



The Context of Management: An Emerging Economy Perspective

Main argument

Management practices and strategies vary across contexts.

→ Hence, what we know to work in one context, may not work (in the same way) in another; thus, understanding context is important to understanding (strategic) management.

Emerging economies vary even more from mature market economies, and from each other.

→ Hence, issues of localization are pivotal for corporate success in emerging economies.

The Context of Management: An Emerging Economy Perspective

- **What are emerging economies?**
 - and how do they differ from mature market economies?
- **How do these differences affect the ways businesses act?**
 - How do foreign investors adapt their strategies to such contexts?
- **How should we study businesses in emerging economies?**
 - How to 'contextualize'?

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Emerging Economies are important for (almost) every business...

- **Markets**
 - Large markets (in terms of numbers of people)
 - Fast growing consumer markets, including premium segments
 - Fast growing firms, demanding B2B inputs
- **Resources**
 - Low cost labour with basic skills
 - Human capital (highly educated elites!)
 - Natural resources, in some places (oil & gas, minerals, timber, agricultural products)
- **Competitors**
 - Domestically, and increasingly multinationals

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Case Study: University of Bath

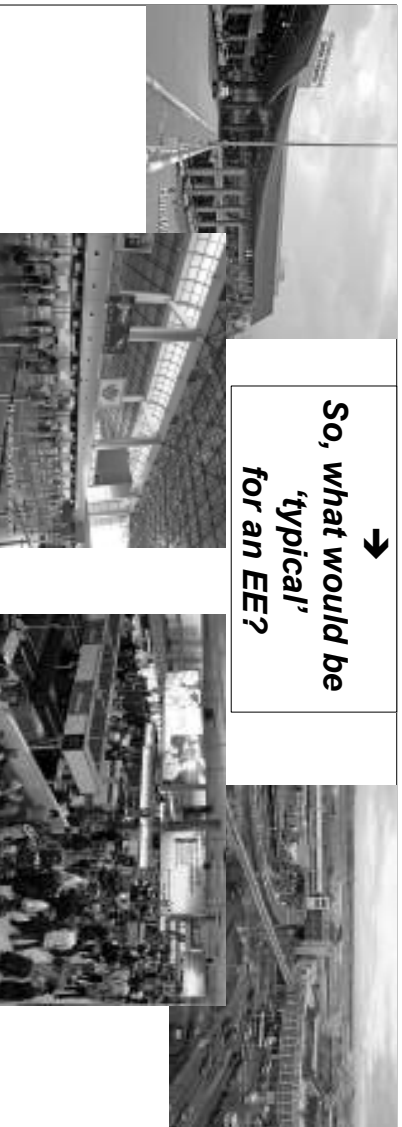
- Markets
 - Large number of potential students
 - Fast growing numbers of people who can afford our fees
 - Fast growing firms seeking graduates with modern, international education
- Resources
 - Human capital, a source for current and future faculty
- Competitors
 - Universities in Europe and Asia Pacific increasingly target the same students → pressures to deliver value for money



How are Emerging Economies Different?

- From distinct categories:**
- developed vs socialist vs developing
- to variations by degree:**
- and development of various indices
- By some criteria, some “developed” countries are worse than many emerging economies
- By some criteria, some emerging economies are way ahead of many “developed” economies

→
So, what would be
“typical”
for an EE?



How are Emerging Economies Different? Resources

- Labour
 - Abundant basic-skill low-cost labour force
 - Shortage of highly qualified human capital
 - especially managerial & leadership skills
 - Substantive pockets of highly qualified specialists
 - e.g. IT engineers in India
- Natural resources
 - For many commodities, the main sources are emerging economies
 - Mining: oil & gas, coal, copper, gold, ...
 - Agricultural: timber, rice, coffee, beef, seafood
 - Yet, some emerging economies are net importers of many of these commodities (especially China)
- Created assets
 - Infrastructure: ports, airports, railways, roads, ...

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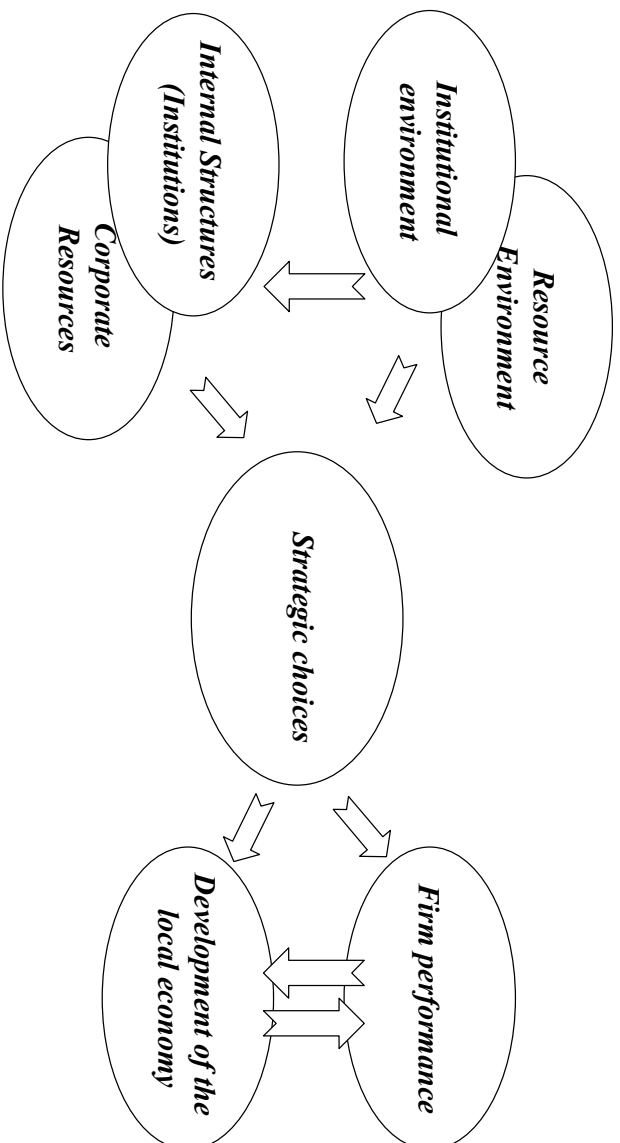
How are Emerging Economies Different? Institutions

- Formal rules of the game and their enforcement mechanisms
 - Laws and regulations, courts, government agencies, ...
- Informal rules of the game and their enforcement mechanisms
 - Unwritten rules: value systems, relationships, levels of trust, traditions
- Other aspects of culture
 - Cognition, underlying assumptions, shared meanings, ... (sociology literature)



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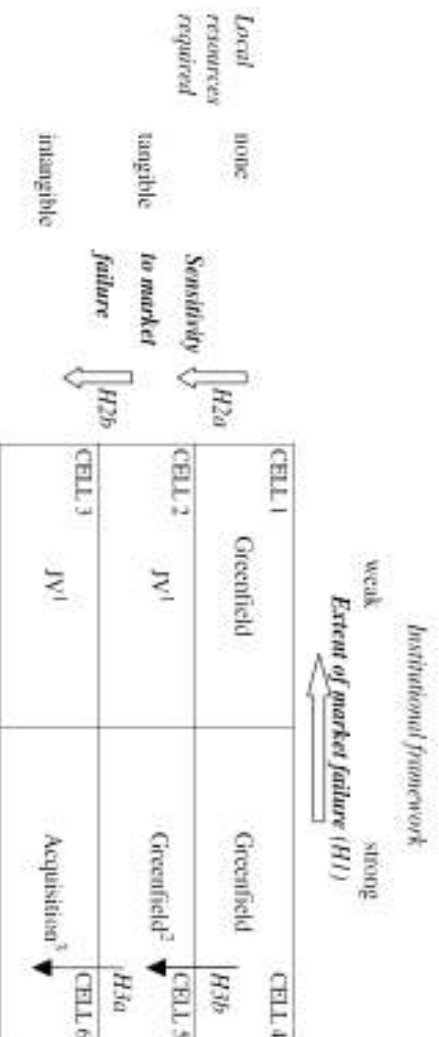
Resources, institutions and business strategies: Location

- Location of investment follows quality of institutional development
 - Stable, clear, efficient institution → lower cost of doing business, less uncertainty → more FDI
 - But which institutions matter? A Study of FDI across C&E Europe

Does matter	Does not matter
Trade and for-ex liberalization	Price liberalization
Bank reform	Competition policy
Privatization	Non bank financial reforms
Private sector development	Method of privatization
Legal extensiveness	Legal effectiveness (except Russia)

Resources, institutions and business strategies: Modes

- Combining institutional and resource perspectives: Likelihood of market failure v. Sensitivity to market failure



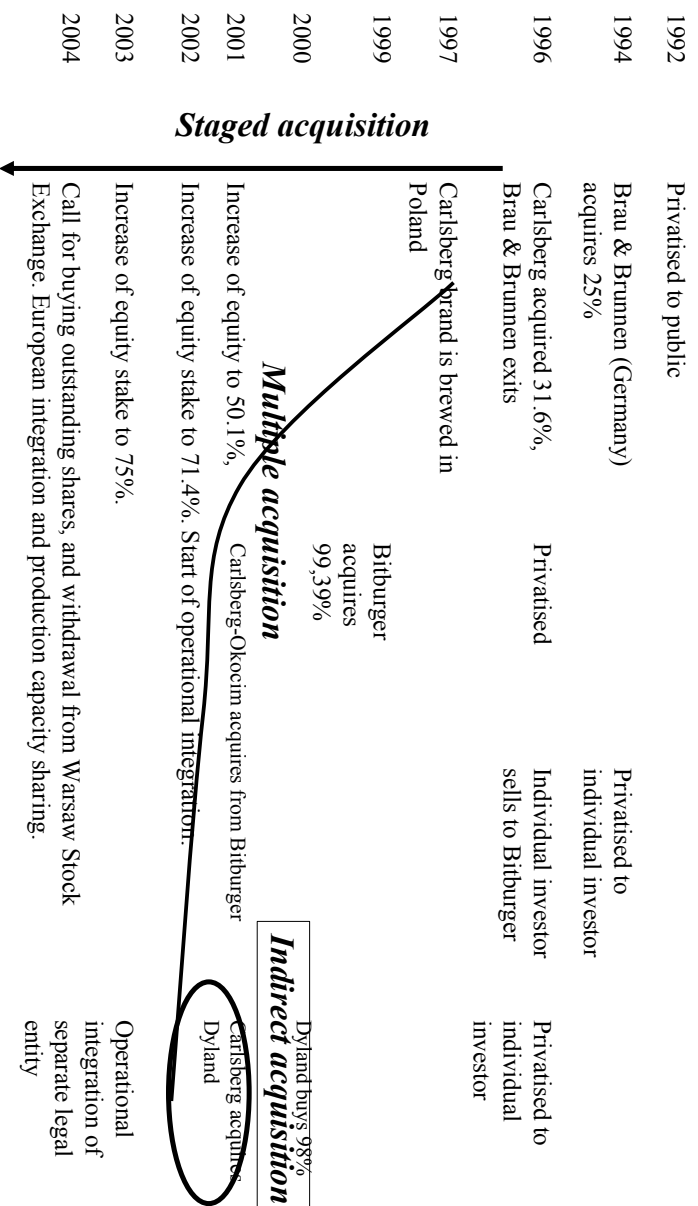
[Meyer, Estlin, Bhaunik & Peng, SMJ 2009]

Resources, institutions and business strategies: Modes

Investors *design* (not just ‘choose’) their entry modes for the specific institutional and resource context.

Brownfield acquisition	Weak general resources of local firms, inefficient markets for specific resources sought
Partial acquisition	Mostly due to local owners unwilling to sell outright, also means to share investment risk with local partner
Staged acquisition	-- “ --
Multiple acquisition	Fragmented local industry, with potential for rapid industry concentration

	Okocim	Kasztelan	Bosman	Piast
Early 1990s	SOE	SOE	SOE	SOE



Resources, institutions and business strategies: Change

Strategic change in transition economies co-evolves with radical environmental change:

- Foreign investor's post acquisition challenges [Meyer & Møller, 1998; Meyer, 2002; Meyer & Lieb-Dòczy, 2003]
- Restructuring processes in domestic firms [Uhlenbruck, Meyer & Hitt, 2003; Dixon, Day & Meyer 2007, 2009]

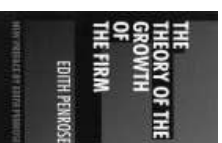
- Informal institutions lag change in formal institutions
- Inertia within organizations
- Key role of top management

Resources, institutions and business strategies: Growth

The nature of firms' own resources
(and institutions) shape paths of growth

- Internationalization v diversification, reconfiguration of resources → Globalfocusing

[Meyer, JMS 2006; Tan & Meyer, WIP]

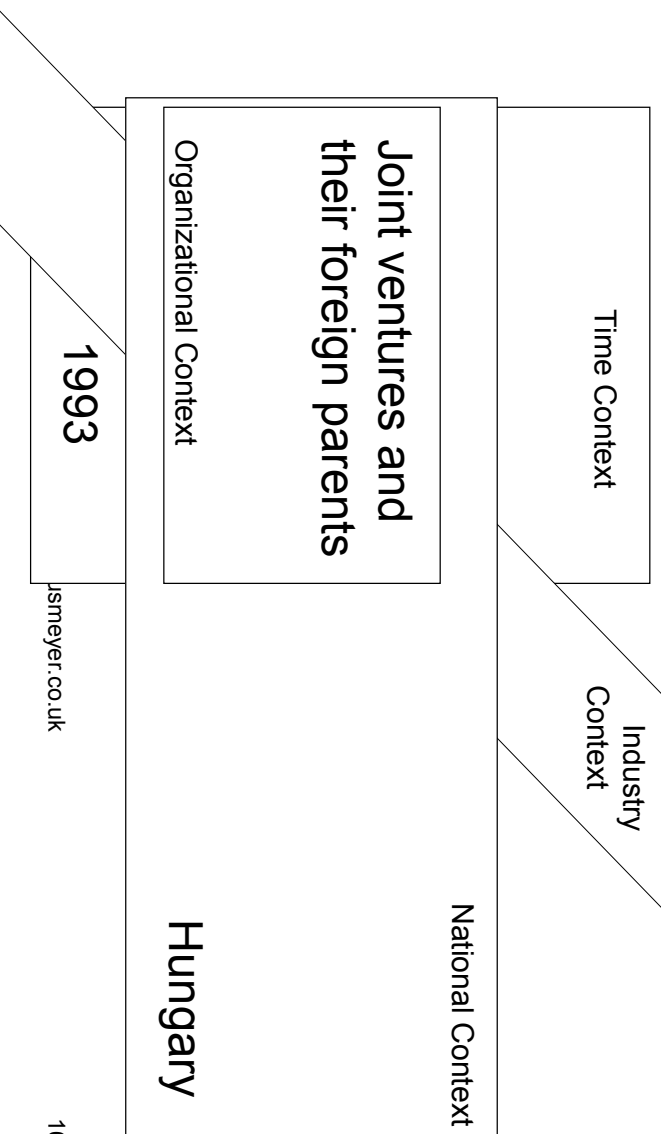


- Entry modes: resource exploiting v resource seeking modes
- [Meyer, Wright & Pruthi, SMJ 2009]

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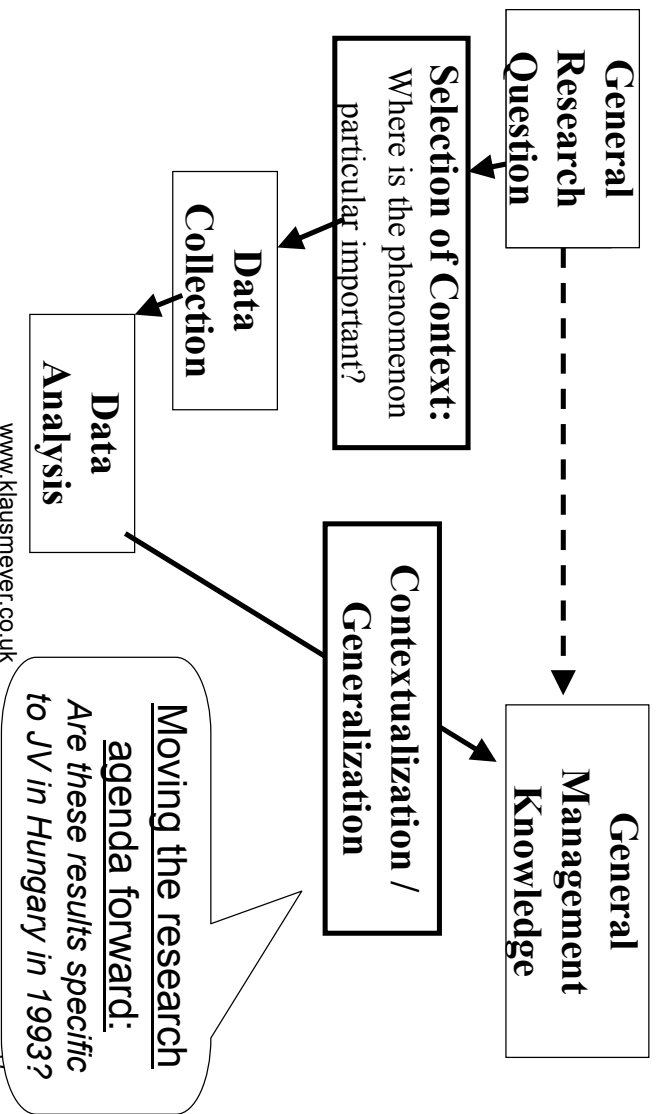
How do we study context in strategic management research?



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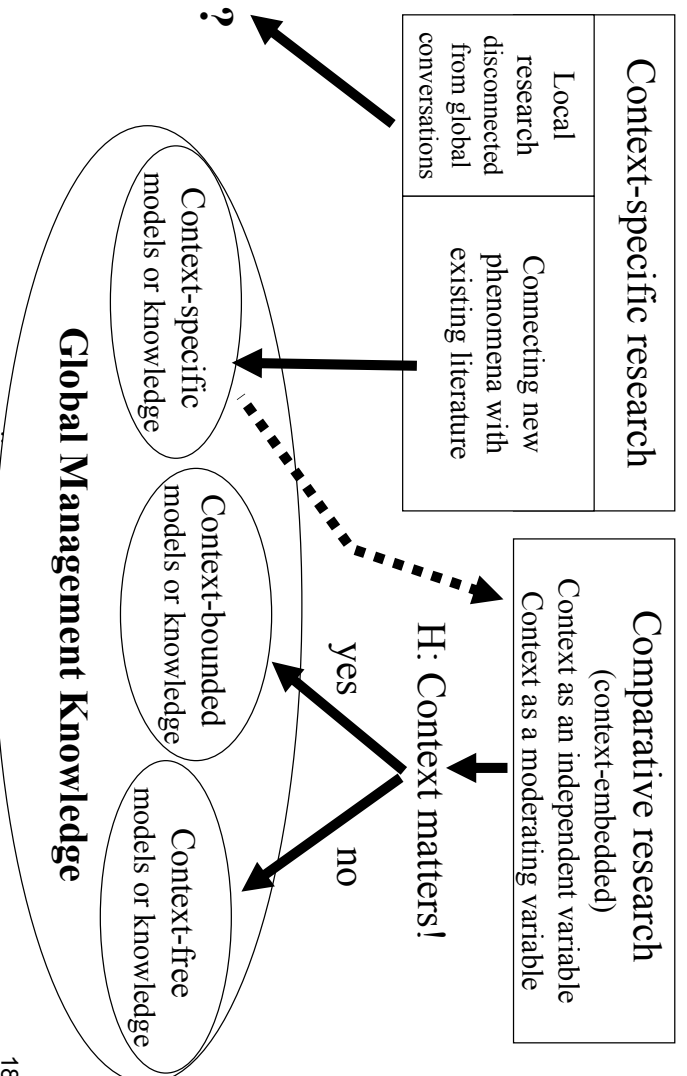
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What have we learned?



[Source: Meyer, JIBS 2007]

Contributing to Global Management Knowledge



[Source: Tsui, APJM 2004; Meyer, APJM 2006]

Exploring the Sources of Contextual Variation: Research Challenges

Single Country Studies

- Indigenous Research

Is this relevant beyond the context you are analyzing?

Multiple Country Studies

- Comparative studies
- Replication studies

Which of the many context differences actually explains the behaviour differences observed?

Many Country Studies

- Large cross country datasets
- Meta-Analysis

Can the crucial phenomenon actually be measured equivalently in all these countries?

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Comparative Research: In-depth 'systemic' approaches

- **'Varieties of Capitalism' Perspective**
 - Hall & Soskice, 2002
- **Business Systems**
 - Ronald Dore's work on Japan
 - Whitley, various; Redding JIBS 2004
- **National Innovation Systems**
 - Lundvall and co-authors
- **Co-evolution Perspectives**
 - Lewin and co-authors

Common features

In-depth studies of multiple countries

Focus on the inherent logic of why they function, finding a different 'logic' in each country

Imply, that taking elements from one 'system' (country) to another would not work

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Comparative Research: Replication Studies

Purpose:

- “*Only by ... repetition can we convince ourselves that we are not dealing with a mere isolated ‘coincidence’, but with events which, ... are in principle inter-subjectively testable*” (Popper, 1959: 45).
- Replications often generate results that conflict with, or at best partially support, the original findings (Tsang and Kwan, 1999: 759).

Why are there so few replication studies?

- Originality and creativity are most highly valued in (most fields of) social sciences.
- Editors of (most) top management journals always look for ‘original contribution’ to theory.

JIBS does not publish replication studies
Editorial 2/2008, Footnote

My view:
We need more good
replication studies. Opposition
to replication studies arises
from poor quality studies

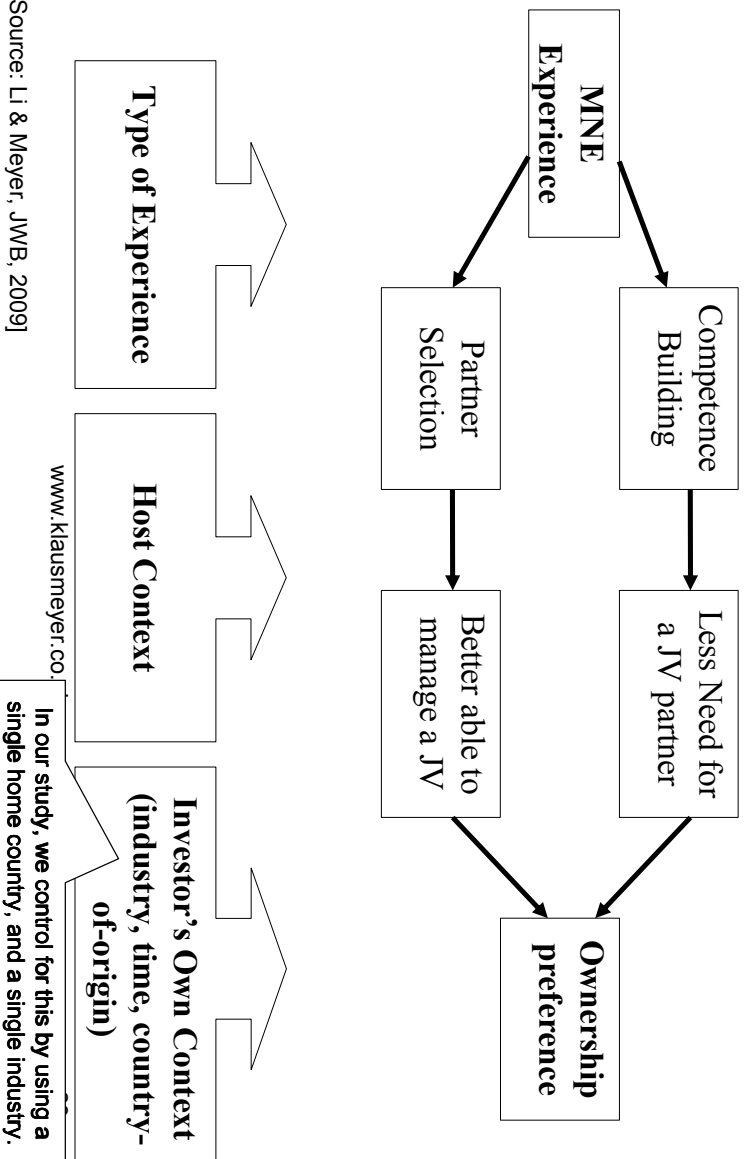
Multi-Country Studies

- **Empirical analysis of large scale archival databases covering many countries**

- Pro: Large variation for the crucial contextual variables
- Con: Rarely contain good measures of the theoretical construct of interest

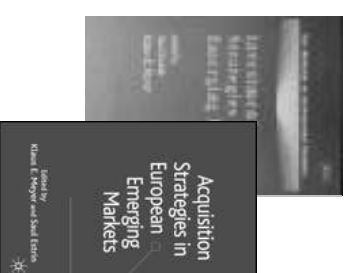
e.g. Use MNEs as a lens: keeping host [home]
constant, while varying home [host]

Contextualizing Theory: Example of Experience Effects



Multi-Country Studies

- **Empirical analysis of enterprise surveys**
 - Pro: Firm/individual-level measures of interest
 - Con 1: VERY expensive (human & financial r.)
 - Con 2: Equivalence issues (conceptual, measurement, sampling, linguistic)



- **Meta analysis**

- Pro: Data-points based on solid scholarly work
- Con: Need for lots of studies using aggregatable empirical test (which are rare, given the discouragement of replication studies)

e.g. Meyer & Sinani on FDI Spillovers. JIBS 2009



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Multinationals

from



Emerging Economies



lenovo



BenQ
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