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Rough Diamonds in Emerging Markets: Legacy, Competitiveness, and Sustained High Performance

ABSTRACT

Objectives – While acknowledging the importance of GDP and related macroeconomic measures, we extend the discussion of economic growth and the competitiveness of emerging markets with three core arguments: First, we introduce the concept of legacy as the progressive stream of high-performing local firms over time. Second, we discuss six underlying strategies that regional rough diamond firms used to develop competitive advantages. Third, in the context of transitional economies, we link the strategies of high-performing local firms to the narratives about institutions and the different tiers of economic development. A final section presents future directions for research.

Design/methodology/approach – This study examines the underlying drivers of sustained high-performance companies based on field studies from an initial set of 105,260 BRIC (Brazilian, Russian, Indian, and Chinese) companies and close to 500 companies in ASEAN (the Association of Southeast Asian Nations). Our methods employed four screening tests to arrive at a selection of the highest-performing firms: 70 firms in the BRIC nations and 58 firms from ASEAN. Following the selection, we constructed cases using primary interviews and secondary data, with the assistance of Ernst & Young (EY) and with academic colleagues in Manila. These studies were originally conducted in two separate time periods and reported accordingly. This paper synthesizes the findings of these two studies to arrive at an extended integrative framework.

Findings – From our cases, we examine six strategies for building and sustaining legacy that lead to high performance over time: overcoming institutional voids, creating inclusive markets, deepening localization, nurturing government support, building core competencies, and harnessing human capital. To address the evolving state of institutional voids in these countries, we employ similar methods to hypothesize the placement of these strategies in the context of the world economic pyramid, initially formulated as the "bottom of the pyramid" framework.

Originality/value – This paper synthesizes and extends the authors' previous works by proposing the concept of legacy to describe the emergence and succession of local exemplary firms in emerging markets. This study aims to complement extant measures of nation-growth based primarily on GDP. The paper also extends the literature on institutional voids in shifting the focus from the mix of voids to their evolving state. Altogether, the paper provides a complementary narrative on assessing the market potential of emerging markets by adopting several categories of performance.

Keywords – secular stagnation, emerging markets, institutional voids, inclusive markets, deep localization, government support, core competencies, human capital, tiers in socioeconomic development, transitional economies, macro-meso-micro categories

Paper type – Viewpoint

INTRODUCTION

The aftermath of the 2007-08 Great Recession has ushered in a period of low growth and persistent unemployment, or what pundits call "secular stagnation," in several developed economies (Magdoff & Sweezy, 1987; Summers, 2016).[1] Because this condition afflicts most developed economies, interlocutors have again focused on emerging markets that, despite some setbacks, have demonstrated more robust growth than developed markets (Bernanke, 2010; see Figure 1). Emerging markets are generally understood as countries exhibiting high growth and market potential with rapid industrialization (Agtmael, 2007; Pacek & Thorniley, 2004), but are also risky and volatile in that they are still underdeveloped and in the process of becoming developed market economies (Eden, 2008).

This conflation of growth and risk has given rise to opposing views of such nations' future trajectories. For supporters, emerging markets such as in the much-acclaimed BRIC—projected to grow anywhere from 2% to 3.5% more than developed economies—are seen as the engine of growth that can ignite the doldrums of a sluggish global economy (Ernst & Young, 2011:5; Spence, 2011; Todorow & Akbar, 2019:4).[2] Critics, on the other hand, contend that emerging markets might have already reached saturation limits, and while growth is expected, it might not be sufficient to reverse and compensate for declining trends and stagnation in global markets (Buxton & Bullard, 2014; Walker, 2014).

<<INSERT FIGURE 1 ABOUT HERE>>

Where both sides converge is in a common quest to identify the next set of BRICs, whether these are the Next-11, VISTA, the Morgan Stanley Emerging Market Index, Breakout Nations, or other configurations of prospective growth markets (Table 1). This underscores advocacy for macroeconomic growth, or GDP, as providing the best (if not the most appropriate) indicator for assessing the sustainability and viability of emerging markets.

<<INSERT TABLE 1 ABOUT HERE>>

Understandably, macroeconomic growth presages new opportunities for market potential, capital investment, and new profit sanctuaries. Historically, GDP has been very helpful in comparing the overall performance of countries over time. The primacy of GDP also comports with mainstream narratives on measuring national competitiveness, particularly in the context of developed countries (Lequiller, & Blades, 2004). Understandably, there is merit to considering economic growth as an indicator of development. Because emerging markets have characteristics that differ from developed ones, a core question is whether GDP is the best marker for assessing their sustained development. In this paper, we argue that, when taken as the primary measure, GDP might not be entirely appropriate in the viability of emerging markets because economic growth alone can mask the institutional features of competitiveness and development, specifically the generative environment or breeding grounds for latent entrepreneurship (Lequiller, & Blades, 2004).

Criticisms of GDP are not novel. Among the more recent critiques, Joseph Stiglitz and his colleagues' work decries the tendency to interpret economic performance as societal well-being

(Stiglitz, Sen, Fitoussi, Kitcher-Allen & Schriffin, 2009, 2010). Moreover, the authors argue that GDP does not fully incorporate less-tangible services. Relatedly, criticisms of GDP extend not to what it omits, but what it includes (remediation for crime, pollution, accidents, disaster-related costs, and others; Lequiller & Blades, 2004). In this regard, measuring GDP in emerging markets would not only deflate key institutional features that can ignite and sustain overall firm-competitiveness, but also inflate non-productive activities.

Reflecting this concern, a recent 2017-18 *Global Competitive Index,* published by the World Economic Forum, now lists twelve pillars to rank the competitiveness of selected countries: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation (see Good, 2017). The expansion of growth measures is consistent with a recent study suggesting three levels of competitive performance (macro, meso, and micro; Baumann, Cherry & Chu, forthcoming).[3] In this paper, we extend these levels further in ways that can capture the granular nuances of firm-competitiveness in emerging markets.

As a preview of these arguments, a widely accepted belief is that emerging markets lack important institutions that enable markets to work effectively. Specifically, there is a relative absence of intermediaries to link buyers and sellers, information about products and services is inadequate, legal adjudication is not uniformly adopted, and physical infrastructures are inadequate, if not lacking. In all, the general lack of market intermediaries is called an "institutional void" (Khanna & Palepu, 2010). This work, which is meritorious and receiving much acclaim, attributes the lack of socio-economic development in emerging markets to deficient and underdeveloped institutions (Hoskisson, Eden, Lau, & Wright, 2000; Luo & Chung, 2013; Meyer, Estrin, Bhaumik & Peng, 2009: Acemoglu & Robinson, 2012).

However, relying on identifying institutional voids without further qualifications can also mask the peculiarity of emerging markets in one important respect: These markets are in a transition that combines the characteristics of developed institutions alongside their underdeveloped nature (Wilson & Ushakov, 2011, 2012; Todorow & Akbar, 2019). For perspective, scholars have noted that, with urbanization on the rise, concentrated market segments provide propitious opportunities for firms to enter them relative to less-contiguous and more fragmented sectors in rural areas (Cavusgil, Ghauri & Akcal, 2013; Todorow & Akbar, 2019). The development of affluent middle classes also motivates the formation of infrastructures and the market mechanisms needed to reach them. Hence, institutional voids in themselves are also evolving, giving rise to particular growth patterns described as "granular" and "lumpy" (Baghai, Smit & Patrick, 2008). Collectively, how then might we assess the emerging markets in a manner that integrates growth, competitiveness, institutional voids, and transitional economies?

Among extant performance measures, much less acclaimed is the concept of *legacy*. Fundamentally, legacy is defined as intergenerational learning: "It's about learning from the past, living in the present, and building for the future" (Bosak, 2019:1). In marketing literature, a "legacy brand" is one that draws on a historical origin to create a valuable and enduring consumer perception (Wikipedia, 2013).[4] In the popular lexicon, "legacy" is associated with heritage and generally refers to the transfer and succession of intergenerational wealth over time (Park, Ungson

& Francisco, 2017). Building on these perspectives, we define legacy as the emergence of exemplary local firms over time. This concept of legacy builds on studies with a similar perspective about the potential of local firms (Agtmael, 2007; Khanna & Palepu, 2010; Cavusgil et al, 2013; Park, Zhou & Ungson, 2013; Alvaro, Newman & Park, 2016; Todorov & Akbar, 2019). When an emerging market is able to produce a continuous breed of high-performing firms over time, legacy is fully realized. To be clear, however, legacy does not contravene the importance of GDP, institutions, and other macroeconomic indicators; it offers a different perspective on understanding economic growth, development, and sustained competitiveness.

Undoubtedly, a continuous stream of formidable firms will include both multinational and local firms domiciled in particular countries. Even so, we emphasize exemplary local firms, also referred to as "rough diamonds," that are among the highest-performing firms in their individual countries with distinctive competitive advantages (Park et al. 2013). In a slightly different context, they are also referred to as "emerging-market multinationals" (Alvaro et al, 2016). As we will argue in this paper, however, local champions differ from multinational firms: They are in a unique position to capitalize on the propitious market opportunities afforded by transitional development based on their indigenous advantages and immersion in local environments. Moreover, without undue generalization, most multinational firms are still beholden to headquarters in several developed countries and are less likely to invest in local communities (Shuman, 2000).

Taken collectively, this paper has two objectives. First, while acknowledging the importance of GDP, we extend the discussion of competitiveness in emerging markets by building on the concept of legacy. In this regard, we examine local exemplary firms to determine their underlying strategies that have led to their success. Second, we complement current conceptions of institutional voids by shifting attention from the mix of institutional voids to their evolving state in emerging markets. In this regard, we directly examine transitional economies by contextualizing them to the world economic pyramid (Prahalad, 2005).

METHODOLOGY

The importance of legacy bore fruit in two studies of high-performance firms in emerging economies. The first study covered 70 firms in the BRIC nations (Brazil, Russia, India, and China), and the second study involved 58 firms from 10 countries in ASEAN (Association of Southeast Asian Nations). The research was parsed in two major phases:

A. Selecting Sustained High-Performance Firms in BRIC

Our goal was to identify the sustained high-performing private companies in the emerging BRIC and ASEAN countries' markets. We first placed hundreds of companies through a rigorous screening, employing multiple tests with increasingly strict standards, ultimately culling down the field to identify the best-performing firms in the selected countries of study.

This identification process relied primarily on a five-step process. The first of these steps was intentionally broad, using multiple high-level measures of business performance such as revenue growth, market share, profitability, and efficiency. Second, we placed the hundreds of high-performance private companies that made the first cut through a more detailed, multi-tiered set of

screens, including comparisons with comparable firms in the 2009 top 500 list of largest companies in each country and an in-depth frontier analysis of each company's resource-allocation efficiency. We relied on various secondary sources for this stage of analysis. In particular, we used *The China Statistical Yearbook* for Chinese companies, ORBIS for Russian and Brazilian companies, and CMIE's Prowess for Indian companies.

Once the preliminary list of high-performance companies was identified, we consulted with EY (EY analysts in the local markets) on the validity of the data we used and solicited their expert feedback on the companies' management and strategic prowess. This led to adding five firms (one in Russia and four in India) that the field experts regarded as the best companies in their sectors.

Companies that met those standards advanced to the third step, in which we employed secondary data sources to help generate a template for what rough diamonds should look like. Secondary data included annual company reports and other internal documents, media reports, and all other available documents for current and historical information about the company. For the fourth test, we conducted extensive field interviews with senior managers of most of the selected firms, enhancing our understanding of their strategies, history, and potential. In a few cases in which interviews were not available, we consulted with the industry experts in EY's country-specific offices to gather necessary information.

Applying these performance measures, we developed an exacting set of selection criteria for the final set of sustained high-performance companies:

- The firm should be a privately-owned manufacturing company with at least 10 years of history;
- The firm should be included in the 2009 Top 500 largest private companies list;
- The firm's 10-year average efficiency score (as determined by the frontier analysis) should be higher than the average of the annual Top 500 firms during the same period;
- Its 10-year average sales growth rate should be higher than the average of Top 500 firms;
- Its 10-year average profitability should be higher than the average of Top 500 firms;
- Annual sales growth rate, profitability, and efficiency ratio should not be lower than the Top 500 averages of the year for more than three years;
- The firm should be one of the top 10 private companies in terms of sales in each market sector (defined by its four-digit SIC code) in 2009;
- Not more than two companies are selected from the same sector to avoid industry effects.

This process led to the final list of the 70 most-promising rough diamond companies in BRIC—16 Chinese firms, 16 Russian firms, 22 Indian firms, and 16 Brazilian firms (See Table 2 and Park, Nan, and Ungson [2013] for more details on the companies).

<<INSERT TABLE 2 ABOUT HERE>>

B. Selecting Sustained High-Performance Firms in ASEAN

While we followed rigorous guidelines similar to those used for BRIC, we loosened the criteria for selecting sample companies in ASEAN to have a sufficient number of companies to study. Unlike the BRIC sample, which outperformed the top 500 companies in growth, profitability, and

efficiency for at least seven of the ten years, ASEAN high-performance companies were required to show higher growth and profitability than the annual averages of top 500 companies in each ASEAN country for at least four years between 2003 and 2012. The selection was country-based to include all ten ASEAN countries in the study. The process involved the following three specific steps, which led to a list of 58 ASEAN Champions.

First, according to operating revenues, we identified annual top 500 companies for years 2003–2012 in six ASEAN countries that have enough companies included in ORBIS. The six countries included Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. This was not possible for the other ASEAN countries (Brunei, Cambodia, Laos, and Myanmar) due to small sample sizes in ORBIS. For these countries, as described below, we followed experts' recommendations to identify high-performing local private companies.

Second, we calculated the 10-year averages of revenue growth and profitability of the top 500 companies in 2012 and the averages of annual top 500 companies in each country. 202 companies whose 10-year averages in both growth rate and profitability were higher than the averages of the annual 500 companies were selected from the 2012 top 500 list. We further narrowed down the list to 46 companies with higher annual revenue growth and profitability than the averages of annual top 500 companies in each country for at least four years during the study period. We then carefully examined these 46 companies to ensure that majority ownership belonged to local private investors. Among these, we replaced seven companies with their shareholding companies that were better identified in each local market and two diversified holding companies with their largest subsidiaries.

Lastly, we consulted with multiple local experts, including EY staff, who recommended reputable and leading authorities in their relevant local business communities to confirm the validity of our selection and identify potential candidates for high-performance ASEAN companies in the remaining four countries. Experts confirmed the 46 companies as leading companies in each of the six countries. Their recommendations led to four additional companies that were sector leaders and considered as local champions for a long time. Following their recommendations, we identified seven companies as potential sustained high performers in the remaining four countries. The final list of ASEAN champions included 58 companies, with 2 from Brunei, 1 from Cambodia, 11 from Indonesia, 3 from Laos, 4 from Malaysia, 1 from Myanmar, 12 from the Philippines, 3 from Singapore, 15 from Thailand, and 6 from Vietnam (see Table 3 for the list and Park, Ungson, and Francisco [2017] for details on the companies).

<<INSERT TABLE 3 ABOUT HERE>>

Following the initial phases of rigorous screening and selection to arrive at a final set of high-performing local firms in BRIC and ASEAN, we conducted thorough historical reviews of public and in-house documents and interviews with senior managers of the companies. While the sessions varied, they typically included 1-2 senior managers. The interviews lasted 1-2 hours and were conducted by at least two researchers. The following questions guided the assessment of these firms: What were their strategies? How did they overcome the odds of positioning themselves against entrenched market leaders (local and multinational)? How did they manage their growth over time? What were their unique organizational and strategic capabilities that led to sustained

high performance? How did they manage the highly difficult and largely unfavorable environments?

After constructing detailed case analyses, and aided by industry experts from EY, we initially used inductive reasoning to identify common strategies employed by these firms (see Dornes, 2013), after which we arrived at an overarching framework that integrated findings from extant research. Consisting of previous studies of exemplary firms, our sample had similar strategies but, in the ensuing deliberation, we argue that these strategies are nuanced by the context of emerging markets.

KEY FACTORS OF SUSTAINED HIGH PERFORMANCE

Using the above methodology, we synthesized the findings in an overarching framework that covers six strategies of building and sustaining legacy in emerging markets. Although these are explained in detail in the next sections, we offer a summary here for perspective. The strategies are overcoming institutional voids, creating inclusive markets, deepening localization, nurturing government support, building core competencies, and harnessing human capital. These are defined accordingly:

- *Overcoming institutional voids*: proactively engaging in creating solutions to economic underdevelopment, rather than being deterred by it;

- *Creating inclusive markets*: transforming previously unattended consumer segments into viable market segments;

- *Deepening localization*: addressing hidden recesses of local consumer needs and requirements;

- *Nurturing government support*: responding to signals from governments to build or enhance fledgling markets;

- *Building core competencies*: developing the requisite skills that support underlying strategies;

- *Harnessing human capital*: continuously enhancing employees' potential throughout the organization.

Collectively, these strategies have fostered the development of firms on a sustained basis. The concept of legacy is adopted as a metaphor to describe the succession of exemplary firms in a given country over time. The higher-performing entrepreneurial firms in BRIC had already faced the first generation of well-established local icons: Gazprom and Rosneft (Russia), Infosys Tech and Tata Consultancy (India), Petrobras and Embraer S. A. (Brazil), and Sinopec and China Telecom (China; see Agtmael, 2007). The question was whether the capacity to produce the next generation of high performers was present. The challenge for such firms, therefore, was to achieve competitiveness in market segments for which market leaders had already attained a strong footing. Many of our firms from ASEAN and those in the BRIC nations were first-generation

firms, having overcome highly adverse environments. Among these environments were the devastation caused by the Second World War, inconsistent government policies following regime changes, economic transitions from closed to more liberal economies, and internal resistance to new strategies.[6] The rest of the paper builds on our overarching argument for legacy in introducing specific strategies used by high-performing local firms.

Overcoming Institutional Voids

As indicated earlier, Khanna and Palepu (2010) describe emerging markets as replete with institutional voids, or the relative absence of market intermediaries to facilitate efficient market transactions. Such voids can range from educational limitations to infrastructural rifts but include facilitating institutions, such as credit and demand/supply markets (Khanna & Palepu, 2010). Prior narratives portray institutions not as inert and permanent structures, but as creatable by players in the social and market domains (Fligstein, 2001).

Historically, institutional voids have been viewed as risky and have deterred multinational firms from entry, except in cases where these firms capitalize on their competitive advantages to lower the costs of labor, critical resources, or capital (Jones, 1996). To overcome institutional voids, an informative study proposed that firms can activate their resources based on their reputations (Gao, Jones, Zuzil & Khanna, 2017). Even so, multinational firms have generally opted to wait until development and institutions occur more fully before entering these markets using their established business models; earlier entries were primarily motivated by access to lower cost factors such as labor and materials (Park, Zhou & Ungson, 2013).

Local champions differ fundamentally in this regard by treating institutional voids as opportunities instead of obstacles (Park et al, 2013). Far from being deterred, these firms proactively take on the more positive elements of these voids, reposition them in support of their local capabilities, and craft an enduring strategy that can hold sway against erstwhile or future entrants. In a later section of this paper, we invoke the concept of "patient capital" to describe the above action in theoretical terms (Weston, 2016).

Visionary Execution. For illustration, we introduce two cases.[7] By most measures, Linyang Electronics is hardly a household name in a list of globally exemplary firms. However, it is revered as a local champion in China that overcame adversity. Despite its tumble in ROE, its rate of return on sales has increased from 10.17% in 2008 to 19.91% in 2017. However, little is known about how it achieved its current competitive advantage. In the early 2000s, Yonghua Lu, the founder of Linyang Electronics, eschewed a secure job to revive a project that was teetering on bankruptcy. At the time, there were a prodigious amount of electric meters throughout the landscape of China, but they were outdated and poorly designed. In Lu's words, this business had "no technology, no capital, and no customers." Unfazed by these challenges, Lu decided to test the market and traveled throughout China using a secondhand van. Lu predicted that Chinese customers, many of whom were becoming a more affluent middle class, would want an upgrade, which Lu provided with a smart, single-phase electronic meter. Because Lu was the first mover, he was able to set the rules for this lucrative market niche. Yet Lu's quest did not end there. In his travels throughout China, he likewise saw the potential of solar energy facilitated by improvements in the country's infrastructure, and once again, proved it to be a successful venture. Currently, Lu is expanding his

quest to another promising industry: power storage. Now a rich and successful entrepreneur, Lu sees opportunities in markets that others consider to be unappealing and unprofitable.

Capitalizing on Opportunities. For residents and visitors to Manila, the main throughway to Manila's populous business sector starts with Ayala Triangle. Although Ayala is yet to be known in global circles, it is unmistakable for visitors seeking to identify the prime movers of Philippine commerce. Among Asian conglomerates, Ayala Corporation stands out among the premier land developers and real estate companies, though few might know how early decisions transformed a former farm estate or *hacienda* into a national icon. In the mid-30s when a group of foreign investors became privately interested in building an airport, the Ayalas offered their suburban property, which was still undeveloped and sparsely populated. Manila's first airport, completed in 1937, became the site for the maiden voyage of Asia's first airline company, Philippine Airlines, in 1941. After World War II, although the infrastructure was still lacking, a bigger airport was needed but had to be built in a different location, prompting the owners to give the property back to the Ayalas. Left as-is, the former airport would have simply been confined to the dustbin of history. However, the Ayalas saw the burgeoning population in need of better infrastructure that had been unattended, and converted the two intersecting runways into roads, forming two sides of what is now known as the Ayala Triangle at the center of Manila's commercial district. This successful venture became the blueprint for future development in other areas.

Inclusive Markets

The term "inclusiveness" is currently in good currency to describe the transformation of emerging and developing economies (Mair, Mari & Ventresca., 2012). In our adaptation, inclusiveness is defined as the transformation of a previously unattended segment to a propitious market niche, from what can be considered an exclusive (unfilled) segment to an inclusive (filled) market segment (Park et al, 2013). In this context, inclusiveness means becoming a part of the market and broader society.

Research on market segments and niches is hardly new; in fact, the topic is a staple of marketing and strategy disciplines (see Kotler, 1980; Desarbo, Ramaswamy & Cohen, 1995; Hoek, Gendall & Esslemont, 1996; Smit & Niejens, 2000; Best, 2003; Yankelovich & Meer, 2006). From marketing studies, it is postulated that segments and niches become viable opportunities to the extent that they are readily identified, sufficiently large, accessed, measured, and responsive to marketing/advertising strategies. Moreover, marketing literature delineates various methods to segment a market (demographic, geographical, psychographic, and so on). In short, a viable segment becomes a part of the dynamics of a market, subject to price mechanisms based on demand and supply. Hence, the operative word is *inclusive*, as opposed to being exclusive or excluded from the market.

Building Inclusiveness. While marketing studies focus on the assessment of market niches that can already be clearly discerned, we examined the transformative process by which an incipient need originates, progresses in growth and development, and becomes included as a part of the market economy. Such transformation is illustrated in China's Beingmate, founded by Hong Xie and now reputed to be among the market leaders in infant foods and products. But it was not always this way. In the early stages of China's development, mothers had relied on the traditional method

of breastfeeding as the principal means of nurturing babies. Xie, however, was convinced that there was a market for domestically produced, high-quality baby products that were largely ignored by established firms. Defying the odds, he launched several products, including a formula based on powdered milk. He touted the company's knowledge of raising babies. Beingmate, in Chinese, means "the baby is beautiful because of love." With its reputation and powerful value proposition, Beingmate has become a staple for high-quality infant care.

Managing Transformations. Even a commodity market can be transformed into a high-quality industry. The Thai Metal Trade Public Company Ltd. started out as a producer of low-quality steel works. At the time, steel was a commodity, and larger-scale companies were dominant in price wars. Given these circumstances, Thai Metal could not compete. However, differentiating the product in a commodity industry was a highly risky endeavor. Soon, Thai Metal's founder Tarasansombat conceived of a market in this undeveloped context and launched a total steel solutions company that engaged in the distribution, processing, and production of steel. The product would now be supported by ancillary services, and the company had to convince customers that such services were warranted. Thai Metal established a steel center with new medium-sized companies and warehouse expansion. Eventually, these medium-sized companies became consumers, and over time, Thai Metal morphed into a fully integrated steel center. It has since expanded into fabrication, operations in Japan, and other related operations.

Deepening Localization

Among developed economies, in which globalization appears to be the mantra for international strategies, there is the assumption that a superior business model will transcend cultural boundaries and become applicable in emerging and developing economies (Shankar, Ormiston, Bloch, Schaus & Vishwanath, 2008; Quelch & Jocz, 2012). This assumption has withered away even among the more experienced multinational companies, who did not succeed in penetrating local markets (Rothfeder, 2015). In a study, more recessed local needs, far from being considered the periphery in competitive strategy, have in fact become much more pronounced, even replacing universalistic elements as the foundation of policies and activities (Park et al, 2013).

Enhancing Local Tastes. Vinamilk (Vietnam Dairy Products Joint Stock Company) is the largest dairy company in Vietnam, only second to PetroVietnam Gas. Initially, a state-owned company, the company consolidated the industry first by nationalizing several dairy companies. Despite being a government-owned company with literally no competitors, the company adopted a strong consumer focus in an industry without a tradition of dairy farming. Because dairy products were relatively new to the Vietnamese diet, the company worked hard to educate its consumers on the benefits of dairy. As a testimony to its overarching consumer orientation, when their customers wanted the milk to be a bit sweeter, the company added a dose of vanilla. As the market segment blossomed to one with varying tastes, the company expanded to offer milk, condensed milk, and yogurt. Vinamilk also produced its own milk, reducing its dependence on China and Australia. Throughout its history, Vinamilk adopted high-quality standards while keeping operational costs low. Today, it is the best-known brand in Vietnam.

Tapping "Hidden" Needs. Russia's Velkom is currently recognized as the country's foremost meat processor, but few would have imagined that it was a simple sausage manufacturer at its

inception. Velkom was founded by two men with considerable production experience, but fortunately also a dash of business acumen. Over time, they had noticed a subtle change in consumers, who had become more skeptical about the quality and origin of sausages. Despite the relative success of its older business model, Velkom revamped its marketing approach to focus on the more demanding customers while exploring other recipes and methods to increase the quality of their products. It pruned its suppliers to only those who adhered to high-quality standards. It eventually rejected soybeans and genetically modified ingredients. Velkom continued to interact with its customers to track their changing tastes and lifestyles and, in the process, build trust and continued engagement. Velkom transformed itself from a low-to-medium meat processor to one with an exemplary reputation for high-quality products.

Locating Deeper Niches. While the literature is rife with storied narratives of similar and like-minded firms, one of our firms, Jollibee, is probably the poster child for localization. Jollibee is a company that literally revamped its entire product line to cater to the tastes and nuances of Filipinos, and bested McDonald's in the Philippines. Perhaps it is one of the local companies that has since moved from being a mere local champion to a growing multinational organization. Even so, we find that localization is also evolving. In a study of the consumer goods and retailing sections in 19 Asian countries, respondents opined that localization has transcended product and service features. Localization, which previously meant adding or subtracting features of a core product in increments, is now deeply and locally embedded to encompass the hiring, training, and socialization of human capital (Park, Ungson & Cosgrove, 2015).

Nurturing Government Support

Mainstream economics and business theory place primacy on the free-market operations of established and aspiring firms. Historically this has not been the case, as governments generally intervene (Winston, 2006). Economic sociologist Neil Fligstein (2001:28) argues accordingly: "Governments develop different kinds of capabilities to intervene in their economies that are characterized by three dimensions: their ability to intervene, the form of intervention, and whose interests dominate the intervention." Even so, pundits treat market failure as a special case; for the most part, economic and social development ensues when businesses are left on their own and when government plays a non-interventionist role.

More heterodox accounts contravene this belief in actual practice, especially in emerging and developing economies (Chang, 2003). Japan, which is arguably the best example of a post-war economic miracle, attained its prominence in large part by the interaction between government bureaucrats and businesses, a practice that has been codified as "industrial planning." Similarly, South Korea's success was a result of close government-business interactions, a process that was integral to learning and catch-up growth dynamics (Amsden, 1989; Ungson, Steers, and Park, 1997).

Managing Transitions. Unsurprisingly, with our focus on emerging and developing economies, governments played a strong interventionist role, particularly in cases of encouraging and nurturing industries that were important for economic development. When Leuang Litdang, President and Chief Executive Officer, founded Dao-Heuang Group in Laos in 1991, the country was moving from a socialist economy to a liberalized one. The company started by importing

tobacco products, alcoholic beverages, and perfumes from Singapore, France, and the United States. Despite the potential of coffee as an export product, it was not considered to be viable in Laos. Leuang had to look abroad and hire Vietnamese coffee growers to teach local farmers how to grow coffee. This was a daunting task, perhaps too difficult to undertake for any company. It was at this juncture that the Laotian government stepped in and actively established contract-farming agreements with local farmers. It also allowed Dao-Heuang to use 65,000 square miles of fertile land suitable for growing coffee beans. Buoyed by this support, Dao-Heuang opened the largest instant coffee factory in Southeast Asia and has since expanded into other areas including retail management, property management, and pharmaceuticals. Even so, looking back, it is doubtful whether the company would have taken great strides without this important initial government support.

Extending Government Support. Forjas was founded in Brazil as a tool and die manufacturer but is regarded today as one of the world's leading weapons and armaments companies (in the United States, it is known as Taurus USA). It initially acquired its knowledge about armaments from Smith & Wesson, which initially provided Forjas with much-needed capital. Over time, a Brazilian firm called Polimeta reacquired the equity stake and renationalized the company. Sensing this opportunity, Forjas began working closely with the Brazilian government, quickly becoming its major arms supplier. In turn, the government began to replace foreign arms imports in favor of Forjas. The company did not sit still, as it parlayed these initial sales into stronger bonds with the government by delivering a continuous stream of innovative products and services, including technological skills and training programs that were aligned with the government's policies. Eventually, Forjas became a highly successful company with a strong international brand image.

Developing Core Competencies

Successful performance accrues from opportunities in the external environment, favorable government policies, serendipity, and even luck. But there is no real substitute for the fundamental building blocks of an effective strategy: core competencies. These capabilities—innate or developed—underscore the requirements needed to implement a given strategy (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). They conform to what Adelman (2015:136) refers to as an "internalist" view of performance that attributes success to the purposeful actions and characteristics of firms. Even with favorable conditions, any firm will not succeed without developing and nurturing core competencies.

Integrating Value Chains. In Brazil, Magnesita developed an integrated value chain from scratch, establishing a network that ranged from mining to the manufacturing of non-clay refractories to distribution and logistics. The decision to integrate vertically was based on the company's strategy of joining as many links as possible to the critical phases of its supply chain. Another decision that served Magnesita well was to be proximally close to its primary customers and suppliers. Moreover, Magnesita used a principal railway to transport its products to designated ports in order to increase its efficiency. All these decisions were not made arbitrarily, but in a thoughtful quest to integrate primary customers and suppliers into its value chain.

Focused Diversification. Global Mediacom is Indonesia's first and largest integrated media, broadcasting, entertainment, and telecommunications company. Beyond newspapers, magazines,

and tabloids, the company is currently the market leader in both free-to-air and pay television. Bimantara Citra founded the company in 1981 as a broadcasting venture with many ancillary products. However, after realizing the importance of media, the company divested itself of other assets to focus on its main business. Using acquisitions as its entry strategy, the company acquired many related businesses and secured partnerships with international content providers such as the popular music channel MTV Asia. Continuing through well-designed acquisitions and partnerships, the company built its competencies in media and enhanced its offerings by adding value for TV viewers, including the SMS Call TV feature that allowed viewers to participate in game show quizzes and reality TV shows. In recent years, it acquired majority ownership in a Singaporean firm and launched its own online news and entertainment media portal. The ability of the company to acquire related businesses while remaining focused on its core business is a testimony to its success in creating synergies across different businesses and emerging as a prime mover in the areas of media and telecommunications.

Harnessing Human Capital

The attention to the strategies described in the earlier sections does not diminish the critical factor that underpins them: the ability of local champions to harness human capital (Pfeffer, 1994; O'Reilly & Pfeffer, 2000). In our studies, we noted the enthusiasm and pride on the part of respondents to elaborate on their human capital and supportive systems (Park et al, 2013; Park et al, 2017). In fact, we maintain that their success in developing, nurturing, and sustaining human capital is the reason for their underlying success. Phrased differently, without human resource capabilities, it is doubtful that any of our local champions can sustain their advantages in the future (Fishman, 1998).

Facilitating Innovative Processes. In Russia in particular, our findings contravene some existing beliefs about the Russian management system. Topkinskyi Tsement, a leader in the cement industry, offered an internal management training school for its subsidiaries. The subsidiaries, in turn, were systematically rotated in order to share managerial expertise and to diffuse competencies throughout the company. India's Godrej Consumer Products operates on a flat, nonhierarchical operating management system. Molong, a Chinese petroleum machinery firm, infused a strong cohesive culture with its unique motto: "Stimulate the hearts, gather the minds, solidify the integrity, and create success for all."

Enriching Corporate Cultures. Bangkok Cable Co., Ltd. developed a strong workforce and personnel by decentralizing its administrative duties and developing training programs. PT Lippo Karawaci Tbk of Indonesia spearheaded its own roadmap, "On a Transformation Journey," to improve its infrastructure, management, and manpower skills. Haprosimex in Vietnam provides training schools for its employees to meet future challenges and to harness lifelong skills. Jollibee in the Philippines created a cohesive family-oriented corporate culture that tapped into its global brand and operations. Yoma Strategic Holdings, a real estate developer in Myanmar, executed a meritocratic system to recruit talented individuals and continuously works to align career opportunities with employees' objectives.

ALIGNING STRATEGIES WITH TRANSITIONAL ECONOMIES

In order to delve deeper into the continued success of firms in ways that build a legacy, we now address one facet of emerging markets that is beginning to gain traction among scholars: transitional economies. It is becoming more widely acknowledged that emerging markets are not only defined by growth and institutions but by a transition to a market economy (see Wilson & Ushahov, 2011, 2012). Even so, a better context is that transitional economies in emerging markets have institutional voids that, depending on their socioeconomic development, exhibit facets of developed and underdeveloped institutions (Baumann, Cherry, and Chu, forthcoming; Gao et al, 2017). To the extent that emerging markets differ in the facilitating mechanisms of institutional voids, transitional economies can be understood as improvements that take place as institutional voids are overcome with time.

One informative framework that helps facilitate a deeper analysis is classifying market sectors into levels of income, economic, and social development (Prahalad, 2005). In a seminal paper, Prahalad (2005) further developed the concept "bottom of the pyramid" to classify the world population in different tiers, depending on their respective annual per capita income levels and purchasing power parity in U.S. dollars (See Table 4). At the time of writing, his advocacy, alongside that of his colleague, Stewart Hart, was to draw attention to the world's poorest sector, not so much because of altruism, but because it was imperative for leading multinational corporations to take note if they wanted to maintain their prominence in the world's economic stage. While Prahalad wrote this to draw attention to the needs of the world's poorest sector but potential consumers, he did not explicitly examine the tiers in the context of emerging markets.

This was artfully done by Todorov and Akbar (2019), who presented the types of business strategies for firms that address the different tiers in emerging markets (see Table 4). In brief, Todorov and Akbar (2019) provide a context for relating the different tiers by Prahalad (2005) to emerging markets (Table 4). Specifically, they describe how development gauged in terms of a progression of institutions and infrastructures correspond to different tiers. Although they presented some implications for corporate strategies, they did not explicitly expound on this application.

Applying this context to our study of exemplary local champions, we reviewed and vetted specific cases described in the first part of the study, with some attention to the types of markets these firms were engaged in at the times they were building their strategies. Then, we deduced a correspondence between market entries and specific tiers that were introduced earlier by Prahalad (2005) and contextualized by Todorov and Akhbar (2019).

Based on this reasoning, we propose the following: Few of these firms have developed strategies for the bottom of the pyramid, but have initially focused on the Tier 4 sector. Given our definition of high-performing firms based on sustained profitable growth, it is not easy to reach a high-performing status by growing out of Tier 5, where there is limited potential for high profit. However, even Tier 4 poses enormous challenges because these potential high-performing entrepreneurial firms need to develop alternatives to institutional voids. High-performing local firms were able to position themselves as institutional intermediaries brokering the voids at this stage. They were able to create opportunities to aggregate demand to grow tangible market sectors, secure and nurture government support, and capitalize on their knowledge of local requirements, which became the hallmarks of successful strategies. As firms then progress to Tiers 2 and 3, they

have the wherewithal to leverage their competencies and begin competing with more established local firms and even multinational ones. In this regard, their ability to harness human capital and to sustain core competencies while further capitalizing their locally integrated approaches are key arsenals of their strategies for sustained profitable growth. Table 4 describes the evolving strategic foci across different tiers of the market to develop sustained high performance in emerging markets.

<<INSERT TABLE 4 ABOUT HERE>>

Herein are important issues that bear on the concept of legacy: Foremost, it provides a platform for future local champions to emerge. Should the initial entry be focused on Tiers 4-5, it is critical for prospective firms to nurture local knowledge, to sense and secure government support, build connections, harness human capital, and start building core competencies. The theoretical antecedents of such a platform date back to Michael Porter's *Competitive Advantage of Nations* (1990) in which he shifted the narrative about national competitiveness from macroeconomic indicators (see Scott & Lodge, 1985) to the ability and capacity of industries to innovate. In Porter's framework (called the Diamond Model), competitiveness is inextricably linked to the local home country. Porter argues that the competitive advantages of nations depend on their capacity to continuously produce and sustain clusters of high-performing and competitive industries that, in turn, are molded by intense rivalry, judicious home-based suppliers and producers of substitute products, and highly demanding local customers.

While Porter's (1990) framework positions industries as the unit of analysis, our study emphasizes high-performing local firms operating within industries. With this shift in focus, and contextualizing this concept of legacy, local champions not only develop competitive advantages but also can capitalize on the transitional economies to further leverage their underlying strategies. In context, the sustained competitive performance of emerging markets can be understood in macro-, meso-, and micro-tiers (Baumann, Cherry, and Chu, forthcoming; Gao et al, 2017). The extent to which local champions can continue to build their capacity for growth and development is a topic for future research that is discussed in the next section.

CONCLUSIONS AND FUTURE AGENDA

In summary, this paper is positioned to extend extant research in two ways: first, by providing a perspective of sustained competitiveness through the concept of legacy; and second, to complement current conceptions of institutional voids in discussing how transitional economies provide a hybrid context for assessing the evolution of these voids in a local context. While there are some extensions of the literature, there are also new questions that emerge from the study that are still unresolved. In this concluding section, we earmark several streams for future research, more in the context of a "mini-research agenda."

Extending the Concept of Legacy

The concept of legacy, or the development of a continuous stream of exemplary firms over time, is neither serendipitous nor is it achieved through self-acclamation. On the surface, many of the strategies described in this paper comport with those of high-performing firms in developed

countries, yet it would be a mistake to see these similarities as arising from universalistic tendencies.

Probing deeper into how our diamonds in the rough and local champions succeeded, we uncovered key differences between these high-performance companies and less successful local firms or even better-known foreign multinationals. Far from being deterred by economic and social underdevelopment, these firms capitalized on these conditions to build strengths and to differentiate themselves from others. It is true that risk was involved, but perhaps a better way of describing their actions is *patient capital.* Broadly defined, this is the foregoing of short-term returns from the investment without the fear of undue retaliation or liquidation (Weston, 2016). The differing approaches to patient capital by high-performing local firms and established multinationals and other local market leaders is one area that can be pursued in later studies.

Among some critical readers, the argument is that these firms did not have much a choice, given their circumstances. However, this should not denigrate the fact that these firms exercised their strategies in the context of highly unfavorable conditions. We acknowledge our bias towards optimism and successful firms, for this indeed was the quest that we had undertaken. For commentators in advanced and developed economies, the lesson moving forward is to reduce ethnocentric thinking or the seductive argument that previously successful models are viable in every competitive environment. To reduce ethnocentrism, it is important to recognize the importance of cultural and institutional factors that affect national competitiveness and not to ignore the conditions of economic and social underdevelopment. What might be a threat for some can be considered an opportunity for others. In all, these firms succeeded in environments that do not necessarily conform to traditional conceptions of conventional strategy. This makes their experiences even more impressive, but certainly, an area to be studied further.

Can Local Champions Sustain High Performance in the Future?

Although exemplary local firms have exhibited exceedingly high growth rates and above-average profitability over at least a decade, it is reasonable to assume that such growth cannot be extended indefinitely into the future. Despite their strategies, the law of averages would suggest that performance would level back to normal standards and expectations depending on industry growth, investment opportunities, socioeconomic development, and competitive reactions. Accordingly, we posit possible trajectories for these firms based on developments in emerging markets: continued success in local markets; decline in local markets; and evolution from local to global competitors.

Some firms will continue to post above-average performance. We hypothesize that such firms will continue to capitalize on the six core strategies discussed in this paper in a manner that weathers competitive rivalry. However, it is also reasonable to expect that some firms will experience lower performance. Of interest is what these two sets of firms do differently to arrive at the high or low performance.

Another scenario is that success in a local market might not necessarily lead to regional advantage, and perhaps much less to competitiveness in the global market. Historically, the success of many Japanese and Korean firms belie this expectation; firms like Honda, Fujitsu, Sumitomo, Samsung,

and Kia, among others, are now recognized as global leaders. Yet it is questionable whether our local champions can attain similar levels (Ramamurti & Singh, 2009). Therefore, the evolution of local champions from local to regional and global settings can be future studies as part of the proposed legacy effects.

Revisiting Institutional Differences between Developed and Emerging Markets

The success of local champions despite formidable odds reignites questions as to whether weathered strategies that have worked well in developed markets can find fruition in emerging markets. Although pundits remain divided on this issue, there is growing recognition of sharp differences demarcating these two types of markets. There is agreement among these parties that emerging markets have higher growth rates, perhaps reflecting an initial state of low growth in previous years, but that emerging markets are also beset with poor and deficient institutions.

More recent studies have examined different levels of performance among the workplace in Asia vis a vis the rest of the world. Baumann and his colleagues (2018) tested the attributes most relevant to Asian countries (competitive attitude, willingness to work, and speed) in eight countries.[8] The authors report that three factors are significantly related in developing (Indonesia, India, and China) and developed (Japan and Korea) Asian countries, but significantly less so in developed markets (USA, UK, and Germany). Although the examination of emerging markets is limited, the results in themselves suggest the importance of firm-level indicators in assessing competitiveness.

Beyond granular differences, there are more sweeping narratives that accentuate the need to understand emerging markets in terms of indigenous cultures and institutions, not in terms of historical colonial sanctuaries as might have been depicted in mainstream accounts. Specifically, Parag Khanna, an industry thought leader, is particularly outspoken in this regard: "The time has come to approach Asian dynamics from the inside out…The histories and realities of Asia shouldn't have to be qualified or apologized for" (Khanna, 2019: 16). To the extent that most Asian countries are characterized as emerging markets, Khanna's imperative centers on the need to understand such emerging economies in terms of their unique latent development to redress ethnocentrism. A study suggests several blind spots when mainstream narratives and ideologies based largely on Western intellectual traditions are inadvertently applied to emerging markets (Park & Ungson, 2016).

The New Normal—Institutional Voids in Transition?

Pundits invoke the term "new normal" to describe a fundamental shift in the academic stance—or more generally, the public's stance—regarding the rules of the game. In emerging markets, this can apply to weathered rules that worked well in the past. In our studies, two such developments have become more significant in emerging markets: localization and transitional economies.

In previous narratives, localization referred mainly to simple but adept increments or improvements over current product and service offerings. It was then widely believed that firms should not stray away from their standardized offerings, but also accommodate local preferences.

The mantra was that the costs of localization should not exceed the benefits accrued from scaling and standardization.

Even so, as the capabilities of consumers in emerging markets have developed, previously recessed preferences have become outright expectations. This is nowhere as evident as in the burgeoning middle-class sectors in emerging markets (EY Report with Wilson, 2012; Avery & Norton, 2014). In a previous study, we refer to "deepened localization" to describe the transition from incremental product and service varieties to wholesale adaptations and to the hiring and training of local personnel (Park et al, 2015). In short, localization has become a moving target, yet the depth of such localization, given the growth and volatility of emerging markets, remains unclear and can be studied further in the future.

In this paper, we also amplify on the subject of "transitional economies," which has been acknowledged, but not as extensively studied in the mainstream literature. There is a wide acceptance that institutions affect competitiveness and that institutional voids are pervasive in emerging markets. But short of identifying the mix and variety of institutional voids—a necessary and important first step—there is less knowledge of whether there is a pattern of progression among various institutional voids. In our paper, we suggest that such progressions can correspond to levels of development, as ascribed in Prahalad's (2005) tiers of world sectors, but still fall short of examining whether specific strategies are particularly appropriate for each tier as institutional voids are rectified and as a country moves into a more developed market economy.

Reconceptualizing the Competitiveness of Emerging Markets

Because important differences demarcate developed and emerging markets, the need to formulate a complimentary account of national competitiveness has become meaningful. In an informative paper cited earlier (Baumann et al, forthcoming), a new construct—competitive productivity—conceptualizes competitiveness in three levels: macro- or global-level competitiveness (Porter, 1990); meso- or firm-level competitiveness (Porter, 1980); and competitiveness at the micro level, as in individual competencies (Pfeffer, 1994; Ryckman, Hammer, Kaczor & Gold, 1996; also see Baumann & Harvey, 2018; Baumann et al., forthcoming).

The three-level categories comport well with the strategies that undergird success for high-performing local firms. At the macro level, these firms were able to overcome institutional voids. At the micro level, these firms leveraged core competencies and localized strategies to secure an advantage. At the micro level, firms capitalized on talent and human capital to sustain micro- and meso-advantages.

While the three levels are distinct and conveniently parsed to describe the competitiveness of local champions, there are characteristics that cut across all three levels that act to secure and hold them together. From previous research, there are at least two: The first is reputation, identified by Gao and his colleagues (Gao, 2017) as a *meta-resource*. In context, a meta-resource consists of "prominence, perceived quality, and resilience" that facilitate adaptation to different institutional voids. The second is trust. In his most recent book, *Trust*, Khanna (2018:25) deepens his advocacy for entrepreneurship in emerging markets as "the foundation of trust." Without trust, there is no

foundation upon which budding entrepreneurs and firms can build. In Khanna's words, by fostering trust, one can "create the conditions to create" (Khanna, 2018: 25).

In our introduction, we argued that growth, specifically GDP, is necessary but perhaps not a sufficient condition for fully explicating the potential of emerging markets. The overriding context for emerging markets, coined by World Bank economist Antoine Van Agtmael (2007), was initiated to describe countries in transition but motivated principally by consulting firms (World Bank, Salomon Brothers, Goldman Sachs, Morgan Stanley, and others) seeking to define new platforms or classes for investment. Building on institutional voids and recent conceptions of competitiveness, our introduction of the legacy concept, operationalized by the continued success of local exemplary firms, extends purely quantitatively to contextual indicators of emerging markets. In conclusion, we hope to stimulate interest in furthering the discourse on how emerging markets differ from developed ones.

Table 1: Description of High Growth Blocs

BRIC	Brazil, Russia, India, and China	The term "BRIC" was an acronym proposed in 2001 by then-chairman of Goldman Sachs Asset Management, Jim O'Neill, to introduce a new investment platform. Jim O' Neill (2001). "Building Better Global Economic BRICs" Archived 14 July 2014 at the Wayback Machine Archived 14 July 2014 at the Wayback Machine. Goldman Sachs. Retrieved 13 February 2015. https://en.wikipedia.org/wiki/BRICS
Next-11	Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea, and Vietnam.	Coined by Goldman Sachs in 2005, these 11 countries have exhibited high growth and are poised to be more prominent in the world's economic stage. https://www.thebalance.com/what-are-the-next-eleven-1978980
VISTA	Vietnam, Indonesia, South Africa, Turkey, and Argentina	Relatively large economies with economic potential but less heralded than BRICs https://etfdb.com/2011/forget-bric-etfs-look-to-vista-nations-for-better-opportunities/
Breakout Nations	Latin America: Brazil, Chile, Colombia, Mexico, Peru Eastern Europe: Czech Republic, Hungary, Poland, Russia. Turkey Middle East: Egypt, Morocco, South Africa Asia: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, Thailand	Research by Ruchir Sharma on emerging markets that analyzes GDP growth, population growth, and challenges affecting countries. See Ruchir Sharma. *Breakout Nations: In Pursuit of the Next Economic Miracles*. New York: W.W. Norton, 2012.
Morgan Stanley Emerging Market Index	Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.	List compiled by the According to the Morgan Stanley Capital International Emerging Market Index in 2019 https://www.thestreet.com/markets/emerging-markets/what-are-emerging-markets-14819803

Table 2. Sustained High Performing Private Companies in BRIC

BRIC Sustained High Performing Companies	Country	Industry
Anhui Yingliu Group	China	Precision steel casting
Beingmate	China	Baby products
Dongying Transis Textile	China	Textile
Hanking Group	China	Iron smelting
Hebei Risun Coking Group	China	Coking
Jinluo Group	China	Meat products
Jinglong Group	China	Solar photovoltaic
KTK Group	China	Locomotive parts
Linyang Group	China	Smart electric energy meters
Mindray Medical International	China	High-tech medical equipment
Qinghua Refractories	China	Refractory materials
Shandong Kingenta	China	Chemical fertilizer
Molong Petroleum Machinery	China	Oil and gas field machinery
Shengli Oilfield Highland	China	Petroleum exploring equipment
Wellhope Agri-Tech	China	Animal feed processing
Xiwang Group	China	Starch and starch products
OZNA	Russia	Oil and gas equipment
Komsomolskaya Pravda	Russia	Publishing, printing, and equipment
MLVZ	Russia	Distilled and blended liquors
Sitronics Telecom	Russia	Telephone and telegraph apparatus
Sady Pridonya	Russia	Canned fruits and vegetables
TAVR	Russia	Sausages and other prepared meat
Topkinskii Tsement	Russia	Cement, hydraulic
Mordov Tsement	Russia	Cement, hydraulic
MIUZ	Russia	Jewelry, precious metals
Velkom	Russia	Sausages and other prepared meat
NEP LL	Russia	Roasted coffee
Niiefa–Energy	Russia	Relays and industrial controls
Furniture Factory Maria	Russia	Furniture manufacturing
United Metallurgical Co.*	Russia	Steel pipes and tubes
Slavyanka Plyus	Russia	Candy and other confectionery
Vimm-Bill-Dann Napitki	Russia	Canned fruits and vegetables
Amara Raja Batteries	India	Storage batteries
Amtek India	India	Automotive components
Bombay Rayon Fashions	India	Cloth
Chettinad Cement	India	Cement
Godawari Power & Ispat	India	Power-driven hand tools
Lakshmi Machine Works	India	Textile machinery
Parekh Aluminex	India	Aluminum and aluminum products
Parle Biscuits	India	Bakery products
Ratnamani Metals & Tubes	India	Steel pipes and tubes
Sudhir Gensets	India	Motors and generators
Tata Metaliks	India	Pig iron
Thermax	India	Boilers and turbines
Vijai Electricals	India	Power, distribution, and transformers
Biocon	India	Pharmaceutical preparations

Sun Pharmaceutical	India	Pharmaceutical preparations
Godrej Consumer Products	India	Household and personal care products
Asian Paints	India	Paints, varnishes, and allied products
Sintex industries	India	Plastic products
Tata steel	India	Steel pipe and tubes
Hindalco Industries	India	Primary production of aluminum
Titan	India	Watches and clocks
Marico	India	Household and consumer products
Açotubo	Brazil	Steel pipe and tubes
Arezzo	Brazil	Women's footwear, except athletic
Berneck	Brazil	Special industry machinery
CBC Cartucho	Brazil	Small arms ammunition
Cinpal	Brazil	Iron and steel forgings
Ciser	Brazil	Bolts, nuts, screws, rivets, and washers
Itambé	Brazil	Cement, hydraulic
Coniexpress	Brazil	Canned fruits and vegetables,
Esmaltec	Brazil	Household cooking equipment
Forjas	Brazil	Small arms
Renner	Brazil	Women's and juniors' outerwear
Magnesita	Brazil	Non-clay refractories
Natura	Brazil	Perfumes, cosmetics, and toilet prep
Randon	Brazil	Truck trailers
Schulz	Brazil	Air and gas compressors
Weg	Brazil	Motors and generators

(Source: Park, Ungson, and Nan (2013))

Table 3. Sustained High Performing Private Companies in ASEAN

ASEAN Sustained High Performing Companies		
Aboitiz Power Corporation	Philippines	power generation and distribution
Adinin Group of Companies	Brunei	civil construction
Advance Info Service PCL	Thailand	telecommunications
Ayala Land, Inc.	Philippines	real estate
Bangkok Cable Co. Ltd.	Thailand	cable products
Bangkok Dusit Medical Services PCL	Thailand	healthcare
Bood Rawd Brewery	Thailand	brewery
Cebu Air, Inc.	Philippines	air transportation
Charoen Pokphand Foods PCL	Thailand	agro-industrial products
Dao-Heuang Group	Lao PDR	coffee and tea products
DIALOG Group Berhad	Malaysia	services for oil and gas
Dutch Mill Co. Ltd.	Thailand	dairy products
EDL-Generation Public Company	Lao PDR	electricity
EEI Corporation	Philippines	industrial construction
Energy Development Corporation	Philippines	renewable energy
Far Eastern University, Inc.	Philippines	education
FPT Corporation	Vietnam	information and communication
Hanoi Production Services Import-Export JSC	Vietnam	agriculture and handicraft
Holcim Philippines, Inc.	Philippines	cement and aggregates
Jollibee Foods Corporation	Philippines	fast food
Keppel FELS Limited	Singapore	rig builder
Lafarge Republic, Inc.	Philippines	cement and aggregates
Lao Brewery Co. Ltd.	Lao PDR	brewery
Manila Electric Company (MERALCO)	Philippines	electricity and utilities
Masan Consumer Corporation	Vietnam	diversified consumer goods
Mudajaya Corporation Berhad	Malaysia	engineering and construction
PETRONAS Dagangan Berhad	Malaysia	petroleum production
Philippine Long Distance Telephone Company	Philippines	telecommunications
PetroVietnam Gas JSC	Vietnam	oil and gas
Phnom Penh Water Supply Authority	Cambodia	water supply and distribution
Pruksa Real Estate PCL	Thailand	real estate
PT FKS Multiagro Tbk.	Indonesia	agro-industrial products
PT Global Mediacom Tbk.	Indonesia	integrated media
PT Indofood Sukses Makmur Tbk.	Indonesia	packaged food
PT Lippo Karawaci Tbk.	Indonesia	real estate &property development
PT Malindo Feedmill Tbk.	Indonesia	animal feed
PT Mitra Adiperkasa Tbk.	Indonesia	lifestyle retailer
PT Petrosea Tbk.	Indonesia	mining, oil & gas
PT Solusi Tunas Pratama Tbk.	Indonesia	Telecommunications
PT Sumber Alfaria Trijaya Tbk.	Indonesia	mini mart
PT Summarecon Agung Tbk.	Indonesia	property development
PT Ultrajaya Milk Industry &Trading Company Tbk.	Indonesia	liquid milk products
PTT Exploration and Production PCL	Thailand	oil exploration
QAF Brunei Sdn. Bhd.	Brunei	conglomerate
Sembcorp Marine Limited	Singapore	engineering solutions
Siam Cement Group	Thailand	cement products
Singapore Aero Engine Services Limited	Singapore	engine maintenance and repair

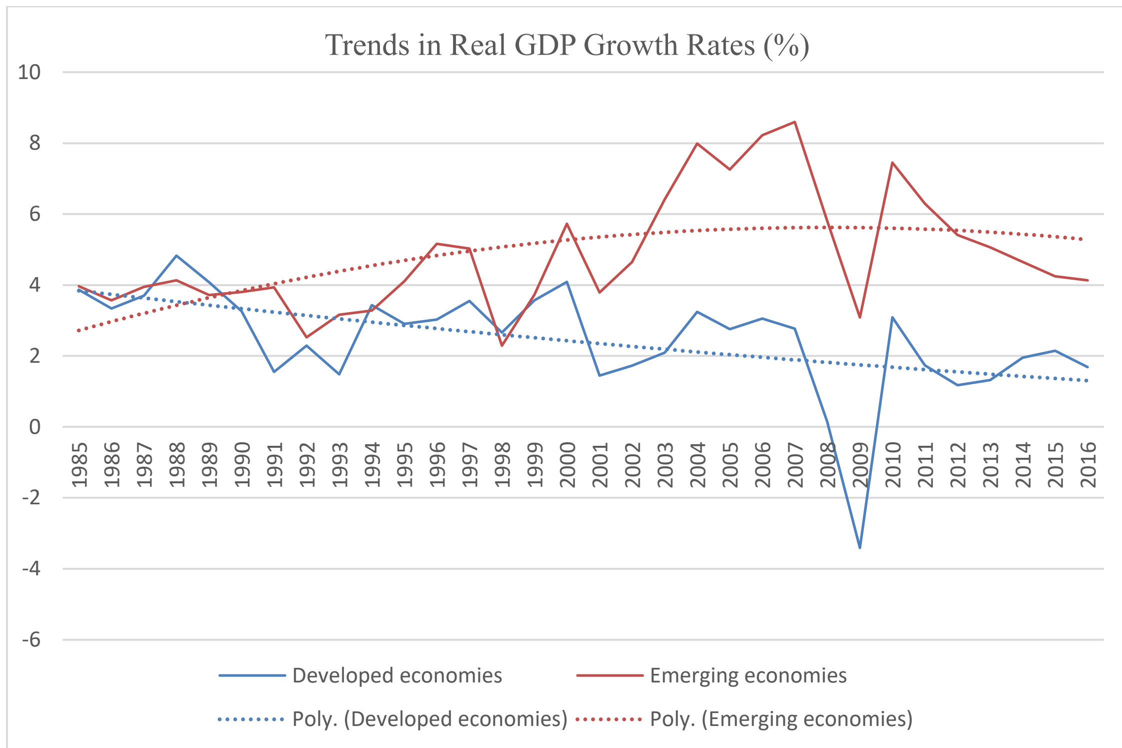
SM Prime Holdings, Inc.	Philippines	shopping centers
Summit Auto Body Industry Co. Ltd.	Thailand	automotive systems
TC Pharmaceutical Industries	Thailand	beverages
Thai Beverage PCL	Thailand	beverages
Thai Metal Trade PCL	Thailand	steel solutions
Thai Union Frozen Products PCL	Thailand	seafood products
Tien Phong Plastic JSC	Vietnam	civil plastics
TOA Paint (Thailand) Co. Ltd.	Thailand	paint products
Vietnam Dairy Products JSC (Vinamilk)	Vietnam	dairy products
WCT Land Sdn. Bhd.	Malaysia	property development
Yoma Strategic Holdings	Myanmar	real estate

(Source: Park, Ungson, and Francisco (2017))

Table 4. Illustrative Cases of Local Exemplary Firms as Positioned in Different Tiers of Economic Income Sectors

Classification of World by Income (Prahalad & Hart, 2010)	**Indicators of Sectors from Prahalad & Hart (2010)**	**Strategic Implications from Todorov and Akbar (2019)**	**Illustrative examples from this paper**
Tier 1	Tier 1 comprises the wealthiest people on earth with greater than $20,000 and an estimated population of 75-100 million	Large cities of emerging markets that can be classified as Tier 1 have very similar business environments like those in developed countries; thus, prospective firms from developed countries, as well as mainstream local firms, would not have as many problems with institutional inadequacies and can replicate their strategies with undue financial costs.	With gradual progression, many of high performing local firms have attained this level. Jollibee not only upstaged McDonald's in the Philippines but has now entered several developed markets. Ayala Corporation caters to middle-to-upper classes in real estate development. PT Global Mediacom currently serves the Indonesian integrated media market.
Tiers 2-3	Tiers 2-3 cover rising middle-class sectors with $1,500-20,000 and an estimated population of 1,500-1,750 million	Because Tiers 2-3 exhibit a mix of developed and underdeveloped institutions, firms have to discriminate their overall strategies by deliberate analysis of what they might localize and at what cost to them.	Forjas (armaments) gradually extended its product line to meet demand growth. Asian Paints and Furniture Maria took advantage of the slack in demand. Quinhua Group (refractory) pursued localized offerings. Linyang (smart meters) continues to diversify.
Tiers 4-5	Tier 4 represents relatively poor people with $1,500 and a combined estimated population with Tier 5 of over Tier 5 is nominally described as *extreme poor* with less than $1,500 and a combined population with Tier 4 of over 4 billion.	Because Tiers 4 and 5 comprise relatively of poor to very poor customers and also tend to concentrate in either hard-to-reach places, or scattered and fragmented throughout the city, they pose challenges for firms that are not willing to invest in infrastructures and market intermediaries.	A good number of our cases fall in this category: Vinamilk had to introduce dairy into the Vietnamese diet that covered most of the population. The same holds true for Beingmate that had to change public perception of baby-care. Thai Metal Trade Co. Ltd. (steel), Dao-Heuang (coffee), Topkinskii Tsement (cement), and Bangkok Cable (cable) likewise pioneered new offerings, but most probably to Tier 4 (not Tier 5) customers.

Figure 1. Comparison of GDP Growth in Emerging and Developed Economies



(Source: World Bank)

Notes:

1. The term “secular stagnation” can be traced back to Marxist economists, notably Josef Steindel, Maturity and Stagnation in American Capitalism, quoted in Stagnation and the Financial Explosion, edited by Harry Magdoff and Paul Sweezy (New York: Monthly Review Press, 1987), although the term has recently been embraced by mainstream economists (for example, see Larry Summers, “The Age of Secular Stagnation: What It Is and What to Do About It,” Foreign Affairs, February 15, 2016).

2. See Ernst & Young, Rapid Growth Markets Forecast, 2011, page 5. The lower estimate of 2% is provided by a more recent publication by Krassimer Todorow and Yusef Akbar, Strategic Management in Emerging Markets (United Kingdom: Emerald Publishing, 2019, page 4.

3. We are grateful to an anonymous reviewer for pointing out nuances in the interpretation of legacy.

4. We are grateful to an anonymous reviewer for suggesting this reference.

5. In Seung Ho Park, Gerardo R. Ungson, and Paolo Jamil Francisco, *ASEAN Champions: Emerging Stalwarts in Regional Integration*. Cambridge: Cambridge University Press, 2017, we discuss the case of Holcim Philippines that faced the ruinous effects of the world war but was able to capitalize on American post-war rehabilitation initiatives to build a cement firm. In the case of Yoma Strategic Holdings, the company faced a government-led transition from a socialist to private-sector development that was new in Myanmar. When Yonghua Lu, the founder of Linyang Group purchased the Linyang Electronics, it was had already lost 1 million RMB and was at the brink of bankruptcy.

6. The frontier analysis measures the optimal outputs and the minimum inputs required to reach a certain level of production, and thus measures the efficiency of decision making. A related method uses nonparametric linear programming to estimate the optimal input-output level and evaluates firms against this standard. See T.J. Coelle, D.S.P Rao, C.J. OConnell & G.E. Battiste, *An Introduction to Efficiency and Productivity Analysis.* New York: Springer, 2005.

7. To avoid repetitious references throughout the text, the narratives on the cases (Linyang Electronics, Beingmate, Velkom, Forjas, Qinghua Group, Furniture Maria, Magnesita, Godrej Consumer Products, and Topkinskyi Tsement) are excerpted and/or slightly modified from Seung Ho Park, Nan Zhou, and Gerardo R. Ungson, *Rough Diamonds: The Four Successful Traits of Breakout Firms in BRIC.* San Francisco: Jossey Bass, 2013. Similarly, ASEAN cases (Ayala Corporation, Thai Metal Trade Public Company Ltd., Vinamilk, Jollibee, Dao-Heuang Group, Global Mediacom, and Bangkok Cable Co., Ltd) are excerpted and slightly modified from Seung Ho Park, Gerardo R. Ungson, and Paolo Jamil Francisco, *ASEAN Champions: Emerging Stalwarts in Regional Integration.* Cambridge: Cambridge University Press, 2017. In regard to the ASEAN cases, we acknowledge the use of written cases developed and provided by the Asian Institute of Management used in this paper.

8. We are grateful to an anonymous reviewer for suggesting this reference.

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