The fall of the Iron Curtain in 1989 sparked a wave of economic and political liberalization all over the world. Main beneficiaries of this development have been countries in Central and Eastern Europe and Asia, whose societies and markets have embarked on a reform path to a democratic society and market economy. Economies in Latin America and Africa have also been forced to reconsider their economic models in order not to be left behind in this current wave of globalization. The opening of these markets ignited interest among the Western world in emerging economies again. MNCs from developed countries, lured by the high market growth rates and low production costs, rushed into these markets, built local operations and so helped to integrate them into the world economy. Given the significant repercussions of this phenomenon on the world economy, it is no surprise that the emerging markets topic has gained new importance in IB research today.

The book *Global Firms and Emerging Markets in an Age of Anxiety* fits nicely into this current stream of research in IB. The topics dealt with are changing contexts in the developing world and the impact of this process on the interaction of MNCs with host government agencies and local market participants. Furthermore, the question how MNCs respond to this different emerging market environment in their market entry and investment strategies as well as in the management of their operations is addressed. This research volume contains 15 papers grouped into three parts titled “Emerging Challenges”, “Changing Contexts” and “Prospects for Global Firms”. When trying to group the papers by subjects, clusters can be identified on the role and management of joint ventures, the relationship between industrial policies, MNC strategies and the national industrialization process, the influence of the World Trade Organization (WTO) on competition and investment behavior, and – from a regional viewpoint – on the operations of MNCs in Asia, especially China. The authors, most of whom are affiliated with U.S. or European universities, approach the subject from different disciplinary and theoretical perspectives. Organizational or firm-related theories, such as institutional theory, industrial organization theory, resource-based view, and internationalization theory are prevalent but economic theory and political science perspectives are also discussed. The result is a multi-faceted view of the current developments in emerging markets.

This multi-faceted view is also a major strength of the volume. The on-going changes in the institutional environments of emerging markets due to the reform process as well as the existing gaps in these institutional contexts between developed home country and less developed host countries of MNCs are a typical starting point for analysis. Institutional uncertainty and institutional distance are basic constructs in the paper of Chan, Hegarty & Miller in which they examine opportunities of forming a joint venture between an MNC and a local firm. As national governments exert greater influence on the local businesses in emerging economies than in developed economies, a multi-layered approach comprising economic policy of the host country and investment strategies of MNCs is necessary to understand the interaction of these forces. Lopez & Miozzo as well as Yamin & Ghauri show how national industrial policies and the MNC pattern of technology transfer are intertwined. Another layer is added to this type of analysis, when the influence of a supranational organization such as the WTO, on the competition between firms from a developed country (Canada’s Bombardier) and an emerging economy (Brazil’s Embraer) is described in a case study (Lawton & McGuire). This paper demonstrates the growing importance of supranational regulation to corporate strategy and national industrial policy.

In particular, I was impressed by the papers that concentrate on the very characteristics of emerging markets and choose adequate methodology such as longitudinal or evolutionary research designs to capture these particularities. Differences in institutional
environments, national cultures, and market structures are a common element of IB research in general. But what are the specifics that legitimate research on emerging markets? Kandemir, Kim & Cavusgil focus on family conglomerates that are dominant players in many emerging markets. The authors examine the origin, expansion, and the role of 19 family conglomerates in 8 markets (e.g., South Korea, Turkey, Mexico, and India). By using a life cycle model the relevance of different drivers, such as early mover advantage, government protection, foreign alliances, the need for technology, and diversification on corporate development are assessed and integrated in a model of conglomerate evolution. The findings allow the reader to draw conclusions on future developments and the associated opportunities and risks these corporate groups will face in a more globalized world. Another paper I would like to highlight is the one of Zhang & Li that deals with the control of Chinese-Japanese joint ventures in China. One of their results is that local managers in emerging markets like China have a strong interest in developing an international joint venture into a successful and independent entity. This contradicts the conventional wisdom that a joint venture between an MNC from a developed country and a local firm in a developing country is mostly only a temporary organizational arrangement (e.g., East-West joint ventures in CEE). As local Chinese managers are unlikely to climb up the career ladder in the Japanese parent’s firm and are not interested in pursuing a career in the Chinese parent, typically a state-owned enterprise or local government agency, they tend to be very entrepreneurial and committed to the international joint venture rather than to the parent firms.

It is this type of inquiry that touches the core of emerging market research by addressing phenomena that can be only found in this context. This leads me to the weaknesses of this research volume. First of all, a definition of emerging markets is missing. Although a general understanding and consensus of the term among IB scholars may exist, a definition by the editors in the introductory chapter would have helped in differentiating the category from other similar ones (e.g., less developed countries, industrialized countries, transitional economies). When addressing topics that are specific for a certain group of countries, categorization is required for proper analysis. Such a framework accentuating the peculiarities of emerging market conditions and the expected effects on the market entry strategies, business strategies and local operations also provides a good reference point for detecting areas that have been not so well covered by this selection. Astonishingly, marketing strategy and corporate strategy issues (e.g. entry strategy and adequate business models) are underrepresented in this volume although the high growth potential is a major reason for Western MNCs to enter these markets. The question of how to tap the enormous mass markets in the developing world has become a central issue in marketing and business strategy (Prahalad 2005). Enderwick's paper is the only one that deals explicitly with strategies of MNCs in an emerging economy, namely in China. From a regional viewpoint, Asia is overrepresented while there is no paper dealing explicitly with CEE or Africa. The emphasis on the big emerging markets (Brazil, China, India) may correspond with the FDI flows and strategic priorities of MNCs, but nevertheless, it bears the risk of overlooking relevant differences between big and small economies. For instance, the shock therapy is viewed as less promising for large economies while it seemed to work for the small economies of CEE (Papers 12 and 15). I know that the grouping of contributions in an edited volume is always a difficult task. However, the chosen headings of the three parts offer little guidance as to what the reader has to expect – the editors themselves frankly admit the rather arbitrary character of the structure. For instance, Papers No. 4 and No. 13 both refer to differences in the industrialization process and the role of host governments' industrial policies. However, they are assigned to two different parts although they are complementary in their content.

Finally, on a more personal note, I would like to challenge the pessimistic view of the editors that we are living in an age of anxiety. The emphasis on the tragic events of September 11, 2001, as a turning point in the way global business is perceived seems – from a European viewpoint – wildly exaggerated. My experience is much different. When visiting these emerging economies you are impressed by the enormous economic and technical progress most of them have made in the past decade. It is precisely this optimistic attitude that fascinates Westerners and has been driving the investments and technology exchange with emerging economies in the past years. I think for IB scholars it is worthwhile to address these challenges resulting from the emerging market context for our existing mental, market, and organizational models and to regard them as a valuable source for new insights and theory building. This volume can be seen as a notable contribution to this goal despite its pessimistic overtone.

References


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