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## Preface

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### EXPLORING THE FRONTIERS OF CONTEMPORARY RESEARCH ON EMERGING MARKETS

It is an under-statement to say that research on emerging markets has taken off beyond our wildest expectations. Much of this is possibly due to the fact that, for a long time, scholars based in the advanced economies largely focused just on these, where research questions were relatively well-defined (at least in an incremental sense); conceptual frameworks and theories were well-grounded in established literatures; theoretical positions were laid out, sometimes with mind-numbing details and a flood of superfluous citations; familiar empirical methods were used; and, of course, there were institutions that incentivized, supported, and rewarded a “follow-the-leader” model of scholarship. That was then.

Come the 1990s and the so-called “developing,” “under-developed,” and “poor” economies around the world seemed (almost magically) to have warmed up the free-market ideals of Western nations. Suddenly, a large, enticing door opened up for West-centric scholars to apply a (supposedly) similar—yet, paradoxically, different—scrutiny to “new” phenomena occurring in these economies. Whether the phenomena, now cleverly termed “emerging markets,” were indeed “new” remained to be ascertained on conceptual as well as empirical platforms. These were exciting times. The seemingly tired agenda of Western scholarship had (re)discovered excitement—and a welcome rhythm. The Wild West of scholarship was here, and many of us attempted to explore it. From time to time, some of us even attempted to (and succeeded in) charting this vast, promising frontier.

One such attempt involved a former doctoral student who, as I recall, wanted to “do something” related to emerging markets, but did not quite know what. So we deemed it would be useful to take stock of which parts of the frontier were inhabited, and which remained sparsely populated. What emerged was, at least to us, a reasonable piece of work—but one that was quickly rejected by some of the leading journals. One of the evaluators, while sympathetic to our cause, fundamentally—and, in hindsight, correctly—questioned the meaningfulness of our endeavor: did it really make sense, the argument went, to try to capture what essentially was uncapturable? Wasn’t the emerging markets’ scholarly agenda too broad and

too diverse to synthesize in a single research manuscript? It might make more sense, the evaluator continued, to focus on a small, more manageable aspect (perhaps only a single research question) of the scholarly landscape of emerging markets. Indeed, in this perceptive sentiment lies the genesis of this volume. The intended goal (read, contribution) was never in doubt, the means were!

Taking the above insight as a starting point, the primary task became one of identifying the “one” research theme that not only would merit scholarly welcome, but also be doable in a reasonable amount of time. After some introspection and discussion with like-minded colleagues, I settled on the narrative that permeates this volume: peering beyond the existing frontier of current “emerging markets” work being done around the world. To that end, I contacted several distinguished colleagues with a view to capture diversity in terms of: (1) theoretical and empirical pluralism, (2) geographical dispersion of contributors (and therefore, presumably, a “local” perspective), (3) a healthy mix of promising as well as established scholars, (4) contributors’ functional backgrounds, research interests, and disciplinary boundaries, and (5) a reasonable variety of scholarly topics. Needless to say, all contributors to this volume enthusiastically and whole-heartedly agreed to lend their support. Some graciously declined, citing existing commitments, whereas a few excused themselves for other reasons. Nevertheless, all endorsed the intended goal; a volume such as this one would be useful. (Indeed, as this Handbook goes to print, doctoral students at a leading research-oriented business school have been assigned certain chapters from this volume!) I am indebted to all for believing in this initiative.

In particular, I owe thanks to the contributors of this 15-chapter volume, which is organized in three parts, (1) Extending theoretical and conceptual thinking about emerging markets, (2) Operational practices in emerging markets and their implications, and (3) Looking forward: eclectic perspectives on emerging markets, with each part containing five chapters. In Chapter 1, Annushkina, Merchant, Trinca Colonel, and Berselli ask what fundamentally defines emerging markets given—surprisingly—that there is no consensus on what qualifies a specific market as “emerging.” Based on an analysis of recent academic and practitioner literature, these authors report not only a remarkable lack of consensus but also numerous, often empirically un-executable, definitions of the phrase. Their work points to a notable disconnect between conceptual and empirical views about the term. Although perhaps seemingly minor, this “accepted, but unacceptable” gap offers a rare opportunity for a basic, yet crucial, empirical scrutiny of a commonly used phrase.

In Chapter 2, Alvstam, Ström, and Wentrup call for (re)thinking about

emerging markets from an economic geography perspective. They argue for a more nuanced view of the emerging markets' landscape "... with all its inbuilt complexities and incongruities" to better understand the spatial heterogeneity across these markets from a micro, as opposed to macro, level. In Chapter 3, Treviño complements this perspective with an institutional-theory-anchored examination of the processes through which national institutions emerge, develop, and grow vis-à-vis emerging economies. Treviño submits that the institutional architecture in these economies is "... much more than background conditions" and relates this multi-dimensional construct to industry- and resource-based views of firms. Thus, this chapter argues for a more holistic mosaic of various contexts—and the interdependency among them—as a prelude to obtaining a more sophisticated grasp of economic development and growth in emerging markets.

In Chapter 4, Cuervo-Cazurra advances the conversation by focusing on two notable emerging market traits that he interweaves with six existing theories of the multinational firm. By creatively sketching these linkages, Cuervo-Cazurra not only identifies some assumptions of these theories but also compels us to think deeper about an arguably unique class of firms, those domiciled in emerging markets—the so-called emerging country multinationals.

In Chapter 5, Braunsberger and Flamm turn the idea of global knowledge flows and learning on its head vis-à-vis issues of environmental sustainability, particularly in relation to energy transformation, food-chain security, and sustainable cities. Based on the premise that sustainability initiatives in some emerging economies are "... far more advanced than those found in developed countries," this chapter draws out several insights into the crucial imperative for managing the "right mix" between formal and informal institutions as well as stakeholder-centric public-private partnerships.

In contrast to the more academic (and conceptual) nature of chapters in Part I above, the chapters in Part II emphasize the operational practices in emerging markets and the implication of these practices for scholars and/or practitioners. In Chapter 6, Nair, Prabhu, and Merchant map key institutional influences on Western multinationals' R&D investments in emerging markets. Focusing on the Indian context, this chapter challenges the simplistic argument that multinational corporations invest in various types of emerging market-based R&D initiatives merely as a cost-cutting exercise. On the contrary, the chapter concludes that these investments are influenced by "... complex configurations in a multi-dimensional institutional and competitive space(s) of a given emerging market." Put differently, as some previous chapters in this volume suggest, companies need to

be attentive to the *interplay* between the institutional and organizational ecosystem(s) to leverage the economic appeal of emerging markets—here, as a R&D host destination. Paying attention to this complexity, the authors imply, would increase the odds of successful R&D outcomes in emerging markets.

In Chapter 7, Tatoglu, Demirbag, and O’Reilly complement the previous chapter by focusing on the marketing (specifically, branding) aspect of the value-chain of firms entering into an important European emerging market, Turkey. Using the Brand Report Card as its analytical framework, this chapter’s empirical analysis avers the significance of firm-specific assets as well as dedicated resources (e.g., ownership patterns; product/brand management departments) to the use of brand management practices. This chapter also offers insights into the role and significance (or lack thereof) of other firm- and industry-specific variables for companies entering into Turkey.

In Chapter 8, Kazlauskaitė, Pupienienė, and Bučiūnienė focus on the human resource dimension of Lithuanian firms’ value-chains. The significance of this inquiry should be emphasized given the context in which this study was conducted. As a post-Soviet economy, Lithuania underscores (at least to me) an ongoing natural experiment in transition from a (once) heavily institutionalized Communist mindset to one that is now one of the more liberal mindsets among the former Eastern bloc countries. As a small economy in the eurozone, Lithuania faces the usual “people” challenges confronting many transition economies, including a shrinking domestic labor market and emigration of skilled individuals. This qualitative study examines the historical and institutional antecedents of (Lithuanian) labor quality, challenges concerning the employability of “older” workers, and attitudes towards their inclusion in the local workforce. This chapter raises important “operational” issues that emerging market firms everywhere are likely to confront, and will need to consciously address.

In Chapter 9, Arslan and Larimo zoom out of the firm and back into the space of institutional factors that are, clearly, vital to firms’ efficient and effective operations. Emphasizing the role of (1) cultural distance, a key ingredient of multinational firms’ operational success in host countries, and (2) economic freedom, the essential core of free-market principles, this chapter focuses on Finnish firms’ establishment mode choices vis-à-vis the emerging economies in Asia and Latin America. Unlike considerable prior work on entry mode choices, Arslan and Larimo take a more realistic and, admittedly, more unified approach to investigating the *interaction* of these two variables. The significance of this approach is that it concurrently taps into the effectiveness/efficiency, local/global, fine-grained/coarse-grained aspects of their (still pervasive) research question. Indeed, this chapter

makes an important contribution in empirically ascertaining that these aspects of operational success are closely intertwined.

In Chapter 10, Hansen, Jensen, and Petersen zoom out even further and focus on the antecedents and strategies of multinationals that enter emerging markets to source service activities and/or provide services to the local (emerging) market. The chapter's emphasis on firms' non-manufacturing activity marks a welcome departure from the overwhelming scholarly emphasis on the manufacturing sector. Yet, in the true spirit of scholarship, this chapter begins by tapping into the insights generated by Dunning's classic OLI (Ownership, Location, Internalization) framework, a predominantly manufacturing-sector inspired framework which, the authors submit, is "well suited" for understanding their research questions. Nevertheless, to better understand the operational workings of multinationals' service portfolios, Hansen, Jensen, and Petersen advocate a more contingent as well as "... activity-based ... co-evolutionary" perspectives which offer greater promise for analyzing the service strategies of multinationals in emerging markets.

This volume's final part offers a panorama of eclectic perspectives on emerging markets. In Chapter 11, Ramachandran, Joshi, and Bhatnagar explore the nexus between "soft" organizational architecture (here, "systems and processes") and corporate governance in family firms domiciled in emerging markets. As with other chapters in this volume, this chapter, too, creatively integrates two seemingly stand-alone literatures, arguing that in a family business "[t]he professionalization effort must not be limited to operations but must also bring leadership and governance into its purview." Using a case-study approach, this chapter offers a relatively rare glimpse into the foundations of success of this pervasive emerging market organizational form.

In Chapter 12, Newburry and Soleimani offer yet another promising area for scholarly inquiry: how economic actors impute the "quality" of (emerging market) firms based on the reputation of these firms' respective home countries. Although this chapter focuses on Latin American emerging markets, the deeper issue of information asymmetry between emerging and supposedly "emerged" markets remains a fruitful area of inquiry, not only because it is, as Newburry and Soleimani suggest, relevant and under-studied, but also because it lends itself to a rich variety of (inter-)disciplinary perspectives, including cognitive sciences, communication, information economics, psychology, and even business management. Although this chapter does not (and, in fairness to its authors, does not purport to) delve into the potentially rich explanatory power offered by these diverse disciplines, it masterfully reviews several multi-level influences on the reputational capital of Latin American firms as they invest

abroad. This chapter also examines similar issues as they apply to firms that enter Latin America. Notwithstanding the “complexity” of reputation issues associated with foreign direct investment (FDI) from and to Latin American emerging markets, the issues raised in this chapter merit scholarly attention.

In Chapter 13, Landau, Karna, and Täube examine the internationalization of German *Mittelstand* companies (loosely, German small and medium-sized enterprises, SMEs) in emerging markets. Widely believed to be engines of economic growth (within and beyond Germany), these companies have recently begun targeting emerging markets to counter the weakening demand in their traditional (domestic and European) markets. Yet, while these firms have been “. . . very successful in developed countries,” the replicability of their business models in the “new” contexts to which these firms are diversifying is an unresolved empirical question. Thus, this chapter not only highlights interesting research opportunities, but also offers a powerful impetus to compare the role of local (emerging market) institutions and their interplay with proven organizational platforms embedded within successful firms.

In Chapter 14, Balakrishnan outlines a proactive approach to mitigate the implied caution around firms’ ability to compete in unfamiliar contexts. In grounding itself in the MENA (Middle East North Africa) region, this chapter provides what will be a much-appreciated overview of the complexity of the (under-studied) MENA region in terms of the generic types of crises permeating that region. However, Balakrishnan goes further and submits that there are “great opportunities,” both business as well as scholarly, to consider. To that end, this chapter offers a blueprint for managing risk in the MENA region while also highlighting future research questions.

The final chapter of this volume, Chapter 15 by Vithessonthi, extends the previous chapter’s theme by combining two inter-related models: those pertaining to the management of uncertainty and (economic actors’) heterogeneous beliefs. This fusion enables Vithessonthi to develop empirically testable propositions regarding the influence of government policy uncertainty on corporate investment in the context of emerging markets. In particular, this chapter argues that firms’ over-reaction to economic uncertainty will result in an even greater (negative) over-reaction to uncertainty about government policy. Indeed, such scenarios are not unimaginable even for the more established emerging markets. Thus, there is a certain relevance to the issues raised and discussed in this chapter.

In closing, this volume strives to shine some light on the multi-faceted frontiers of research on emerging markets. Whether it succeeds in doing so is, of course, for readers to judge. For one, I believe that the contributions

in this volume underscore the tremendous intellectual energy of this volume's authors. In the end, it is this very energy that will help us to obtain a better, deeper, more sophisticated grasp of what we think we know about emerging markets around the world.

Hemant Merchant