to estimate the scope and extent of its competitive assets. This makes the CMNE — in the eyes of the DMNE — competitively unpredictable (Naumovska & Zajac, 2021). Such ambiguity may be a source of competitive advantage, which is not only an outcome of superior resources but is also rewarded to those with unpredictable strategies (Connelly et al., 2017). As such, the CMNE can formulate unpredictable competitive strategies in its home market that make it difficult for the DMNE to form cause-and-effect relationships between the CMNE's past and future competitive moves (Boddeyn & Peng, 2021; Cuervo-Cazurra & Genc, 2011). This quadrant is critical for the DMNE because, in its home institutions, it is subject to stricter standards of transparency by external parties such as analysts, auditors, government institutions, and the media. Such governance mechanisms elevates firm transparency by leading the DMNE to increase the scope and extent of firm-level information that is revealed to outsiders. In addition, the DMNE may be subject to higher

levels of transparency in the emerging economy due to local stakeholders' demands about knowledge spillovers (Meyer, 2004). This makes the DMNE's hidden area more vulnerable to exposure.

Unknown area. Institutional uncertainty is a higher threat than market uncertainty in emerging economies (Peng, 2003). Multinational firms are firmly embedded in the institutions of their home country (Stallkamp et al., 2017). The CMNE originates from institutional configurations characterized by uncertainty about macro and micro level government policies including regulations, corporate governance standards, and taxation. A lack of reliable formal market-supporting institutions leads the CMNE to develop certain relational strategies to overcome the perils of uncertainty (Cuervo-Cazurra et al., 2018; Marquis & Raynard, 2015). As a result, the CMNE may outperform the DMNE in less stable institutional contexts thanks to its flexibility in the face of unreliable institutions (Cuervo-Cazurra & Genc, 2008; Gammelfolt et al., 2010; Mutlu et al., 2015).

In contrast, relationship-based and nonmarket practices are highly resistant to the DMNE's market-based strategies, which are considerably limited in the absence of strong formal institutions (Boddewyn & Peng, 2021; Judge, Fainshmidt, & Brown, 2014; Mariotti & Marzano, 2019; Witt & Jackson, 2016). This limits the competitive awareness of the DMNE and further makes it harder to transfer its superior organizational skills into competitive actions. Furthermore, when firms are uncertain about institutions that govern the rules of the game, they are more likely to delay certain strategic decisions (Henisz & Delios, 2001; Julio & Yook, 2012). Potentially hazardous policy and the volatility in the business regulations are of concern to the DMNE, which inherently bears the liability of foreignness due to its non-native status (Stevens, Xie, & Peng, 2016; Wu & Salomon, 2016). The DMNE, therefore, experiences great difficulty in navigating the unknown area in the CMNE's home country. Overall:

Proposition 1. In the CMNE's home country, the CMNE — in comparison with the DMNE — has superior competitive awareness in all four quadrants.

Alibaba vs. Amazon in China

Amazon entered China in 2004, after acquiring Joyo, a local online retailer. Although the Chinese government largely refrained from interrupting its operations, Amazon took a long time to adjust to the domestic market, taking seven years to turn Joyo into a fully Amazon brand. In the meantime, local competitors flourished, possibly thanks to better understanding of the market dynamics and rapid service. Meanwhile, Alibaba expanded in the Chinese market by offering huge discounts, locally tailored promotions, and speedy delivery. Insiders in Amazon China complained about the headquarters' lack of trust in, and poor delegation of authority to, the Chinese team, which led to a slower competitive response. Some observers argued that limited awareness about the competitive landscape, including poor understanding of customer needs and competitor capabilities, caused Amazon to lose market share to Alibaba. Eventually, Amazon decided to exit the market in 2019 (Weise, 2019). At the same time, Alibaba became the market leader in China by adjusting Amazon's original business model to the Chinese realities. It is therefore no surprise that Alibaba is known as the "Amazon of China" (Team, 2019). For example, aware of the small businesses' need to access micro loans, Alibaba launched a highly popular and profitable lending business that provided micro loans to small and medium size enterprises, which were usually rejected by regular banks (Zeng, 2018). Such competitive intelligence was not hidden within the inner networks of the government and domestic competitors and available and shared by all economic players. However, it has been more easily grasped by Alibaba, who could rapidly turn it into economic value in its home turf.

Competitive Awareness in Another Emerging Economy

The DMNE and the CMNE have developed a relatively established history of competitive interactions in different markets that provides them a shared understanding and awareness about their competitive capabilities (Guillén & Garcia-Canal, 2009; Mathews, 2006, 2017; Ramamurti & Singh, 2009). The CMNE enjoys a strategic fit with the emerging economy context that stems from a closer understanding of emerging market consumers, cost efficiencies, and ability to navigate problematic institutional

environments (Casson & Wadson, 2018; Cuervo-Cazurra & Genc, 2008; Verbeke & Kano, 2016). The DMNE, on the other hand, has more established international experience given its global reach, and superior technological and organizational capabilities. The discrepancies in their capabilities inform their levels of competitive awareness in another emerging economy context in the four awareness categories.

Open area. In the context of another emerging economy, the open area poses a relatively level playing ground for the DMNE and the CMNE. This area consists of publicly available information and resources. The CMNE enjoys an upper hand in its home country due to having superior compositional capabilities that help the firm access and utilize public knowledge in more efficient ways. Although such capabilities may be still relevant in another emerging economy, the DMNE and the CMNE are both in a foreign context and face similar challenges in leveraging open sources of information. Therefore, we argue that there is competitive parity in terms of awareness in the open area, with no information asymmetry between both firms.

Blind area. Operating in a foreign and difficult competitive landscape inflates multinational firms' blind spots. Although the DMNE has superior market intelligence and sharpened international experience, such capabilities may not necessarily translate into an effective competitive acumen in an emerging economy context (Li, Peng, & Macaulay, 2013; Xia, Boal, & Delios, 2009; Wright et al., 2005). The competitive landscape of emerging economies not only includes traditional MNEs with established strategies and structures, but also domestic firms at various stages of capability development and internationalization (Cuervo-Cazurra & Genc, 2008). Such dynamism and diversity of rivals require superior comprehension of competitors and valid assumptions about the competitive capabilities (Peng et al., 2018). The DMNE may understand and foresee the competitive intentions of the other traditional MNEs yet are relatively unfamiliar with the domestic rivals in emerging economies.

Such asymmetric awareness leads to an element of surprise by blindsiding the DMNE firm to the unpredictable competition (Markman et al., 2009). Especially, small domestic firms or other domestic

players such as state-owned enterprises can surprise the formidable DMNE in emerging economies (Chang & Xu, 2008). The CMNE faces the challenge of validating its perceptual assumptions about the familiar yet foreign competitive landscape. However, its relatively high familiarity with the market dynamics may enable the CMNE to comprehend and predict interfirm competition in more accurately than the DMNE in the emerging economies. Huawei, for example, has relied on its superior understanding of the emerging economy competitive landscape and began its internationalization in other emerging economies such as Russia and Latin America (Guo et al., 2019). Overall, we propose that compared with the CMNE, the DMNE has a larger blind spot in another emerging economy.

Hidden area. The CMNE still enjoys a higher level of competitive awareness in the hidden area as it can still maintain its limited transparency in another emerging economy. Both the home- and host-country institutions enable the CMNE to continue be non-transparent compared to the DMNE that needs to abide by rigid reporting standards of its home institutions. Moreover, given its familiarity with the emerging economies and its relational skills, the CMNE may enjoy a better chance to become insiders (Luo, 2007). Becoming an insider enhances the CMNE's chances to access local networks. This privilege enables the CMNE to unlock hidden sources of knowledge and thus creatively combine diverse areas of local expertise (Cantwell & Mudambi, 2011). For example, in response to imperfect markets or hidden information, many emerging economy firms form business group networks (Khanna & Rivkin, 2001). Affiliation with business groups, directly or indirectly, enables the CMNE to access a common pool of informational resources, which is exclusive to the network members (Gaur et al., 2019). Therefore, we argue that compared with the DMNE, the CMNE has higher levels of competitive awareness in the hidden area in another emerging economy.

Unknown area. The CMNE enjoys a higher level of competitive awareness in the unknown area in another emerging economy. Institutional uncertainty overweighs market uncertainty in emerging economies and the CMNE is likely to be better suited to cope with institutional uncertainty. The CMNE

enjoys a competitive advantage over the DMNE in other emerging economies because of its experience with institutional uncertainty (Cuervo-Cazurra & Genc, 2008; Gaur, Kumar, & Singh, 2014). Superior networking skills and higher levels of flexibility help sharpen the CMNE's competitive awareness when it comes to adverse institutional contexts that pose great levels of uncertainty for the DMNE. On the other hand, the DMNE is liable to higher standards of corporate governance rules that limit its operational skills in the face of institutional uncertainty. Although DMNE managers possess superior skills to cope with market uncertainty, they have limited exposure to unpredictable institutions, which limits their cognizance of their surroundings. Overall, we propose that with its improved managerial skills, local insights, and ability to leverage strategic connections, the CMNE enjoys a superior competitive awareness in other emerging economy contexts.

Proposition 2. In an emerging economy that is not the CMNE's home country, there is competitive parity between the DMNE and the CMNE in the open area; while the CMNE has superior competitive awareness in the blind, hidden, and unknown areas.

Alibaba vs. Amazon in India

Alibaba and Amazon are now fiercely competing to win the market in India. It is still early to forecast the outcomes of the competition in India as the e-commerce market is at an early stage. Amazon is determined to win the Indian market after its costly defeat in China, whereas Alibaba aims to compensate for the slowing Chinese market with the growth of the Indian economy. Learning from its defeat in China, Amazon has started off by heavily investing in accumulating its competitive knowledge of the Indian e-commerce market, which attracted Indian customers with low prices and delivery to remote areas such as Himalayan villages. However, this rapid expansion was offset by the Indian government that instituted regulations to scale back Amazon's operations (Washington Post, 2019). However, instead of accommodating institutional barriers, Amazon's founder, Jeff Bezos, responded by highlighting the

company's rigid business model as "we don't change our approach as we move around the world, and we face stiff competition everywhere we operate."

In comparison, Alibaba has been more flexible when it comes to adopting localization strategies in expanding its footprint in difficult emerging economies such as India and Russia. These strategies include building up customer bases, especially by collaborating with politically connected partners (Kynge, 2019). Alibaba is likely to enjoy higher levels of competitive awareness in India as it considers India similar to Chinese market in terms of market size, the business models of small firms, and finally the overall ecosystem of the e-commerce industry. For instance, aware of the importance of the connections and the value of the competitive information embedded within strategic networks, Alibaba has formed partnerships with numerous local banks such as ICICI Bank, Kotak Mahindra Bank, Crisil Rating, Tally, Capital Float, Jeena, SGS and Mypacco (Economic Times, 2015). Alibaba also heavily invests in top-tier tech startups in India where a massive young population base and internet access resembles those in China 5-10 years ago (Forbes, 2019). Alibaba, therefore, approaches the Indian market with a long-term perspective investing in relationships with key industry players and aims to win the market on multiple frontiers over the long run.

Amazon has adopted a more centralized approach and invested in infrastructure and building warehouses since its entry in 2013 (Forbes, 2017). However, Amazon seems determined to act more diligently in India in order not to repeat its failure in China and thus collaborates more closely with local partners and the government. Although Amazon entered India first, Alibaba may become a forceful rival for Amazon in India with its growing network with small businesses and political ties and grasp of the local dynamics.

Competitive Awareness in the DMNE's Home Country

The institutional configurations of developed economies help reduce the institutional uncertainty of doing business. A well-known outcome of advanced market institutions is that it incentivizes firms to increase

corporate disclosures to reduce the information asymmetries between investors and firms (Healy & Palepu, 2001). While formal institutions are not a major source of uncertainty in developed economies, dynamic market mechanisms elevate the intensity of rivalry. This necessitates astute levels of market intelligence in all categories of awareness.

Open area. The DMNE may enjoy a slightly higher level of competitive awareness in its home country in the open area. However, this advantage may not be as sizeable as the advantage of the CMNE in its (emerging) home economy. The reason is that in a developed economy, there is relatively little information asymmetry and thus the cause-and-effect links are generally clear. Unlike the home country of the CMNE where the ability to compose open knowledge and public resources offers a competitive advantage (Luo & Child, 2015), the developed economy context enables domestic and foreign MNEs to leverage and utilize open sources of information with little or no discrimination. This is mostly because unlike emerging economies, open information is not embedded within relational networks and is easier to extract and utilize in developed economies. Therefore, neither side would have a competitive advantage in in the open area of the developed economy.

Blind area. The CMNE bears the liability of foreignness and newness in the home country of the DMNE. In comparison with the DMNE, the CMNE is a latecomer in global business, which hinders its information search and processing capabilities in institutionally distant locations (Awate et al., 2015; Cantwell & Mudambi, 2011). Insufficient access to information on the host economy significantly hinders the CMNE's competitiveness in institutionally distant economies (Gomez-Mera et al., 2014). The DMNE, on the other hand, is on its own turf and thus is more market savvy. The CMNE lacks a close understanding of the market dynamics and has a larger blind spot in the DMNE's home country.

Hidden area. The hidden area favors the DMNE in in its own domain. The CMNE is vulnerable to host country environment and loses its ability to hide information. This partly stems from the higher standards of corporate transparency in the developed economy. It is also because the CMNE needs to

abide by arm's-length transactions whereas in its home country firms rely on informal ties to access knowledge and resources (Peng, 2003). In relationship-based networks such as business groups, information is embedded within the informal layers of the network structure and is exclusive to the network members (Gaur et al., 2019). While this feature provides a competitive advantage to the CMNEs on their own turfs, it is not a strategic fit to the business dynamics of the developed economy.

The hidden area offers a greater advantage to the DMNE as it is operating in its own identity domain that leads it to defend its territory and compete rigorously (Livengood & Reger, 2010). Given its familiarity and superior market intelligence, the DMNE can deploy competitive resources to send mixed signals and obscure the competitive information for its benefits in its own competitive domain. Political lobbying, for example, often provides a relational advantage to the DMNE in its own turf that limits the CMNE's access to strategic information. This significantly limits the competitive awareness of the CMNE in the home country of the DMNE.

Unknown area. The DMNE enjoys a higher level of competitive awareness in the unknown area in its home country. Unlike emerging economies, where institutional uncertainty overweighs market uncertainty, the developed economies favor economic players better suited to cope with market uncertainty.

Market uncertainty refers to the unknown area related to customer demand, supplier relations, competitor dynamics, and innovative disruptions. Environmental uncertainty depends on the variability and complexity of external factors (Boyd & Fulk, 1996). In the case of market uncertainty, variability refers to the rate of change in market factors, which affect the quality of information available to firms. Complexity is the ability to understand cause and effect relationships and their impact on firm strategies (Milliken, 1987; Priem et al., 1995; Yu et al., 2016). As both the variability and the complexity of the forces behind market uncertainty increases, firms find it more difficult to scan and analyze the environment making it highly problematic to identify competitive threats and opportunities (Boyd & Fulk,

1996). Market uncertainty, therefore, requires extensive search and processing capabilities and commitment of significant firm resources.

Research has shown that organizations differ in their perceptions and tolerance for uncertainty (Yu et al., 2016). We argue that the DMNE may have capabilities better suited to cope with market uncertainty. The DMNE has a longer history of thriving under competitive market forces, which honed its competitive capabilities to anticipate market changes, compete against varying customer demand, technological changes, and unpredictable rivalry. On the other hand, the relative lack of market institutions in emerging economies act as a barrier for domestic firms' internationalization to developed economies (Awate et al., 2015; Hoskisson et al., 2000). The CMNE may thus be challenged by market uncertainty more severely as it needs to fit its strategic endowments with new market institutions. Hence:

Proposition 3. In the DMNE's home country, there is competitive parity between the DMNE and the CMNE in the open area; the DMNE has superior competitive awareness in the blind, hidden and unknown areas.

Alibaba vs. Amazon in the United States

Alibaba has avoided entering the US market for a long time given the dominance of Amazon in both the business-to-business (B2B) and business-to-customer (B2C) segments. In 2019, Alibaba has decided to compete with Amazon on its own turf in the B2B segment. Amazon focuses on large firms and helps them access potential buyers in the US. Assessing Amazon's strategic priorities in the US market, Alibaba has chosen to compete in the B2B segment of smaller and entrepreneurial firms in the US. In China, Alibaba can regain market from Amazon in its own turf, but in the US its strategy has shifted to targeting market segments that Amazon overlooks—the small American manufacturers looking for platforms to sell their products overseas (Business Insider, 2019). Aware of Amazon's superior market intelligence and competitive acumen in the US market, Alibaba had no choice but to channel its attentional resources to compete in market segments that are mostly outside of Amazon's competitive focus — we can call this

Amazon's blind spot. To do this, Alibaba has collaborated with another American company, Office Depot. With this strategy, Alibaba plans to use its considerable operational and marketing capabilities to help entrepreneurial American firms to sell their products overseas and gain access to Chinese customers. Although this move places Alibaba on direct competition with Amazon in its own turf in the B2B market, it also signals the Alibaba's limited understanding and therefore cautious approach to competing in the US market.

Competitive Awareness in Another Developed Economy

Traditionally, DMNEs are known for superior technical expertise and advanced managerial capabilities enabling them to operate flexibly across borders (Lee & Makhija, 2009). As a response to DMNEs' threat in emerging economies, many domestic firms expand abroad to improve capabilities and compete with the DMNEs on multiple turfs (Dawar & Frost, 1999; Mutlu et al., 2015). Strategic asset-seeking foreign direct investment (FDI) has enabled some CMNEs to transform themselves into global challengers (Luo & Tung, 2018; Mathews, 2006). An important milestone for such firms is their strategic expansion into developed economies to be closer to strategic factor markets to access superior technological, organizational, and managerial skills and other strategic assets (Awate et al., 2015; Madhok & Keyhani, 2012). However, the knowledge-based disadvantages of CMNEs may be particularly severe in its competitive interactions with DMNEs given the sophistication in market factors in developed economies.

Open area. The open area offers a competitive parity to the DMNE and the CMNE in another developed economy. Unlike emerging economies, developed economies are known for effective institutions that regulate competition, limit noncompetitive practices, and ultimately protect investors (Hermelo & Vassolo, 2010). The open area offers a level competitive ground for the DMNE and the CMNE in a rule-based context, where relational strategies have a limited practical value over utilizing publicly available sources of information.

Blind area. Unlike DMNEs' gradual model, CMNEs internationalize more rapidly and follow a dual path that includes developing and developed markets (Guillén & García-Canal; 2009). That said, the CMNE's organizational strategies depend on decentralized networks that do not necessarily fit with developed markets' competitive configurations. Decentralized strategies rely on convenient access to relational resources and advanced compositional skills to leverage easily accessible information towards creating cost efficient outcomes (Luo & Child, 2015). Competitive strategies in developed economies require relatively more arm's-length strategies and decisions based on market intelligence (Peng, 2003). This difference elevates the liability of newness in case of the CMNE and contributes to its blind spots in developed markets. The larger institutional distance further limits the attention span of the CMNE managers, who may pay attention to close rivals while ignoring distant ones. Thus, the CMNE may be blindsided by rivalry from unexpected quarters in developed economies (Peteraf & Bergen, 2003).

The DMNE, on the other hand, is on a relatively familiar turf in another developed economy. In addition, the DMNE has an established record of competitive interactions in and out of its home country that offers a more advanced competitive memory. Relative to the CMNE that is new in global competition, the DMNE has richer competitive memories that enable it to analyze competitors' actions more effectively and identify their blind spots as their interactions reveal the rivals' flawed decisions and impaired judgement. Such blind spots may lead the CMNE to overlook important internal and external factors in the competitive landscape decreasing the accuracy and quality of its competitive decisions (Zajac & Bazerman, 1991). The CMNE, therefore, lacks the market intelligence of the DMNE and thus has a larger blind spot in another developed economy.

Hidden area. The hidden area poses a relatively level playing ground in another developed economy context as both firms have similar capacity to hide or obscure information. The DMNE, however, enjoys a relatively convenient access to hidden information given its shorter institutional distance with another developed economy. The CMNE, on the other hand, has a limited legitimacy in developed

economies. As latecomers to the global business, the CMNE still needs to establish its legitimacy in the eyes of suppliers, buyers, and competitors as potential partners. The springboard strategy indeed pushes the CMNE to expand into developed economies to access strategically hidden information and benefit from knowledge spillovers (Luo & Tung, 2018). This severe need urges the CMNE to form alliances with local market players such as suppliers, competitors and research centers, to facilitate the exchange of information between local knowledge holders and CMNE subsidiaries (Cantwell & Mudambi, 2011). We therefore suggest that the DMNE has a higher level of competitive awareness in another developed economy context.

Unknown area. The DMNE may enjoy a higher level of competitive awareness in the unknown area in another developed country. Unlike emerging economies, where institutional uncertainty overweighs market uncertainty, the developed economies favor economic players better suited to cope with market uncertainty. Competitive awareness depends on the proper alignment of internal information scanning and processing capabilities with exogenous market uncertainty. Managers in developed markets tend to be analytically comprehensive, rely on more information, and consider more alternatives in decision-making (Priem et al., 1995). Although the CMNE is undertaking intensive R&D efforts, most CMNEs still lack deep and complex knowledge repertoires. This knowledge gap limits the CMNE's ability to anticipate competitive threats or opportunities in developed economy contexts. The DMNE, however, is known to specifically access diverse and sophisticated knowledge bases that expand its competitive scanning and forecasting capabilities (Awate et al., 2015). Consequently, the DMNE enjoys higher levels of competitive awareness in the face of market uncertainty given its advanced skills to anticipate and rapidly respond to uncertainty in the related market factors. Hence:

Proposition 4. In another developed economy that is not the DMNE's home country, there is competitive parity between the DMNE and the CMNE in the open area; the DMNE has superior competitive awareness in the blind, hidden and unknown areas.

Alibaba vs. Amazon in Europe

Europe has been Amazon's major international market with Germany and the UK accounting for more than 17% of its total sales last year (CNBC, 2017). The similarities in institutions and market dynamics have enabled Amazon to grasp the competitive landscape with higher ease than it could in emerging economies. In contrast, Alibaba has adopted a gradual and more cautious strategy in Europe. Like its strategy in the United States, Alibaba attacks Amazon's weaker bricks in Europe by extending its services in cloud computing and B2B segments (WSJ, 2018). While Amazon is comfortable approaching the European markets duplicating its US business model and relying on its established competitive awareness in developed markets, Alibaba maintains a gradual approach, which is initiated by networking capabilities to improve market cognizance and access strategic information. For example, Alibaba convinced the Belgium government to sign up with the Electronic World Trade Platform, an initiative first proposed by Alibaba in 2016. This initiative aims to help entrepreneurial European firms to sell their products to Chinese customers using Alibaba's expanding network and at the same time enabling Alibaba's access to European markets (Charpal, 2018). Overall, similar to its strategy in the US, Alibaba avoids direct competition with Amazon in developed markets and thus prefers a gradual approach to improve its competitive awareness before fully confronting its rival.

DISCUSSION

Contributions

Overall, two contributions emerge. First, we extend the focus of competitive dynamics research to explore the rivalry between DMNEs and CMNEs. Competitive dynamics has received significant attention in strategic management, but there is little research integrating the competitive dynamics research with the domain of international business (Meyer & Sinani, 2009; Mutlu et al., 2015). The scholarly attention in this domain tends to maintain an isolated focus on either DMNEs or CMNEs, while ignoring the mutual dynamics that are pervasive in their competition (Peng et al., 2004). This leads to a restricted

understanding of competitive dynamics and thus requires a more comprehensive understanding of the competitive interactions in and out of unique institutional settings (Chen & Miller, 2015). In this paper, we specifically leverage the competitive dynamics between DMNEs and CMNEs by focusing on the importance of competitive awareness of both firms in different competitive landscapes.

Second, responding to the need to integrate micro elements of rivalry in competitive dynamics research (Kilduff, 2019), we aim to rekindle the micro and macro elements of the competitive interactions between DMNEs and CMNEs. At a micro level, MNEs strive to get ahead in the face of different forms of uncertainty and information asymmetry, which require astute levels of attention and constant capability upgrading to improve their market positions (Birkinshaw et al., 2017; Monteiro, 2015). Our motivation in this paper stems from the dynamics of mutual information and attentional capabilities that permit to extend the literature on how DMNEs and CMNEs compete. We thus extend the attention-based view to the competitive dynamics between DMNEs and CMNEs. The awareness-motivation-capability (AMC) model has provided an overarching theme in competitive dynamics literature (Chen, 1996; Ketchen, Snow, & Hoover, 2004). However, scholars paid relatively little attention to awareness, which is the initial step that either inhibits or assists the formulation of competitive actions (Bloodgood & Bauerschmidt, 2002; Chen & Miller, 2015). Adapting individual-level cognitive models to firm-level interactions, we provide a baseline two-by-two awareness model based on firm level interactions and information availability. This is important given the interdisciplinary emphasis on firm attention (Bouquet et al., 2009; Ocasio, 1997), business analytics (Chen, Chiang, & Storey, 2012), and multinational firms' knowledge management strategies (Gupta & Govindarajan, 2000).

At a macro level, there is an increasing emphasis on the context (Meyer & Peng, 2016). Specifically, relational context strongly informs firm competitive behavior (Chi et al., 2010; Withers et al., 2018). For example, formal regulations govern how firms engage in rivalry whereas informal norms determine what is acceptable behavior among competitors (Boddewyn & Peng, 2021). This entrenchment

affects the decision-making process of managers, who operate within cognitive boundaries and limited information. The complexity of the business environment has led scholars to integrate the role of cognition on firm level outcomes (Levine et al., 2017). This calls for a better understanding of the role of competitive awareness in understanding the boundaries of competitive dynamics.

Limitations and Future Research Directions

As a conceptual article, our paper has certain limitations, which we believe may offer interesting avenues for future research. First, our arguments are at the firm-level understanding of rivalry. Rivalry is viewed as psychological phenomenon and pivots around the continuous interactions between competing firms (Kilduff et al., 2010). Therefore, a deeper integration of the micro level elements of decision-making may enable us to further understand the impact of MNE managers' attention spans and strategic priorities (Bouquet et al., 2009; Levine et al., 2017).

Second, an important area to explore is the temporal evolution of competitive awareness. DMNEs and CMNEs have been competing on multiple turfs and the intensity of competition has systematically increased as is evident by the number of CMNEs occupying the top spots in global rankings. The history of their competitive relationship has led to knowledge spillovers, which potentially improved both type of firms' competitive awareness (Chang & Xu, 2008; Meyer & Sinani, 2009; Spencer, 2008). However, institutional discrepancies between emerging and developed economies continue to promote persistent differences in the attention channels of DMNEs and CMNEs and in how they process competitive information (Meyer & Peng, 2016). Future research may therefore explore the temporal development of competitive awareness between DMNEs and CMNEs as their rivalry unfolds. Our framework takes a snapshot of the dyadic relationship between DMNEs and CMNEs. Over time, we expect the competitive interactions to elevate the levels of competitive awareness for both firms. Specifically, in all four areas, CMNEs are expected to develop a superior understanding about their blind spots, whereas DMNEs are

expected to better cope with CMNEs' hidden areas and therefore foresee the unpredictability of their competitive moves.

Future research may also explore the different stages of development for emerging economies (Hoskisson et al., 2013; Meyer & Sinani, 2009). Firms in less developed market institutions may have significantly lower levels of competitive awareness given their limited exposure to competition especially by foreign investors. On the other hand, CMNEs from more advanced emerging economies such as China or India have been exposed to foreign investors and developed dyadic competitive dynamics in multiple markets. Such differences call for a finer exploration of what we mean by emerging economies and perhaps call to be mindful about generalization.

CONCLUSION

How do DMNEs differ from CMNEs in terms of their competitive awareness? This question lies at the intersection of competitive dynamics and international business research. It is increasingly important to understand MNEs' awareness about internal and external drivers of competition that gives them a competitive edge in the global business landscape. Our four-quadrant model represents challenges and opportunities, which firms can leverage based on the accuracy and quality of their competitive perceptions. Originating from unique institutional configurations, DMNEs and CMNEs possess different levels of competitive awareness in four quadrants based on the information known or unknown to both type of firms. We further complement our framework by differentiating it based on different competitive landscapes as context is a strong predictor of firm competition. In conclusion, competitive awareness varies, not only between DMNEs and CMNEs, but also in four specific contexts in which their rivalry unfolds.

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