Journal of International Business and Cultural Studies Volume 9 – December, 2014

Strategic logic and marketing resources: A case analysis approach to emerging market success

Douglas L. Johansen
Jacksonville University

ABSTRACT

The thinking that organizations achieve greater success as a result of superior fit to their environments has become a foundation of international business research, however; there has been scant research regarding the processes used by firms to achieve an advantage-yielding fit between resources and emerging market environments. In a series of 12 exploratory interviews with managers with responsibility for emerging markets marketing relationships, this qualitative exploratory case study seeks to define the key issues and most relevant constructs that engender superior performance in emerging markets. Results identify key drivers that give rise to firm capabilities and competitive advantages in emerging markets.

Keywords: international marketing, marketing strategy, emerging markets, strategic logic

INTRODUCTION

Emerging markets present both significant challenges and opportunities for firms doing business globally. On the one hand, emerging markets contain many potential customers and few competitors, with tremendous potential for creating large-scale wealth (Prahalad and Hart, 2004). Firms realize that the consumer needs of the billions of people comprising these markets offer marketers profitable and untapped markets if the right combination of resources is brought to bear (Mahajan and Banga, 2006; Prahalad, 2006). On the other hand, there are many environmental factors that might prevent companies from achieving success in these markets. (Khanna, Palepu, and Sinha, 2005; Khanna and Palepu, 2000). High levels of demand uncertainty, economic uncertainty, weak institutions, cultural differences and heterogeneous market conditions make it difficult for firms to effectively identify and exploit marketing opportunities (Khanna, Palepu, and Sinha, 2005). As a result of these environmental characteristics, advanced economy firms may have difficulty discovering profitable emerging market opportunities (Khanna, Palepu, and Sinha, 2005). When opportunities are identified, firms may lack the necessary capabilities to take advantage of them (Prahalad and Hart, 2004). Thus, firms seeking to do business in emerging markets must develop knowledge both of the exploitable opportunities present in emerging markets and also the capabilities necessary to optimally exploit them.

This paradox creates three related problems for firms marketing in emerging markets: (1) how do firms perceive and identify opportunities in emerging markets; (2) to what extent does the effectiveness of capabilities transfer from more established markets to emerging markets; and (3) how do firms develop the necessary knowledge and other capabilities that create sustainable marketing performance advantages under conditions of uncertainty and instability? Answers to these questions will contribute to both the practitioner and scholarly knowledge regarding superior firm performance among emerging markets firms.

To address these questions, we undertook an exploratory study of United States firms involved in marketing their offerings to emerging market countries. In all, we interviewed 12 companies to lay the foundation for detailed research on key constructs and associated relationships. In the next section, we provide conceptual background on emerging markets and key theoretical perspectives. We then describe the methods used to obtain the empirical data. Finally, we present the findings of the study, and provide implications for scholars and practitioners.

CONCEPTUAL BACKGROUND

Emerging markets – including Brazil, China, India, and Russia – are becoming salient as attractive target markets, important destinations for performing various value-chain activities, and as breeding grounds for companies increasingly active in the global marketplace (OECD, 2008). Emerging markets are widely recognized for their potential for creating large-scale wealth as market economies (OECD, 2008). MNE managers increasingly realize that the needs of the five billion consumers in emerging markets offer profitable and untapped markets if the right combination of resources is brought to bear (Gupta and Govindarajan, 2002; Prahalad, 2006,). In spite of large populations and growing levels of high quality resources, however, emerging markets present various challenges for MNEs from advanced economies (Prahalad, 2006). High levels of demand uncertainty, economic uncertainty, weak institutions, cultural differences and heterogeneous market conditions increase the cost of doing business in emerging markets and hinder the ability of foreign MNEs to identify and exploit opportunities (e.g. Khanna, Palepu, and Sinha 2005). When opportunities are identified, firms may lack the necessary capabilities to profit from them (Prahalad, 2006). Thus, firms seeking to do business in emerging markets must develop knowledge both of the exploitable opportunities there as well as the strategies and capabilities necessary to optimally exploit them (Prahalad, 2006; Gupta and Govindarajan, 2002).

On the other hand, companies that market to developed markets (that is, markets in advanced economies, such as in Europe, Japan, and the United States) face different environmental challenges requiring differing capabilities (Ahuja and Lampert, 2001). Developed markets are perceived as domesticated, that is, uncertainties have been reduced and transactions costs have been lowered (Arndt, 1979). This process of domestication is a result of the interactions between the firms participating in the market and the institutional framework created by government and other regulatory bodies (Arndt, 1979). For example, bond rating agencies such as Moody’s and Standard and Poor’s, fill an institution void and create the transparency required by efficient markets, absent government regulation (Khanna et al, 2005, Arndt, 1979).

As a result of stable competitive forces, developed markets may be characterized by considerable isomorphic pressures that influence firm organizational policies and practices (Arndt, 1979). As a consequence of isomorphism and stable competitive forces, companies may seek competitive advantages by competing on prices and differentiating their offerings from those of rival firms (Porter, 1980). In developed markets, market growth and the pace of environmental change are relatively slow. Mature markets and mature technologies, for example, manufacturing firms competing in established product market domains, are typical of developed markets (Nelson and Winter, 1982). Consequently, competitors tend to be entrenched, firms employ “tried-and-true” competitive strategies, and organizational operating efficiencies are often already optimized (Porter, 1980).

Environmental differences between emerging and developed markets imply that firms will need to employ distinctive strategies and capabilities in each category of market (Bingham and Eisenhardt, 2008), which will likely lead to the development of differing competencies (Ahuja and Lampert, 2001, Nelson and Winter, 1982). As they pursue opportunities in emerging markets, many developed-market firms may neglect to develop the idiosyncratic and valuable capabilities that support the strategic logic that served their goals in traditional markets in the advanced economies. The end result is that such firms may not develop competencies that permit them to achieve superior performance in target markets (Bingham and Eisenhardt, 2008). In general, organizations that develop competencies that fit their strategies, resources and environments well are more likely to achieve superior performance than organizations that do not.

Strategic Logic and Competitive Advantage in Emerging Markets

Recent perspectives on firm capabilities emphasize both the relationships and linkages between capabilities and the ability of managers to effectively deploy capabilities in the context of the firm’s strategic logic (e.g. Bingham and Eisenhardt, 2008; Grinstein, 2006; Slotegraaf, Moorman, Inman, 2003). Bingham and Eisenhardt (2008) argue that particular types of firm capabilities may be useful for creating competitive advantages when the firm pursues a particular type of strategic logic. They identify three types of strategic logic and associated environmental contexts in which particular combinations of firm capabilities might be deployed to achieve competitive advantages:

1. *Leverage logic* assumes a moderately dynamic environment in which the firm owns and deploys a set of moderately linked valuable, rare and inimitable resources;
2. *Position logic* postulates a stable environment with entrenched strategic positions (e.g., cost leadership or differentiation) in which the firm possesses tightly linked, mutually reinforcing resources;
3. *Opportunity logic* supposes a highly volatile environment in which the firm engages in entrepreneurial opportunity-seeking by deploying flexible sets of resources in an opportunistic fashion (Bingham and Eisenhardt, 2008).

Since superior firm performance is widely seen as a product of optimal alignment of the firm's internal environment with its external environments, the development of the firm's capabilities is influenced by the emerging markets in which it operates (Bingham and Eisenhardt, 2008; Nelson and Winter, 1982). Accordingly, the firm's capabilities are developed in response to emerging market characteristics, which enable it to more effectively formulate competitive advantages that allow the firm to achieve its goals (Bingham and Eisenhardt, 2008; Nelson and Winter, 1982).

Uncertainty in competitive and economic environments as well as relatively unstable institutional factors tends to lead managers to question which processes would be most effective going forward, particularly regarding the sustainability of competitive advantages (Ahuja and Lampert, 2001). While they present excellent prospects for new market development, the existence of cultural and linguistic barriers make market entry into emerging markets more difficult and complex (Kogut and Singh, 1988). Thus, high levels of both complexity and uncertainty imply that a strategic Opportunity Logic is appropriate for MNEs that market their offerings to emerging markets (Bingham and Eisenhardt, 2008). In contrast, firms that target relatively stable, developed markets may achieve greater success by employing a strategic Positioning or Leverage Logic (Bingham and Eisenhardt, 2008). Consequently, firms in environments such as emerging markets may require different linkages between marketing oriented capabilities (Grinstein, 2008).

Opportunity Logic is associated with strategy of positioning the firm to capture opportunities and quickly respond to them (Bingham and Eisenhardt, 2008). The ability of the firm to quickly link resources to opportunities using decision heuristics is thought to be a defining characteristic of Opportunity Logic (Bingham and Eisenhardt, 2008). Implicitly, an effective market entry into an emerging market requires firms to perform two key tasks: to identify viable opportunities and to deploy the resources required to effectively exploit them (Bingham and Eisenhardt, 2008).

International Market Orientation and Market Oriented Competencies

Marketing activities provide a conduit and direct link to the environments in which the firm operates. Marketing is often the focal point of the firm's interactions in target markets (Day, 1994). It is widely believed that successful marketers develop an organizational philosophy focused on creating value-laden exchanges with customers, a firm resource known as a market orientation (Day, 1994). As a result of this focus, the firm develops market-sensing and customer-linking capabilities that may be perceived as a competitive advantage (Day, 1994). For Kohli and Jaworski (1991), a market orientation is a function of information acquisition, information processing, and information use in the pursuit of exchange relationships that produce customer satisfaction. Identifying a similar capacity, Slater and Narver (1995) define organization learning as the ability of the firm to develop information with the potential to influence firm behavior. Furthermore, Narver and Slater (1990) identify three dimensions that create a firm's market orientation – customer orientation, competitor orientation, and interfunctional coordination. They assert that an important firm goal is the creation of customer value through strategic allocation of idiosyncratic firm capabilities (Narver and Slater 1990). Perceiving what customers want and what competitors can do, in both the short and long term, are market oriented capabilities that the firm employs in the allocation of resources (Narver and Slater 1990). Accordingly, we conceptualize market orientation as a tacit resource that provides the means to create superior customer value in international markets. Market orientation is a potentially important driver of firm performance in international markets (e.g., Knight, 2000, Teece, et al., 1997).

As a result of the firm's investment in the resources needed to collect and process information, the firm develops marketing competencies (Day, 1994). Marketing competencies reflect the firm's complex and tacit resources that are embedded in its managers, for instance in the form of knowledge. (Day, 1990) The application of this knowledge to key performance-enhancing activities provides the firm with important competitive advantages (Kohli and Jaworski, 1991; Narver and Slater, 1990). The firm's distinctive marketing-related competencies are reflected in its strategies but also through the firm's functional marketing activities, the effectiveness of its marketing management as well as its ability to implement marketing related strategies (McKee, et al., 1992). Thus, the firm's international marketing competencies are conceptualized here as those marketing activities implemented in the firm's international markets to drive firm performance.

Emerging Markets, Uncertainty and Institutional Voids

The fact that country markets differ along various dimensions influences competitive strategy in particular locations just as differences between firms influence competitive strategy (Ricart, Enright, Ghemawat, Hart and Khanna, 2004). A body of economic, demographic and other sociological data supports the idea that emerging markets are different from the well-recognized markets of the advanced economies. Emerging markets are a subset of Developing Markets (markets with low incomes and limited industrial capacity) which have recently begun to experience industrialization, modernization and rapid economic growth (e.g. World Bank, 2008, Ricart et al., 2004). Rapid growth tends to create sizable opportunities that stimulate risk-taking among managers (Tversky and Kahneman, 1992). While economic statistics and related evidence may not justify distinguishing emerging markets from other countries in the context of marketing or strategy, scholars have found other criteria to warrant classifying emerging markets in a separate category (Ricart, et al., 2004, Khanna and Palepu, 1997, 2000).

One important and influential difference between emerging markets and developed markets lies in the configurations of institutions that govern them (Khanna and Palepu, 2000). A "crucial distinction" between advanced economies and emerging markets is that the latter are characterized by institutional voids that hinder firms' ability to acquire reliable market information (Khanna and Palepu, 1997, 2000). Emerging markets may be further differentiated from the “domesticated markets” of advanced economies by participant’s information-sharing behavior (Arndt, 1979). In domesticated markets, information is consciously and directly managed by firms, intermediaries, and institutional participants (Arndt, 1979). The presence of specialized intermediaries (e.g. financial institutions, distributors) in developed markets means that any institutional voids will be filled by the participants in the market themselves as a result of information management and exchange (Khanna and Palepu, 2000). In this way, developed markets tend to be governed by *de facto* institutions created by the participants through information management and exchange, in addition to governmental institutions (Khanna and Palepu, 2000). Such institutions reduce uncertainty and transactions costs arising from inadequate information and encourage synergies among participants (Arndt, 1979). Emerging markets, however, often lack such specialized intermediaries and institutional voids may go unfilled (Khanna and Palepu, 2000).

To be successful in emerging markets, market participants must overcome many impediments, and uncertainty related to poor market knowledge is foremost among them (Child and Tse, 2001). Since insufficient information is the essence of uncertainty, emerging markets might be said to exemplify uncertainty well (Khanna and Palepu, 2000). A brief survey of these conditions of uncertainty and their impact on firms’ marketing activities (adapted from Khanna and Palepu, 1997) as indicated in Table 1 (Appendix).

RESEARCH METHODS

Theory Development

In this study, we employed qualitative methods to illuminate the characteristics and processes used by firms to achieve success in emerging markets (e.g. Eisenhardt, 1989; Glazer and Strauss, 1967). Since marketing is inextricably linked to firm performance (e.g. Day, 1994), we examined the characteristics and processes of marketing using data collected from managers at U.S.-based firms. The identified managers were able to speak with authority regarding their firms’ marketing activities in emerging markets. The interviews were intended to inductively explore managerial perspectives and build knowledge and theory, as well as to provide a basis for construct development and survey construction (e.g. Eisenhardt, 1989). Three broad domains representative of current theoretical perspectives in marketing were chosen for the researcher’s open-ended interview questions. These domains were developed as a result of the review of the literature and reflect the theoretical perspectives described in preceding sections. We propose that these perspectives influence key relationships in the investigated firms and are important antecedents to superior marketing performance in emerging markets. The domains that served as a basis for this theory building exercise were:

1. Emerging markets: Uncertainty and complexity, for example, regarding markets and customers is considered to be a defining characteristic of emerging markets (e.g. Khanna, Palepu, and Sinha 2005). As such, managerial perceptions regarding the availability and use of information about a range of emerging market environments was also an area explored in the process of theory development, as well as to substantiate the perspective that emerging markets could be classified as such on the basis of uncertainty.
2. Opportunity strategic logic: Opportunity strategic logic is thought to require firms to both discover opportunities and to quickly deploy resources to exploit them (Bingham and Eisenhardt, 2008). These components relate to firms’ actions in and attention to

marketing in emerging markets. Opportunity strategic logic reflects firm strategic logic in pursuit of marketing objectives in emerging markets

3. Marketing resources and international market orientation: Market Orientation is often considered to epitomize the firms' efforts to generate knowledge about markets and to satisfy customers (e.g. Day, 1994; Kohli and Jaworski, 1992). Thus, processes and practices that impacted the creation and use of knowledge about markets and customers in emerging markets were of particular interest in contexts including firm orientations, resources and capabilities. Relationships in the marketing comprise a robust and independent stream of theory in the marketing literature. Firm relationships have been shown to influence a range of marketing processes and are thought to be useful in creating marketing resources, for example, knowledge.

Methods

The development of theory is an important activity and also one appropriate to the use of an inductive pilot study (Eisenhardt, 1989). Qualitative theory building emphasizes the emergence of theoretical categories collected through qualitative methods (Glazer and Strauss, 1967). As such, it employs a replication logic rather than the logic associated with statistical random sampling (e.g. Ranft and Lord, 2002; Yin, 1994). Therefore, we used a multiple case study approach to develop the constructs and relationships that are largely undefined in the literature (Glazer and Strauss, 1967). In line with the theory building practices advocated by Eisenhardt (1989) and Glazer and Strauss (1967), the pilot study here consisted of three distinct phases. First, a through review of the literature was made to focus the researcher's efforts and develop a priori constructs relating to the appropriate domains (Eisenhardt, 1989). Next, to produce the multiple cases, a series of interviews were conducted to collect data, in the form of field notes, from members of the sampling frame. Finally, the interviews were analyzed with the intention of identifying both emergent themes and unique features in the interviews (Eisenhardt, 1989).

Sample

The sampling frame was constructed based on knowledge domains that appeared in the literature search. These knowledge domains were used to identify a theoretically appropriate sample (Eisenhardt, 1989). Specifically, we identified individuals with knowledge germane to the issues developed in the literature search at organizations with a strong interest in marketing their offerings to emerging markets. Thus, the study targeted managers at U.S. firms currently engaged in marketing to emerging markets and able to speak with authority on their firm's international marketing activities. Approximately twenty-five such managers were contacted to assess their availability and appropriateness for the study, and twelve were eventually interviewed for the study. Additionally, virtually all twenty-five managers contributed to this theory building exercise by discussing the study and its constructs in conversations lasting between fifteen and twenty-five minutes. The comments of these managers were noted and used to framed questions and highlight issues that appeared in the formal interviews.

We conducted formal interviews with 12 key managers who managed various aspects of the international marketing function for their respective organizations. The respondents were chosen on the basis of their job responsibilities, that is, managing some aspect of the international marketing function in emerging markets and their ability to speak with authority on their firm's international marketing efforts in emerging markets. The managers' experience reflected both long and short tenures in the roles that made them appropriate for the interview. Thus, the subjects were chosen as representative of the theoretical issues being examined rather than the entire range of managerial experiences of the sampling frame.

Consistent with a grounded theory approach, we employed an interview protocol that encouraged in-depth reflection on the theoretical underpinnings of constructs uncovered during the literature review (Glazer and Strauss, 1967). Most of the interviews were conducted in person; several were conducted by telephone. On average, the interviews lasted about 50 minutes, with some exceeding one hour. A summary of the subjects is shown in Table 2 (Appendix).

RESULTS

The interviews were recorded in field notes and subsequently content analyzed. The first step in content analysis was to analyze each set of field notes separately in the context of the broad domains developed out of the literature review. The statements of each subject were also grouped on the basis of relevance to the constructs of interest. The data then were compared across subjects to assess the generalizability of the constructs. Commonalities in terms of the proposed domains were noted and these common themes served as the basis for additional coding. The resulting data was useful for constructing the elements belonging to the general domains proposed as a result of the literature review.

Each of the proposed domains contained results of a confirmatory nature but also results that were unanticipated. We elaborate these results below, illustrated through examples taken from the interviews, to create a richer picture of the process of marketing in emerging markets.

Emerging Markets and Uncertainty

The interviewees were asked to comment on the distinctive nature of emerging market environments. Many researchers believe that the differences between locations are an issue of fundamental importance in international business. Emerging markets are regarded as more uncertain than the domesticated markets of developed nations because of institutional voids produced by lack of institutional development, government inefficiencies or market failures. Similarly, uncertainty is produced in emerging markets because firms lack the ability to manage information the way they can in developed markets where intermediaries and established relationships act as de facto institutions. This uncertainty is an important characteristic distinguishing emerging markets from developed markets and results in departures from strategies used in developed markets. Therefore, the interviews not only probed the differences between emerging markets and developed markets but also the institutional voids

The uncertainty associated with institutional voids was reflected in comments regarding a variety of environmental factors. Institutional voids in the legal environment in Brazil, for example, were addressed by the Vice President of RBDevice who described the customs clearing process in Brazil by saying "(our shipments) can clear fast, it just depends on how much you are willing to pay", implying that bribes are effective lubricants on occasion. Speaking about institutional voids in the regulatory environment of an Asian market, the Sun Fun manager described the effect of a sudden change in testing protocol "in an instant, companies were forced out of the market because they couldn't replicate their test results. Happened without any warning at all." Because these actions occurred without public comment and without consideration of industry accepted testing protocol, the Asian market was effectively disrupted, engendering significant uncertainty for marketers as a result of institutional voids in the regulatory environment.

The presence of institutional voids in economic and financial environments, for example, the lack of financing capacity in poor performing banking systems, was also supported by the data. Wood Exports, ChemAsia and Frontier Equipment described impediments to marketing success related to such factors. All of these organizations expended significant resources to arrange third party financing for their emerging market exports and this extra service, their capacity to arrange financing, was both a condition for participation in their respective markets but also a source of superior firm performance. In addition, ChemAsia hired staff to manage issues related to currency and payments from emerging markets, since fluctuating currencies had priced customers out of the market.

The managers interviewed all identified and commented on various distinctive differences between emerging markets and developed markets. In general, the managers viewed these differences, not surprisingly, as issues to be managed in a highly complex environment. A prime example of the complexity of the task of managing marketing relationships in emerging markets was the rapid pace of change described by several managers. For example, the ChemAsia manager made the comment regarding the market for industrial gases in Indonesia, "When we lost touch, were out of touch for a while, even a month, we found big changes … with our customers and we had to change things … we did too." When managers elaborated on this complexity, they described uncertainty about the markets in which they operated. For example, the NetSystems manager remarked, "I'm never exactly sure how customers will react (to promotions)." Similarly, the Integrated Transportation Manager described the uncertainty of doing business in Mexico this way "we're not sure when the (Mexican) market will develop, but we have committed to it anyway, with our office there". Such statements communicate the importance of learning how to navigate the complexities and uncertainties of emerging markets as well as the importance of deploying resources.

Substantive differences between the way that emerging markets and developed markets are perceived lend credence to the idea that different marketing approaches are required for success in emerging markets. The Sun Fun manager acknowledged these differences, saying "When I look around (at Brazil), I see just how different it is, different than other markets…even in South America. It's will take a long time…. a commitment to understand it all." Other comments revealed similar thinking regarding emerging markets, in particular that distinctive business practices are required for success in emerging markets. Since distinctive business approaches are associated with distinctive strategic logics, the following proposition is offered:

Proposition 1: The greater the uncertainty and complexity associated with emerging markets the greater the managerial perceptions that a strategic logic different from that used in developed markets is required.

Opportunity strategic logic

In the interviews, initial questions aimed to identify managerial perceptions of differences between emerging markets and developed markets. Follow-up questions attempted to assess the nature of the processes used to identify and exploit opportunities. Processes used to identify opportunities are thought to represent a cognitive component of strategic logic while those associated with exploiting opportunities through resource allocation are thought to represent a structural component.

As a group, managers tended to interpret markets as being regional in nature and opportunities as present in the context of multiple factors, including key partners, industrial clusters, populations, and specific buyers. Thus, opportunities were frequently perceived as possessing a sporadic, hit-or-miss quality. In many instances, this idea corresponded strongly with the idea of secondary or new markets. For example, Sun Fun, a marketer of sun care products, has much experience with markets in much of Latin America and the Caribbean, in part because of the past experience and cultural proficiency of the manager responsible for sales in those area. In Brazil, however, where this key manager had limited experience and cultural familiarity, the manager found it more efficient to devote his time to markets where his skills and knowledge brought more immediate results, despite the size and attractiveness of the Brazilian market for sun care products. For example, he made the comment regarding Sun Fun marketing efforts in Brazil "we're going there to try to scoop up some opportunities". While the manager expressed a desire to establish relationships in that market, his lack of past experience in the Brazilian market consigned the Brazilian market to secondary status. Such comments were echoed by other managers as well and exemplify the key task of identification of opportunities associated with opportunity strategic logic.

As a group, managers expressed a willingness to pay close attention to emerging markets perceived as important and unexploited. Both Integrated Transportation and Industrial Parts and Components identified specific programs designed to increase knowledge of uncertain environments. For Integrated Transportation, this took the form of investment in a Mexican subsidiary, while managerial training programs were the focus for Industrial Parts and Components. For other organizations, attention was focused on emerging markets in less formal means, e.g. tracking them in the press, through government publications, via industry trade organizations, and anecdotal accounts supplied by other managers. For example, one manager observed that he made annual visits to an Asian trade show in an industry unrelated to the core business of his company to monitor the developments in that region. Furthermore, these managers often saw opportunity discovery as having a cumulative character, that is, opportunity was recognized or discovered as a result of repeated exposure to the market. Despite this high level of attention, this process was consistently described in informal terms. For example, the RBDevice manager declined to fund a study on product preferences among Chinese medical professionals, "I don't need a research report (about China) because I know what it's like, I know what's happening in other countries there and I've seen it before." The implication here was that he had learned about the diffusion of technology in emerging markets through experience with other emerging markets. Such characterizations support the importance of learning, heuristics, judgment and managerial cognition in identifying emerging markets opportunities.

One of the implications of the cumulative character of the processes described above also reflects the creation dimension of opportunity strategic logic. For managers to "know what it's like", that is, to develop heuristics for evaluation of emerging markets, the firms that employ them must have a structure that permits the type of patience, autonomous action and risk taking that knowledge acquisition in emerging markets requires. Integrated Transportation, for example, located an office in Mexico, even though they have no customers there currently. This kind of exploratory action is characteristic of an entrepreneurial cultural type or orientation. The concepts of organizational culture and orientation were described by many of the managers, often directly.

A number of managers cited culture or orientation when describing the type of structure as necessary for success in emerging markets. For example, the Sun Fun manager cited his previous employment with a competitor who was acquired by much larger consumer products giant. He said, “when we were acquired, I spent six months teaching them how to do business globally, then just they fired me. A month or two, after that, they hired me as a consultant because they just didn’t have the ability to market in these places. And they never will, they’re too interested in control.” This overly rigid structure was regarded as a contrast to this manager’s current firm. Similarly, the president and founder of Frontier Equipment stated that his desire for autonomy and the knowledge of how to find opportunities lead to the founding of his company. Thus, the structure of many organizations is perceived by some executives as unnecessarily restrictive and, ultimately, produces less robust firm performance in emerging markets.

Interviewed managers identified similar characteristics that had developed over time to become core firm capabilities, as drivers of superior performance in emerging markets. As in the previous examples, the Net Systems manager also associated an entrepreneurial orientation, dating from the company’s inception, with success in emerging market activities, saying that it was necessary in their internet technology driven industry. Similarly, the RBDevices manager credited the fact that his organization had maintained a distinctive culture (specifically, they had resisted being “Pfizer-ized” by the firm’s previous owner) with their past success in emerging markets and their continuing strong performance under a new ownership group. In particular, entrepreneurial firm cultures gave these managers a greater capacity for action and encouraged important behaviors linked to marketing success, for example, persistence and aggressiveness in pursuing opportunities.

As a group, the interviewees substantiate the thinking that the firm’s strategic logic plays a key role in creating success in emerging markets. More particularly, these shared perspectives provide insight on what was required to successfully identify and exploit opportunities in emerging markets. Because the interviews lend credence to the proposed roles of managerial cognition and firm structure in creating a strategic logic conducive to realizing opportunities in emerging markets, the following proposition is advanced:

Proposition 2: The greater the firm’s capacity for (a) identifying opportunities and (b) deploying resources, the greater the likelihood of achieving success in emerging markets.

Marketing Resources and International Market Orientation

Many organizations attempt to achieve sustainable competitive advantages through the tacit and idiosyncratic resources that constitute the firm’s market orientation. Marketing resources, in particular, the firm’s international market orientation, are widely regarded as important drivers of firm performance. Emerging markets present particular challenges for firms that seek to create sustainable marketing advantages and the relationship between market orientation and emerging markets was examined in many contexts. The managers interviewed described several different types of relationships between marketing resources, and the firm’s international market orientation in particular, and success in emerging markets.

First and foremost, the managers interviewed used their firm’s market orientation to put their activities in international markets into the context of their firm’s performance. All managers said their firms recognized marketing as a key competency and vocalized this idea directly with some variation on the statement “my firm is a marketing organization” and linked superior marketing with superior firm performance in emerging markets. Furthermore, the majority of managers were able to find some element of their firm’s marketing strategy to identify as a core marketing competency driving emerging market performance. Several firms (e.g. NetSystems, SpecSteel,) identified innovativeness in terms of the firm’s product offerings as the source for superior performance; others (e.g. Frontier, SunFun, ChemAsia, Industrial Parts and Components) identified the firm’s ability to build relationships, while still others (e.g. RBDevices, SpecSteel, Industrial Ventilator) credited the firm’s ability to serve distinctive markets.

For example, the NetSystems manager linked her firm’s competitive advantage to her firm’s ability to innovate, saying “we’re the leaders, we’re on the edge and we do a good job of staying ahead”. The SpecSteel manager made a similar attribution, citing the firm’s research function with keeping it ahead of Asian competitors. Thus, these firms’ ability for translating innovation into to the form of products was perceived as a key for marketing success. Similarly, managers at firms identifying relationship based assets as key drivers of success spoke about how working closely with partners drove success. Industrial Ventilation, for example, considered trusted relationships built up over years of working with specific partners as a key to firm performance and a prime motivator for locating a licensee in China was being close to their market. The Industrial Parts and Components manager identified understanding customers and customer relationships as a key to success in Mexico and Central America, and the firm’s ability to be physically present in those markets as a particularly important feature of their success. Success in developing close working relationships in Latin America was also perceived as a source for advantages by the Sun Fun manager, for example, he said “after doing this for thirty years, I pretty much know everybody. I’ve built personal relationships and personal is what counts. They rely on me.” Serving a well-defined customer niche is also a source of marketing success. For example, the RBDevices described their research and development function as an important front-end link in their firm’s value chain that permitted them to deliver a range of products for urologic applications unmatched by competitors. The idea that market orientation is a source for firm competitive advantages is consistent with theoretical perspectives on market orientation. However, respondents also depicted a dynamic dimension to the firm’s market oriented resources.

As noted previously, managers associated a capacity for autonomous action with emerging market performance. This capacity was frequently associated with marketing decision-making and the idea that rigid marketing policies constrained performance rather than enhancing it. The Managing Director for Sun Power, for instance, said, the ability to change trade promotions and offer more attractive discounts was: “…huge. It helped a lot with our numbers and when they (domestic managers) saw, that ended the idea that we were freelancing and cutting deals”. There were many practices viewed as essential to emerging market marketing success that were clear departures from domestic strategies. Managers perceived these departures from established practices as calculated actions designed to achieve organizational goals. The ability to support marketing efforts with trade financing was seen as a driver of marketing efforts for ChemAsia and Frontier Equipment. Without sources of third party financing, sales could “dry up” (ChemAsia) and became a strategic focus of the firm’s marketing efforts. Other such practices were judged as necessary for maintaining profit margins or partner relationships, for example, shipping an emergency order to a dealer without a letter of credit, a standard requirement for the firm (Sun Power). In such boundary spanning cases, the manager's actions took on the qualities of an investment in relationship-based resources.

The tacit nature of these sources of marketing success was rarely acknowledged directly, however; the characteristics as described clearly fit the description of tacit resources. The statements of the Sun Fun manager above reflect the value and rarity of professional knowledge and experience in emerging markets, a common theme throughout these interviews. This was a key finding since many view managerial knowledge as an important firm resource. These findings also serve to stress the point that firm flexibility and responsiveness are important drivers of success in emerging markets, drivers that are linked to managerial knowledge.

Thus, the capacity of these managers to skillfully manage the policies and practices of their organizations, but also the relationships and marketing activities in emerging markets, was a key resources used to create marketing success. On the basis of this observation:

Proposition 3: The greater the managerial knowledge of (a) how to build relationships and (b) how to adapt marketing policies and practices, the greater the prospect for marketing success in emerging markets.

Limitations and Future Research

As a research method, qualitative methods are frequently criticized, for example, as lacking in validity and reliability. Here, qualitative methods were used in an exploratory context with the intent to build empirical models based on managerial perceptions of emerging markets. While the concepts explored in this case analysis were developed from an extensive review of pertinent literature and every attempt was made to draw conclusions inductively, there is no assurance that they accurately reflect managerial thinking. For instance, certain managers may have difficulty communicating their perceptions or may not have knowledge of the topic. Also, there may be many factors that influence managerial perceptions other than those discussed. That is, there may be important factors that were not revealed in the interview process or in the literature review.

Since this qualitative study was intended to exploratory in nature, the implications for a future empirical work are of interest. Subsequent research of an empirical nature might depart from the findings above to create an empirical model. Such a model might explore the relationships between the different types of firm strategic logics and the firm's knowledge creation processes, for example. It might also explore how particular strategic logics are used to create capabilities that are particularly suited to certain environments, for example, the uncertain environments of emerging markets. Similarly, it might also examine the combinations of resources used to create such capabilities.

CONCLUSION

This qualitative study examined managerial perceptions of firm strategic logics, international marketing orientation in the context of emerging markets. There are many observations that have implications for managers. One critical implication is that the firm's willingness to act under conditions of uncertainty is a more important driver of firm performance in emerging markets than in developed markets. The rapid decision making and persuasiveness associated with described above may help managers to more effectively take advantage of opportunities identified in emerging markets, which tends to imply more autonomous decision making in emerging markets may be more effective. Furthermore, the notion that emerging markets require managers that are less risk averse also has implications, for example, in firm hiring and training practices. It may also imply that managers with global mindsets are less likely to perceive high levels of risk in emerging markets. Another critical implication for managers relates to the importance of the firm's market orientation. Notably, the firm's international market orientation and related marketing competencies are important drivers of firm performance in both Developed and emerging markets. This may mean that firms have well-established tacit sets of marketing resources that may be effectively deployed in both emerging and developed markets.

Over the past decade, the attractiveness of emerging markets as target for marketing (as well as scholarly) efforts has increased dramatically. Superior firm performance in emerging markets may require the development of competencies that few firms may possess. That is, the existing sets of marketing competencies associated with success production and failure prevention may be sufficient to create advantages in developed markets, however in emerging markets, characterized by a high degree of uncertainty, competencies associated with opportunity identification and resource exploitation may work better. In emerging markets, new competencies and new combinations of firm resources may be required to recognize new opportunities, organize firm resources, develop relationships and commit to move on the opportunity with sufficient alacrity.

REFERENCES

Ahuja, G and Lampert, C. 2001. Entrepreneurship in the large corporation: A longitudinal studyof how established firms create breakthrough inventions. *Strategic Management Journal*, 22: 521-543.

Arndt, J. 1979. Toward a concept of domesticated markets *Journal of Marketing*, 43(4): 69-79.

Atuahene-Gima, K. and Ko, A. 2001. An empirical investigation of the effect of market orientation and entrepreneurship orientation alignment on product innovation, *Organization Science*, 12 (1), pp. 54-74.

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1): 99-120.

Bettis, R.A. and Prahalad, C.K. 1995.The Dominant Logic: Retrospective and Extension. *Strategic Management Journal*, 16(1);pp.5-14

Bingham, C and Eisenhardt, K. 2008. Position, Leverage and Opportunity: A Typology of Strategic Logics Linking Resources with Competitive Advantage. *Managerial and Decision Economics*, 29:241-256.

Covin, J., & Slevin, D. 1989. Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(January): 75-87.

Day, G.S. 1994. The capabilities of market-driven organizations. *Journal of Marketing*, 58(October): 37-52.

Dew, N., Velamuri, R., and Venkataraman, S. 2004. Dispersed Knowledge and an Entrepreneurial Theory of the Firm. *Journal of Business Venturing*. 19 (5):659-679

Easterly, W. 2006. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good.* New York, NY: Penguin Books.

Eisenhardt, K. M. 1989. Building theories from case study research. *Academy of Management Review*. 14:532-550.
Eisenhardt, K. M. 1999. Strategy as strategic decision making. *Sloan Management Review*, 40(3): 65–72.
Eisenhardt K., and Martin J.A. 2000. Dynamic capabilities: what are they? *Strategic Management Journal* 21: 1105–1121.
Glaser, B., and Strauss, A. 1967. *The Discovery of Grounded Theory: Strategies for Qualitative Research*. New York: Aldine.
Grinstein, A. 2008. The relationships between market orientation and alternative strategic orientations: A meta-analysis. *European Journal of Marketing*, 42(1/2): 115-134.
Gupta, A, & Govindarajan, V. 1993. Cultivating a Global Mindset *The Academy of Management Executive*, 16(1): 116-126.
Hurley, R.F., & Hult, G.T. 1998. Innovation, market orientation, and organizational learning: An integration and empirical examination. *Journal of Marketing*, 62(July): 42-54.
Johnson, J., Lee, R., Saini, A. and Grohmann, B. 2003. Market-Focused Strategic Flexibility: Conceptual Advances and an Integrative Model. *Journal of the Academy of Marketing Science*.31(1) 74-89
Kahneman, D. and Tversky, A. 1979. Prospect Theory: An Analysis of Decisions Under Risk. *Econometrica* 47 (2): 263–291.
Kandemir, D., & Hult, G.T. 2005. A Conceptualization of an Organizational Learning Culture in International Joint Ventures. *Industrial Marketing Management*, 34 (5): 440-446.
Khandwalla, P. 1977. *The Design of Organizations*. New York: Harcourt Brace Jovanovich.
Khanna, T. and Palepu, K.G. 1997. Why Focused Strategies may be Wrong for Emerging Markets. *Harvard Business Review* 75(4): 41-51.
Khanna, T. and Palepu, K.G. 1999. Policy Shocks, Market Intermediaries, and CorporateStrategy:Evidence from Chile and India. *Journal of Economics and Management Strategy* 8(2): 271-310.
Khanna, T. and Palepu, K. 2000. The future of business groups in emerging markets: long-run evidence from Chile. *Academy of Management Journal* 43(3): 268-285.
Khanna, T. and Palepu, K. 2002. Multinationals as Global Intermediaries, Harvard Business School: Boston, Harvard Business School Note No. 703-428.
Khanna, T. and Palepu, K.G. and Sinha, J. 2005. Strategies that Fit Emerging Markets. *Harvard Business Review* 83(6): 63-74
Knight, G., & Cavusgil, S.T. 2004. Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(2): 124-41.
Kogut, B., and Kulatilaka, N. 2001. Capabilities as Real Options. *Organization Science* 12 (6): 744-758.
Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3: 383–397.
Kogut, B., & Zander, U. 1993. Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation. *Journal of International Business Studies*, 24(4): 625-45.
Kohli, A., & Jaworski, B. 1990. Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, 54(April): 1-18.
Leonard-Barton, D. 1992. Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*,, 13: 111-125.

London, T. and Hart, S. 2004. Reinventing Strategies for Emerging Markets: Beyond the Transnational Model. *Journal of International Business Studies*, 35 (5): 350-370

Lord, M. and Ranft, A. 2000. Organizational Learning About New International Markets:
Exploring the Internal Transfer of Local Market Knowledge, *Journal of International Business Studies*, 31 (4), 573–89.

Mahajan, V. and Banga, K. 2006. *The 86 Percent Solution: How to Succeed in the Biggest Market Opportunity of the Next 50 Years*. Upper Saddle River, NJ:Wharton School Publishing/Pearson Education.

McKee, D., Conant, J., Varadarajan, P.R., & Mokwa, M. 1992. Success-producer and failure-preventer marketing skills: A social learning theory interpretation. *Journal of the Academy of Marketing Science*, 20(1): 17-26.

Miller, D., & Friesen, P. 1984. *Organizations: A quantum view*. Englewood Cliffs, NJ: Prentice-Hall.

Narver, J., & Slater, S. 1990. The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4): 20-35.

Nelson, R.R., & Winter, S.G. 1982. *An evolutionary theory of economic change*. Cambridge, MA: Belknap Press.

OECD, 2008. *Forum for small and medium enterprises (SMEs)*, Organization for Economic Cooperation and Development, Paris.

Porter, M.E. 1980. *Competitive Strategy*. New York: Simon and Schuster.

Prahalad, C.K. 2006. *The Fortune at the Bottom of the Pyramid.* Wharton School Publishing. New Jersey.

Ricart, J, Enbright, M., Ghemawat, P. Hart, S. and Khanna, T. 2004. New Frontiers in International Strategy. *Journal of International Business Studies*, 35 (3): 175-200

Schumpeter, J. 1934. *The theory of economic development.* Cambridge University Press: Cambridge, England

Schumpeter, J. A. 1942. *Capitalism, socialism and democracy.* Harper & Row: New York.

Simon, Herbert. 1996. *Sciences of the Artificial* (3rd ed.). MIT Press: Cambridge, MA.

Slater, S.F., & Narver, J. 1992. Market orientation, performance, and the moderating influence of competitive environment Working Paper. Cambridge, MA: Marketing Science Institute.

Slater, S., & Narver, J. 1994. Does competitive environment moderate the market orientation performance relationship? *Journal of Marketing*, 58(January): 46-55.

Slotegraaf, R., Moorman, C., & Inman, J. 2003. The Role of Firm Resources in Returns to Market Deployment Journal of Marketing Research, 40(3):295-309

Teece, D.J., Pisano, G., & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7): 509-33.

APPENDIX

Table 1. Emerging Market Uncertainty Resulting From Institutional Voids

Context	Advanced Economies (USA/EU)	Emerging Market (e.g. China, India, Brazil)	Resulting Uncertainties
Product Markets	•Intellectual Property Rights and Trademark Protections •Efficient distribution of information regarding products	•Ambivalent attitudes about Intellectual Property Rights and protection •Little dissemination of information	•R&D investments may not yield competitive advantages because of uncertainty regarding enforcement •Uncertainty regarding product performance and content
Brand Marketing	•Trademark Protections	•Ambivalent attitudes about Intellectual •Property Rights and protection	•Imitation and piracy mean investments in brand building may not create advantages because of uncertainty regarding enforcement
Political Institutions	•Rule of law and fair enforcement of contracts •Limited Bureaucracy with government checks and balances •Low levels of government regulations	•Corruption is widespread •Stifling Bureaucracy and rampant abuses of power •High levels of government regulation	•Uncertainty regarding legal outcomes and contract enforcement, •Uncertainty regarding timing and processes required for business functions (e.g. permitting) •Uncertainty regarding the ability to perform routine business functions, e.g. implicit preferences for local businesses
Financial Institutions	•Strict disclosure rules •Strong monitoring by industry and other regulatory authorities	•Lax disclosure rules •Weak monitoring by bureaucrats	•Uncertainty regarding the financial standing of companies, customers, partners •Uncertainty regarding the financial standing of companies, customers, partners

Table 2: Description of Case Study Subjects

	Industry/Product	Title/Function	Size (in annual sales)	Yrs with Company	Yrs. International Experience
RBDevice, Inc.	Medical Devices,	Vice President, General Manager, Asia Pacific and Latin America	$ 520 million	25	25
NetSystems International	Information/telecom equipment	International Promotions Manager, Middle East	$ 8 billion	2	8
SpecSteel Company	High performance Steel	Director, International Operations	$200 million	10	30
Integrated Transportation Company	Transportation related Products	Director, International Sales	$9 billion	8	3
ChemAsia, International	Chemicals	Director, Asia Sales	$100 million	5	12
Wood Exports	Manufactured Wood Products	Sales Manager	<$10 million		
Frontier Equipment Exports	Heavy Equipment	President	<$10 million	6	12
Industrial Ventilation Corporation	Construction Products and Services	Vice President, Marketing	$20 million	12	34
Sun Fun Protector	Consumer Products	Vice-President, Global	$60 million	1	32
Sun Power, Inc.	Energy Related products	Managing Director, Latin America	<$10 million	1	25
Auto Intelligence, International.	Information Publishing	President	$688 million	22	22
Industrial Parts and Components	Construction and Manufacturing	Regional General Manager International.	$3 billion	20	6