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International Marketing Strategies of Emerging Market Firms: Nature, Boundary Conditions, Antecedents, and Outcomes

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Abstract

Purpose – The main objectives of this special issue are to: (1) publish scholarly works that extend knowledge on the drivers, consequences and boundary conditions of international marketing strategies employed by emerging market firms of all sizes and types; and (2) advance a narrative for future research on emerging market firms’ international marketing activities.

Design/methodology/approach – To achieve this agenda, we invited scholars to submit quality manuscripts to the special issue. Manuscripts that addressed the special issue theme from varied theoretical perspectives and methodological approaches were invited.

Findings – Out of 70 manuscripts reviewed, seven are eventually accepted for inclusion in this special issue. The papers touched on interesting research topics bothering on international marketing practices of emerging market firms using blend of interesting theoretical perspectives and variety of methods. Key theoretical perspectives used include resource-based theory, internationalization theory, institutional theory and corporate visual identity theory. The authors employed unique sets of methods including literature review, surveys, panel data, and process-based qualitative and case-study enquiries. The authors used some of the most advanced analytical techniques to analyze their data.

Originality/value – This introduction to the special issue provides a review of the extant literature on the international marketing strategy of emerging market firms, focusing on summarizing key empirical contributions on the topic over the last three decades. Subsequently, we discuss how each article included in this special issue helps advance our agenda to develop scholarly knowledge on emerging market firms’ international marketing strategy.

Keywords: Emerging markets, international marketing strategy, internationalization, institutions, resources
Introduction

The world is experiencing a dramatic shift in economic activity from businesses located in industrialized economies of North American and Western Europe to emerging economies (Bruton et al., 2013; Bortoluzzi et al., 2014); to the extent that the last three decades have witnessed significant influence of emerging market firms on scholarly discourse on international marketing (Bortoluzzi et al., 2014). Emerging markets constitute countries that have low-income but that have undergone rapid economic growth in recent years (Bruton et al., 2013; Wright et al., 2005). These economies are largely concentrated in Asia, Latin America, Africa, the Middle East, China and transition economies of former Soviet Union and South-Eastern Europe (Hoskisson et al., 2000). In view of the rapid economic outputs from firms in these markets, scholarly discourse on international marketing has accordingly shifted to incorporate the behavior of emerging market firms. In this direction, researchers are now beginning to challenge long-held international marketing concepts and theories developed to explain phenomena in developed markets of Western Europe and North America. A contention is that business environment conditions in emerging markets are unique and are in constant flux, with firms competing in and out of those markets deploying unique set of marketing strategies never seen before in the developed world (Wei et al., 2014; Govindarajan & Ramamurti, 2011).

Against this background, emerging market studies (e.g. Webb et al. 2009; Prahalad and Hammond, 2002; North, 1990; Hart, 2005; Karnani, 2007; George et al., 2012) have proposed that institutions and consumption pattern in emerging economies are key considerations as these contextual factors may influence development and outcomes of firms’ marketing strategies. For example, Webb et al. (2009) argue that institutions, defined as “relatively stable structures that guide expectations and determine socially acceptable actions and outcomes in society” (p. 547) may shape emerging market firms’ marketing strategies. It is contended that formal (e.g. codified laws and regulations) and informal (e.g. tribal rules, norms, values and beliefs) institutions and their...
enforcements can shape the marketing strategies formulated by a firm operating in emerging markets (Hart 2005).

Along this line, there is an argument that important differences in levels of institutional development across developed and emerging market economies implies that current understanding of marketing activities as they apply to developed market firms might not sufficient to fully capture the marketing strategy processes deployed by emerging market firms (see also Ofori-Dankwa and Julian, 2013 on the institutional difference hypothesis). This stream of research argues that significant institutional differences exist in terms of variations in formalised laws, regulations and enforcement approaches. Differences also exist in informal institutions such as norms, values and beliefs across both settings. These differences are argued to reduce firms’ ability to interpret signals from the local environments: for example, because informal institutions are highly embedded in local business exchanges in emerging markets, the complexities and the dynamics involved can be it increasingly difficult non-emerging market firms to accurately detect and manage local market expectations, handing significant local knowledge advantages to firms originating from emerging market (Govindarajan & Ramamurti, 2011; Wei et al., 2014).

Furthermore, it has been contended that infrastructural underdevelopment in many emerging markets makes such markets sparsely distributed, making mobility and communication across such markets less efficient. An implication is that broad market intelligence generation activities (as in traditional notion of export/international market orientation) may fail to capture the nuances of local market conditions in many emerging markets. Specific local market needs may be overlooked by non-emerging market firms (Govindarajan & Ramamurti, 2011); again creating a situation where innovative products/services are pioneered and adopted in emerging markets and exported to developed markets in what is now referred to as reverse innovation (Radjou, Prabhu & Ahuja, 2012; Viswanathan et al., 2010).

The underdeveloped infrastructural challenges facing both emerging market and non-emerging market firms competing in emerging markets is also related to institutional challenges,
which can be very severe in many respects (London and Hart, 2004). To this, the notion of institutional void has been introduced to explain underdeveloped formal institutions and infrastructure, and how this void can significantly affect how firms implement their marketing activities in emerging markets. For example, because formal institutions are poorly developed, there is a difficulty in enforcing contracts and property rights in courts, subsequently increasing cost and failure rates of new product development activities in emerging markets (De Soto 2000). Further, given the high levels of impairment of legal institutions, firms’ relationships with customers, suppliers and employees tend to be governed by informal social contracts, which can be very difficult to quantify (Arnold & Quelch, 1998; Wu, 2013). To mitigate the enormous void in this environment, firms tend to use local community leaders (or local opinion leaders) to disseminate information about products and services (Acquaah, 2012). Product endorsement by local kings, chiefs and priests becomes a typical marketing practice in emerging markets. Additionally, because purchasing power in these markets are largely low, customers are more likely to postpone (or even avoid) consumption of new products that risk customers’ short-term economic viability. To overcome this challenge, firms tend to rely on frugal marketing strategies, focusing on doing more with less to deliver affordable products and services to consumers (Basu et al., 2013; George et al., 2012). By implication, marketing strategy development tends to be more improvisational, with a greater propensity to be spontaneous and intuitive than the traditional planning based approach to marketing strategy development (Sheth, 2011).

An additional unique feature of emerging markets are conditions of great market uncertainty; to the extent that firms operating in such markets face severe and unpredictable market conditions that often threaten their very survival (Bruton et al., 2013). Money is hard to come by in such markets given those markets’ poor capital markets and history of subsistence consumption (Viswanathan and Rosa, 2007). Market oriented principles are yet to take root in such markets as many are still in transition after several years of running centrally-planned economies (Manolova et al., 2008). Firms competing from such markets face conflicts with their more developed host
country governments and capital markets due to concerns about the nature of emerging market firms’ marketing (and financial) transparency (The Financial Times, 2012; Wall Street Journal, 2006). There is also concern that these firms receive disproportionate protection and preferential resource allocation from their home governments to support their international marketing efforts (Rugman et al., 2014).

These unique features of emerging market environment conditions suggest that how international marketing is undertaken in emerging markets might be very different from what we already know in developed markets. An implication is that international marketing theory needs recalibrating to account for emerging market conditions that may shape the nature, boundary conditions, antecedents, and outcomes of international marketing strategy best practices in emerging market firms.

Despite these unique characteristics of, and dynamics in, emerging markets, and the emergence of scholarly works on international marketing activities of emerging market firms to inform mainstream scholarly discourses (Acquaah, 2007; Kriauciunas et al., 2011; Walumbwa et al., 2011), we still know relatively little about how international marketing strategies are undertaken by emerging market firms (Barney and Zhang, 2009; Tsang, 2009). Accordingly, the main objective of this special issue is to bring together a host of conceptual, empirical and case study research to enrich scholarly understanding of how conditions in emerging markets help explain the nature, boundary conditions, antecedents, and outcomes of international marketing strategies of firms in such markets. The call generated significant interests from scholars around the world with manuscripts received not only from scholars in emerging/developing countries, but also from scholars located in developed countries with research interests in the strategies of emerging market firms. Following workshops in several scholarly meetings aimed at boosting interest in the topic, seventy manuscripts were received, out of which twenty were given full double-blind review. Eventually, seven papers were accepted for inclusion in this special issue. The articles included in
this special issue went through at least three rounds of revision, in addition to the workshop feedbacks.

The manuscripts looked at variety of issues connected to the central theme of the special issue. Among these are studies that examined international marketing activities of micro-businesses, small and medium-sized enterprises, and large multinational enterprises, very much capturing the composition of businesses in emerging markets. Interestingly, while extant literature assumes that state-owned enterprises are dominant players in emerging markets, none of the accepted manuscripts investigated firms taking state-ownership form, perhaps explaining the growing transition of many emerging markets to market-based economy. All seven studies examined privately-owned enterprises. Variety of topical issues were studied, ranging from marketing-related orientations of emerging market firms, institutional issues bothering on emerging market firms and the local market conditions influencing the degree and consequences of international marketing activities pursued by these firms. In the section that follow next, we deliberate on the extant literature on emerging market firms’ international marketing strategies and the papers included in this special issue to extend scholarly and managerial thinking while simultaneously contributing to mainstream international marketing knowledge.

**Scholarly Insights on International Marketing Strategy of Emerging Market Firms**

In evaluating the extant literature on the international marketing strategy of emerging market firms, we focus on empirical contributions on key drivers and outcomes, enabling us examine the extent to which the manuscripts submitted to the special issue helped advance scholarly knowledge on international marketing strategy. Specifically, our assessment of the international marketing literature shows that prior empirical studies have focused on issues bothering on standardization versus adaptation of marketing strategies, market orientation, export marketing strategy, foreign market entry modes, organizational innovation, foreign investment strategy, market penetration and acquisition strategy, ownership structure, and export/international resource management strategies.
Our conclusion is that only few scholarly works have been done on the relevant drivers and contingencies of how emerging market firms develop and leverage their international marketing strategies. It seems that most previous studies have focused on using aspects of international marketing strategy (e.g. market orientation and marketing programs adaptation strategy) to predict different components of international performance (e.g. export market performance and export intensity). In the two sections that follow next, we make an attempt to discuss the key antecedents, outcomes and conditioning variables that have been examined in previous studies reviewed.

**International Marketing Strategy Drivers**

Scholarly research has examined a limited number of potential drivers of international marketing strategy in emerging market firms. While variables studied vary, managerial characteristics, firm behavior, industry and institutional environment forces have individually and/or jointly been studied as drivers of international marketing strategy. For example, Dwairi et al. (2007) examine both top management emphasis (managerial characteristics) and interdepartmental connectedness (firm structure) as drivers of market-oriented strategy of Jordanian banks. Furthermore, these authors find that market and technological turbulence moderate the effect of these managerial and organizational characteristics on marketing strategy.

Foreign/export market entry strategy is another international marketing strategy predicted in many emerging market studies. For example, Uhlenbruck et al. (2006) focus on predicting emerging market firms’ foreign market entry strategy, and find that perceived corruption in emerging markets drives emerging market multinational enterprises to rely on non-equity and partnering strategies to expand to other emerging markets. Similarly, a cross-country study of Indian, Vietnamese, South African and Egyptian multinational enterprises indicates that perceived market inefficiencies and institutional development variables drive firms from these markets to use less risky entry modes to expand to emerging markets (Meyer et al., 2009). Specifically, in weaker institutional regimes, joint venture modes of entry are widely used, while in stronger institutional setting, acquisitions and
Greenfields modes of entry are more frequently used to expand to emerging markets. Therefore, the level of development of an emerging economy’s institutions directly influences market entry strategy of emerging market firms. While these works are encouraging starts for scholarly efforts to enhance understanding of the drivers of international marketing strategies of emerging market firms, certainly more work needs to be done in this area (we discuss this issue further on a later of this article).

**International Marketing Strategy Outcomes**

International marketing strategy outcomes has been the most widely studied research theme in the emerging market marketing literature. Researchers have drawn on several theoretical lenses and methodical perspectives to identify international marketing strategy variables as well as organizational behavioral, and task and institutional environment variables to explain changes in the performance of emerging market firms. While some of the studies explicitly identified and argued for an emerging market perspective of the international marketing strategy and environment variables studied, others took a generic international marketing research approach aiming to develop or test a universal theory using an emerging market data.

For example, the degree of international marketing strategy adaptation/standardization and the extent to which this strategy impacts on export performance of emerging market firms feature prominently in many studies. However, it seems that there are remarkable differences in the conclusions reached by researchers on this issue. For example, Zou et al. (1997) examine 51 Colombian manufacturers and observe that standardized core product and pricing strategy influences export intensity (a measure of export performance). However, their study further shows that export intensity is reduced at high levels of peripheral marketing strategy standardization (e.g. customer service). In line with Zou et al.’s study, Aulakh et al (2000) find that adapting core marketing mix variables to host country needs enhances export performance. Similarly, Lee et al. (2003) observe that export performance is enhanced when Korean firms pursue product adaptation
strategy. An interesting study is Brouthers et al.’s (2005) study of the marketing strategy of Chinese and Romanian exporting firms. These authors find that when firms pursue overseas strategies that are in line with the predominant marketing strategies in the host market, performance is enhanced. It seems therefore that depending on the type of marketing program variable adapted/standardized studied, the literature reveals conflicting findings on the benefits of marketing strategy adaptation/standardization.

Beyond the marketing strategy adaptation/standardization issues studied, emerging market scholars have examined different international/export strategic orientation practices of emerging market firms. In this direction, Tan (2002) observe that Mainland Chinese, Chinese American and Caucasian American firms adopt similar strategic orientations such as innovation, proactive, risk taking, futuristic and competitive aggressive orientations, with each having a unique effect on the firms’ performance. However, the perception of environment conditions in Mainland China varies across Chinese-American and Caucasian-American firms. As such, Chinese firms are more willing to take greater risks than Chinese-American and Caucasian-American firms. Additionally, Boso et al (2012) focuses on the entrepreneurial and market orientations of exporting firms in Ghana, and find that a strategy focusing on a joint implementation of export entrepreneurial-oriented and market-oriented behaviors helps enhance export product innovation performance in emerging markets.

Other studies have focused specifically on product innovation strategy as a driver of export performance. For example, Li et al (2001) examine 184 new high-technology firms in China and find that product innovation strategy drives new technology venture performance, especially when local institutional support is strong. Li et al. (2009) take this line of research further and explore how innovation clusters helps explain product innovation performance of indigenous manufacturing firms in China. The authors show that greater research and development efforts drive product innovation success when firms in emerging market have greater access to innovation clusters.
Extensive work has also been done on how market-oriented strategy drives the performance of emerging market firms. Appiah-Adu (1998) study 78 Ghanaian firms and find that market orientation does not have a direct impact on sales growth or return on investment. However, market orientation is positively related to return on investment when the task environment is less competitive and dynamic. Similarly, Subramanian and Gopalakrishna (2001) examine how market orientation influences organizational performance in Indian firms. They find that variability in competitive intensity, supplier power and market turbulence does not change the positive effect of market orientation on organizational performance, which to a large extent contradicts Appiah-Adu’s (1998) findings. It seems, therefore, that the influence of task environment factors on the market orientation-performance relationship is market-specific, and therefore deserved an additional scholarly research. A more interesting finding is that market orientation has no direct link to performance of Chinese exporters (Ellis 2005). It seems therefore that while some may argue that enough knowledge has been garnered on the benefits of market orientation as it applies to exporting/internationalizing firms, consensus is still lacking on potency of market orientation in driving performance of emerging market firms.

In view of the informal business environment within which emerging market firms operate, researchers have sought to explain how social capital processes may help explain variability in the performance of emerging market firms. In this direction, Acquaah (2007) examines 106 Ghanaian firms and find that social capital developed from managerial ties help enhance the firms’ performance (see also Wu, 2013). These earlier studies also find that generic strategies (such as low-cost, differentiation, and hybrid strategies) are potent moderators of the relationship between managerial ties and performance of emerging market firms.

**Articles Included in this Special Issue**

Table 1 summarizes the articles included in this special issue. The seven articles included in this special issue examined aspects of the conceptual domain of international marketing strategy, with
some authors focusing on its key drivers and consequences within the unique context of emerging market environment. In addition, some authors focused on understanding contingencies of the drivers as well as the outcomes of the international marketing strategy concepts, examined within emerging market contexts. Notable characteristics of the articles are that each is developed in a unique manner, with variety of theoretical and methodological approaches adopted. Specifically, the articles draw from different theoretical perspectives including internationalization theory, resource based theory, and institutional theory. While majority of the studies draw on survey data, a few others relied on panel data, multiple case studies and literature review to contribute to international marketing strategy scholarship from an emerging market standpoint.

For example, Bortoluzzi, Kadic-Maglajlic, Arslanagic-Kalajdzic and Balboni (2017, this issue) draw insights from internationalization theory and survey data from exporting firms in South-Eastern Europe to enrich knowledge on how innovativeness of developing economy exporting firms explains variability in the scope of international expansion. The authors find that product innovativeness and organizational innovativeness have a J-shaped relationship with international expansion, challenging conventional wisdom that firm innovativeness is directly associated with international business growth.

Oyedele and Firat (2017, this issue) delve into the issue of the institutional complexities in emerging markets and their implications for the international marketing strategies pursued by emerging market firms. Using a unique blend of qualitative and case study enquiries of multinational enterprises in three emerging markets, the authors find that foreign firms implement marketing strategies under complex tribal rule conditions. They argue that a strategy for navigating these complex tribal rules revolves around developing knowledge of tribal networks, an understanding of the common interests of such networks, a co-creation of commonality of interests and goals as well as an assimilation of tribal leaders into firms’ strategy formulation and implementation processes. The authors conclude that marketing strategies that put premium on co-creation of commonality of interests and goals and a tendency to absorb political risk environment
perspective into strategy formulation are stronger drivers of performance than traditional standardization/adaptation and relationship marketing strategies.

He, Brouthers, and Filatotchev (2017, this issue) also touched on two major institutional forces and their role in conditioning the effect of emerging market firms’ strategic posture on export performance. In drawing insights from resource-based and institutional theories, and survey data from Chinese exporting firms, the authors investigate how emerging market exporters can leverage their market-oriented capabilities when facing institutional distance in export markets. The study shows that stronger market-oriented capabilities help boost export performance when emerging market firms utilize hierarchical channels to export to a more institutionally distant export markets.

Nyuur, Brečić, and Debrah (2017, this issue) investigate a more nuanced institutional issue: domestic network structural attributes, and their role in driving emerging market firms’ strategic innovation and adaptation strategies in host markets. Using primary data from 263 SMEs in Croatia, a transition and emerging Eastern European market, the study finds that domestic network informality strengthens the effect of domestic network centrality on international innovation strategy. In addition, the study finds that domestic network informality weakens the effectiveness of domestic network density in boosting levels of international strategic adaptiveness and innovation.

The final institutional variable examined in this special issue is the notion of foreign subsidiary corporate visual identity (Rao-Nicholson, Liou, and Sarpong, 2017, this issue). The authors of this article use panel data on 330 cross-border acquisitions from firms in Brazil, China, India, Russia and South Africa to show that formal institutional and economic distance increase the likelihood of corporate visual identity change in subsidiary firms during post-acquisition period. In addition, the study reveals that cultural distance that requires soft skills such as cultural adaptability from emerging market firms decreases the possibility of corporate visual identity change.

In moving away from institutional forces, Morgan and Miocevic (2017, this issue) draw on organizational learning theory to examine how an interplay between operational capabilities and entrepreneurial opportunities impacts on exporting SME’s growth. The authors examined survey
data from 117 SME exporters in Croatia and find that export opportunity recognition capacity and international opportunity exploitation rates serve as a channel through which market-sensing capabilities drive export growth. A more interesting finding from this study is that increases in the rates of international opportunity exploitation contribute more to export growth when exporting SMEs have highly developed adaptive and innovation capabilities.

A unique article is a literature review study by Mellahi, Surdu, and Glaiste (2017, this issue) on the international equity-based entry mode of emerging market firms. This article assessed 73 empirical studies drawn from international business, management and marketing journals to propose that there is a need to cross-fertilize firm-specific factors and home country institutional influences in the study of entry mode strategies of emerging market multinational enterprises. This article is unique in the sense that it helps broaden scholarly perspective on international market entry strategy by showing that when it comes to studying international market entry mode strategies, the emerging market multinational enterprise literature is no different from the more established literature on developed market multinational enterprises. The authors argue that the traditional theoretical perspectives such as transaction cost economics and resource-based theories, are applicable to emerging market context and that with the few exceptions, the conclusions drawn from studies of international entry mode strategies of emerging market multinationals using institutional theories are not exclusive to emerging market firms.

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**Conclusion and Future Research Avenues**

The core objective of this special issue is to advance scholarly insights into the notion of international marketing strategy, with attention directed to the distinctive nature of the construct, its drivers, outcomes and boundary conditions pertaining to emerging market firms. The articles discussed in this introduction and the manuscripts included in this special issue present a range of research themes using a variety of theoretical foundations and methodological approaches to tackle
the depth and breadth of research agenda on emerging market firms’ international marketing strategies. While the articles included in this issue and those previous works analyzed in this introductory article have highlighted major research questions on how marketing strategy is practiced in emerging market firms, we provide a list of research topics that we believe needs additional scholarly attention.

First, one research question that was explored by Sheth (2011) in his Journal of Marketing conceptual piece is how marketing strategy can be implemented in largely subsistent economies. It is no secret that subsistence consumption is still prevalent in many emerging markets and it is refreshing that firms in these less developed markets are innovating in a remarkable manner to the extent that the notion of frugal innovation strategy and reverse innovation strategy have made their way into the marketing lexicon. Along this line, Radjou, Prabhu and Ahuja (2012) introduced the Jugaard innovation concept to conceptualize the idea of how emerging market firms can think frugal and act flexibly to introduce breakthrough innovations. Under-researched questions include: what are the key organizational and environmental (industry and institutional) forces that give rise to adoption of frugal and reverse innovation strategies by emerging market firms? To what extent has such breakthrough innovations from emerging market firms made their way to developed markets and what have been their success rates?

Second, Oyedele and Fırat (2017, this issue) and Acquaah (2012) discussed the critical role of tribal laws and norms in emerging markets, to the extent that these networking-related processes common in most emerging markets are expected to shape emerging market firms’ marketing strategy formulation and implementation activities. What is currently lacking is a large scale study of the potency of tribal laws and norms in influencing marketing strategy development in emerging markets, and how emerging market firms are incorporating the opinions and perspectives of local tribal leaders in their marketing strategy formulation and implementation. While the ability to develop an extensive database of such an informal networking process in largely informal societies remains difficult, it is our hope that the foundation laid in this special issue will motivate other
scholars to make efforts to obtain data to help undertake formal testing of the effect of tribal laws and norms on marketing strategy.

Third, despite promising trajectories on international marketing strategy research on emerging market firms, an unresolved issue is the question of the extent to which international marketing activities of emerging market firms are truly emerging market originated. Are the international marketing strategies deployed by emerging marketing firms really different from the strategies followed by developed market firms?

Fourth, scholars, the global press as well as major national governments continue to talk about how emerging markets are rapidly growing and are quickly becoming the engine of global economic growth. An unanswered question is whether emerging market firms are equipped enough to handle with the growing entry of foreign businesses to emerging markets to take advantage of the growth opportunities in these markets. In this direction, attention has been directed to the recurrent issues of emerging market’s inadequate infrastructure, sparse human capital, weak business-supporting institutions, perennially low corruption index, protectionist regimes, and heterogeneous socio-cultural landscape. In terms of marketing strategy development and implementation effectiveness, two important research questions are: how do these forces drive emerging market firms’ international marketing strategy development and/or condition the effectiveness of these firms’ strategy? Do these variables provide emerging market firms with competitive advantage (or disadvantage)? We believe that efforts by international marketing scholars to theoretically explore and empirically examine these questions can help bring international marketing strategy perspective to the emerging market economy growth dialogue.
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