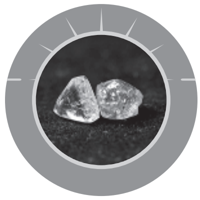

1

An Overview

Better a diamond with a flaw than a pebble without one.

—Chinese proverb

Part of our western outlook stems from the scientific attitude and its method of isolating the parts of a phenomenon in order to analyze them.

—Arthur Ericson

The method of the enterprising is to plan with audacity and execute with vigor.

—Christian Nestell Bovee

How do real-world diamonds get their value? Part of it derives from their scarcity, but a host of other factors ultimately determines the extent to which a particular gem is prized. Rough diamonds are painstakingly cabbed, cut, and polished to remove infirmities, an intricate and rigorous process that leaves the diamond even more valuable than before. In this study, we employed a similarly rigorous method that involved numerous screening tests, comparison groups, and field interviews to help reveal the true value of the dynamic companies we examine in this book. This chapter details how we compiled our list of rough diamonds, and how they generate their value from internal (strategic) and external (market) factors.

Before Mindray Medical International sprang to life in 1991, the competitive landscape for the medical equipment industry in China resembled most other nascent technology markets in the country. Collections of foreign multinational brands dominated these sectors, trading off their considerable international reputation for quality and value. Yet despite the challenges, Mindray's leadership saw opportunities to take advantage of its local proximity, differentiate its products through a focus on innovation, and trade on its unwavering commitment to quality.

Based on its relationships with physicians and officials at local hospitals, the company targeted its research and development efforts and started focusing on being the first Chinese company to market home-grown, high-quality products. It started producing a string of Chinese firsts: the first Chinese-made blood-oxygen monitor, the first multiparameter monitor, and the first automatic blood cell analyzer. Mindray then turned around and emphasized the uniqueness of what it offered. It tapped into domestic pride by touting its locally manufactured products, and it offered its products at prices lower than those charged by the foreign brands. The differentiation advantage that had once been a strength for multinational firms largely vanished.

Mindray never lost its focus on innovation and quality. ''Mindray holds the belief that very early innovation is our growth path,'' said Hang Xu, the company's president. ''Quality is the door to our life.'' This commitment, which helped Mindray establish itself as a young company, now is helping the company continue its considerable growth. As of 2012, the company owned nine R&D centers around the world, including facilities in China, Seattle, New Jersey, and Stockholm. The same company that built on its home-grown reputation now has a global presence, and it has become one of the dominant brands in the Chinese medical equipment market by reversing the local bias from foreign products to domestic ones.

Mindray's story, largely unknown around the world, typifies a new, up-and-coming generation of private companies that's transforming markets in Brazil, Russia, India, and China—the BRIC nations. While these prized, high-growth markets have drawn keen interest from multinational companies, business journalists, and academics from virtually every corner of the global economy, this new crop of exemplary companies has emerged largely outside the glare of that spotlight. Yet they're posting incredible growth rates and offer an illuminating look at how companies, both foreign and domestic, can find new opportunities in these dynamic markets.

We call these companies *rough diamonds*. Although their prior growth has instilled an inherent value in their business, much like a diamond has an inherent value before it reaches the skilled hands of a gemologist, these companies are not flawless. They constantly burnish themselves against the difficulties and opportunities within the markets they serve. As Hang Xu of Mindray notes, "The medical equipment industry is different from those industries with a natural entry barrier—market and regulatory—of which none exists in the medical equipment industry . . . Therefore, we need to compete [with well-established competitors] to win the battles."

Yet much like Mindray Medical International, these rough diamonds have already taken on an unmistakable shine.

IDENTIFYING THE ROUGH DIAMONDS

We started our search for rough diamonds with a simple premise: identify the highest-performing private companies in the BRIC countries close to over a ten-year period from 2000 to 2009. (We focused on private companies because other types of firms, such as state-owned enterprises, might pursue other goals, such as administrative tasks.) Although the goal was straightforward enough, reaching it required a much more arduous process. All told, we put hundreds of companies through a rigorous screening, employing multiple tests with increasingly strict standards, ultimately culling down the field to the finest collection of corporate gems.

This identification process relied primarily on a five-step process (which we describe in greater detail in the appendix). 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 put the hundreds of high-performance private companies that made the first cut through a more detailed, multitiered set of screens, including comparisons with comparable firms in the 2009 Top 500 in their countries and an in-depth frontier analysis, which is a way to evaluate a company's resource allocation efficiency.

Companies that met those standards advanced to the third step, in which we employed secondary data sources to help generate a template for what our rough diamonds should look like. And finally, for the fourth test, we hit the road to conduct extensive field interviews with leaders of many of the selected firms, building our understanding of their strategy, history, and potential.

With that, we had our preliminary list of rough diamonds, but we wanted to make sure we didn't lose an especially remarkable rough diamond because the technicalities of our process hid them from view. So we consulted with Ernst & Young on the validity of the data we used and solicited their expert feedback on the companies' management and strategic prowess. Based on this assessment, we added five firms, one in Russia and four in India, that field experts regarded as the best companies in their sectors.

And there you have it: after closely inspecting hundreds of companies and personally visiting dozens of them, we finally mined the seventy most promising rough diamonds: sixteen Chinese firms, sixteen Russian firms, twenty-two Indian firms, and sixteen Brazilian firms (table 1.1).

THE HIGH PERFORMANCE OF ROUGH DIAMONDS

Taken collectively, these seventy rough diamonds outperform not only competing firms within their respective BRIC countries but comparable firms in the global Top 500 list. In fact, as a group, these rough diamonds posted significantly higher sales growth and return-on-assets ratios than a broad range of other companies, including the top twenty-five manufacturing firms in their home countries, in the United States, and around the world (table 1.2).

Compared with the market leaders in their countries, the rough diamonds' growth rates are impressive. Consider the rough diamonds in China. Their ten-year average growth rate of 61.83 percent suggests that sales doubled every eighteen months. The average time it took rough diamonds in Russia (1.69 years), India (2.33), and Brazil (2.97) to double their sales was no less extraordinary. Equally important, this growth has not come at the expense of profitability; in all cases, the average return on assets was greater than the comparable

TABLE 1.1 The Rough Diamonds in the Study

Name	Industry	Average Efficiency*	Average Growth†	Average Profit‡	Market Rank§
China					
Anhui Yingliu Group	Precision steel casting	0.38	62.76%	10.41%	2
Beingmate	Baby products	0.43	77.23	7.75	5
Dongying Transis Textile	Textile	0.35	40.19	10.10	6
Hanking Group	Iron smelting	0.41	54.80	7.10	6
Hebei Risun Coking Group	Coking	0.41	64.24	8.28	7
Jinluo Group	Meat products	0.61	68.94	12.69	6
Jinglong Group	Solar photovoltaic	0.61	90.42	17.90	4
KTK Group	Locomotive parts	0.38	62.57	11.13	3
Linyang Group	Smart electric energy meters	0.47	68.05	9.14	1
Mindray Medical International	High-tech medical equipment	0.84	42.74	29.51	1
Qinghua Refractories	Refractory materials	0.51	75.12	9.34	1
Shandong Kingenta	Chemical fertilizer	0.36	58.95	7.43	3
Molong Petroleum Machinery	Oil and gas field machinery	0.37	56.62	11.35	1
Shengli Oilfield Highland	Petroleum exploring equipment	0.76	49.79	7.95	1
Wellhope Agri-Tech	Animal feed processing	0.57	41.17	10.90	1
Xiwang Group	Starch and starch products	0.41	68.18	6.88	2
Russia					
OZNA	Oil and gas equipment	0.37	37.32%	12.86%	6
Komsomolskaya Pravda	Publishing, printing, and equipment	0.37	35.00	9.88	1

MLVZ	Distilled and blended liquors	0.49	51.44	18.81	3
Sitronics Telecom	Telephone and telegraph apparatus	0.56	67.00	11.14	2
Sady Pridonya	Canned fruits and vegetables	0.70	75.00	25.45	3
TAVR	Sausages and other prepared meat	0.47	53.52	8.13	1
Topkinskii Tsement	Cement, hydraulic	0.72	44.89	23.58	4
Mordovtsement	Cement, hydraulic	0.46	36.68	19.45	2
MIUZ	Jewelry, precious metals	0.54	38.41	22.45	4
Velkom	Sausages and other prepared meats	0.68	75.00	12.50	3
NEP LL	Roasted coffee	0.42	36.00	11.47	1
Niiefa–Energo	Relays and industrial controls	0.49	37.03	14.90	3
Furniture Factory Maria	Furniture manufacturing	0.41	69.73	8.37	2
United Metallurgical Co.	Steel pipes and tubes	0.45	36.86	22.43	2
Slavyanka Plyus	Candy and other confectionery	0.57	62.00	13.53	2
Vimm-Bill-Dann Napitki	Canned fruits and vegetables	0.46	54.00	8.37	1
India					
Amara Raja Batteries	Storage batteries	0.45	27.10%	15.47%	2
Amtek India	Automotive components	0.50	42.60	29.40	6
Bombay Rayon Fashions	Cloth	0.54	70.04	13.20	3
Chettinad Cement	Cement	0.45	19.00	25.00	8
Godawari Power & Ispat	Power-driven hand tools	0.47	66.73	15.79	1
Lakshmi Machine Works	Textile machinery	0.49	17.85	15.61	1
Parekh Aluminex	Aluminum and aluminum products	0.65	37.77	13.39	4

(*continued*)

TABLE 1.1 (*Continued*)

Name	Industry	Average Efficiency*	Average Growth†	Average Profit‡	Market Rank§
Parle Biscuits	Bakery products	0.74	19.29	14.91	1
Ratnamani Metals & Tubes	Steel pipes and tubes	0.41	34.59	13.77	2
Sudhir Gensets	Motors and generators	0.50	29.00	14.00	5
Tata Metaliks	Pig iron	0.64	31.56	15.18	2
Thermax	Boilers and turbines	0.76	22.94	12.11	1
Vijai Electricals	Power, distribution, and transformers	0.54	38.57	14.98	1
Biocon	Pharmaceutical preparations	0.57	28.21	28.50	8
Sun Pharmaceutical	Pharmaceutical preparations	0.68	25.33	36.61	5
Godrej Consumer Products	Household and personal care products	0.99	33.32	19.54	8
Asian Paints	Paints, varnishes, and allied products	0.45	23.14	14.66	1
Sintex industries	Plastic products	0.50	46.93	18.34	6
Tata steel	Steel pipe and tubes	0.47	80.29	25.39	1
Hindalco industries	Primary production of aluminum	0.44	52.68	23.51	1
Titan	Watches and clocks	0.33	30.56	10.19	3
Marico	Household and consumer products	0.45	20.67	12.08	7
Brazil					
Açotubo	Steel pipe and tubes	0.68	32.23%	8.82%	2
Arezzo	Women's footwear, except athletic	0.66	41.23	10.10	2
Berneck	Special industry machinery	0.50	21.72	20.84	3

CBC Cartucho	Small arms ammunition	0.83	21.42	7.75	1
Cinpal	Iron and steel forgings	0.56	23.48	21.90	2
Ciser	Bolts, nuts, screws, rivets, and washers	0.58	24.05	14.21	2
Itambé	Cement, hydraulic	0.70	24.19	47.80	7
Coniexpress	Canned fruits and vegetables,	0.56	21.77	6.09	1
Esmaltec	Household cooking equipment	0.62	40.52	9.46	1
Forjas	Small arms	1.00	23.86	11.77	1
Renner	Women's, misses', and juniors' outerwear	1.00	25.81	9.21	1
Magnesita	Nonclay refractories	0.98	22.52	9.57	1
Natura	Perfumes, cosmetics, and toiletries	0.81	30.31	19.54	1
Randon	Truck trailers	0.89	25.70	12.80	1
Schulz	Air and gas compressors	0.99	24.06	6.05	1
WEG	Motors and generators	0.84	25.82	18.99	1

*The efficiency score is computed as the distance from the optimal allocation of resources using frontier analysis: the higher the score, the higher the efficiency.

†Growth in sales over the study period.

‡Growth in profit margin over the study period.

§Rank is determined by market share.

¶Due to data availability, the profit rate covers the period 2004 to 2009

TABLE 1.2 Comparison of Rough Diamonds and the Top Twenty-Five Manufacturing Firms

	Average Sales Growth	Average Return on Assets*
Chinese rough diamonds	61.83%	16.01%
Chinese top twenty-five	41.10	7.27
Russia rough diamonds	50.62	21.36
Russia top twenty-five	20.62	8.83
India rough diamonds	34.72	19.80
India top twenty-five	31.02	8.82
Brazil rough diamonds	26.36	15.41
Brazil top twenty-five	37.75	4.34
U.S. top twenty-five	8.50	8.84
Worldwide top twenty-five	9.45	4.92
Fortune 500	12.90	3.70

Note: The time period for China and Russia is ten years; for Brazil, seven years; and for India, nine years.

*Given that the comparative group comprises manufacturing firms, return on assets was used as the appropriate measure.

groups of companies. In fact, the rough diamonds in three countries collectively outperformed the comparable top twenty-five manufacturing firms in terms of both sales growth and profitability. (Brazil was the lone exception: Brazilian rough diamonds tend to be older firms, so their maturity tends to limit their opportunities for sales growth. However, the core competencies these same companies built over their longer histories have produced considerably higher profits.)

No matter how we sliced the comparisons, even when up against the archetype of business achievement, the Fortune 500 list, these companies collectively posted greater numbers for growth, profitability, and a range of other measures (table 1.3). Simply put, the rough diamonds have already transformed the

TABLE 1.3 Comparison of Rough Diamonds and Top 500 Firms (ten-year averages)

Variable	Top 500 Firms (Mean)	Rough Diamonds (Mean)
China		
Capital (natural logarithm of million US dollars)	11.82	11.41
Employees (natural logarithm of the number of employees)	7.60	7.47
Age (years)	15.63	15.31
Efficiency	0.33	0.47
Sales growth	39.44%	61.83%
Return on assets	11.25%	16.01%
Profit margin	6.71%	10.96%
Market share	1.61%	1.96%
Russia		
Capital	9.52	9.22
Age	29.31	18.36
Efficiency	0.33	0.51
Sales growth	29.63%	50.62%
Return on assets	10.83%	21.36%
Profit margin	6.59%	15.21%
Market share	5.98%	4.29%
India		
Capital	3.20	3.56
Age	33.48	25.59
Efficiency	0.40	0.55
Sales growth	16.99%	34.72%
Return on assets	9.04%	19.80%
Profit margin	11.27%	18.26%
Market share	9.56%	15.90%[a]
Brazil		
Capital	4.31	4.78
Age	31.67	49.60
Efficiency	0.50	0.77

(*continued*)

TABLE 1.3 (*Continued*)

Variable	Top 500 Firms (Mean)	Rough Diamonds (Mean)
Sales growth	21.15%	26.36%
Return on assets	7.79%	15.41%
Profit margin	5.34%	14.68%
Market share	3.18%	6.55%

Note: The market shares of Chinese and Russian firms are calculated based on almost the whole population of firms in each industry. The market shares of Indian and Brazil firms are calculated by CMIE and ORBIS data sets that do not fully reflect the industry structure.

competitive landscape in the BRIC markets. Those changes will become all the more remarkable in the coming years.

THE EVOLVING LANDSCAPE IN THE BRIC COUNTRIES

To get a better sense for how dramatic a transformation these rough diamonds are generating, it helps to first understand the remarkable changes already occurring in developing countries. For decades, the industrial landscape in most emerging economies was dominated by state-owned enterprises and heavily regulated companies. Only in the past two decades has the confluence of three key factors—market liberalization, technological advances, and globalization—accelerated the integration of more emerging economies into the global economy.

In the early 1980s, state-owned enterprises and regulated exporters drove almost all the global initiatives coming from most of these developing markets. To be sure, these state-owned companies will remain a fixture in many emerging markets for the foreseeable future. But as these countries started liberalizing their markets and privatizing seminal industries, the influence of profit-driven, efficiency-focused, and market-oriented private companies started driving a new era of economic development. Bereft of significant assistance and resources from a central government, these private firms had to be more entrepreneurial and less conventional, often resembling attributes of the breakout start-ups in developed economies.

In that context, this new wave of rough diamonds offers a unique view not only of the ongoing evolution of emerging markets around the world, but how these firms and markets compare and contrast with developed economies and top global companies (box 1.1).

Like any other broad assessment, this one comes with a caveat: assessing the performance of private firms in emerging markets is a daunting task. First, reliable data are hard to come by. Stock markets in emerging markets are newly developed and not well regulated. As a result, questions arise about the accuracy and, given recent scandals about stock price manipulation and insider trading in some markets, the legitimacy of financial market data.[1] The second challenge is the limited number of publicly listed companies. Chinese stock exchanges, for example, list only about two thousand of the millions of firms operating in the country. To account for these limitations, we used more conservative accounting measures than the financial market data typically used in studies of developed economies.

ROUGH DIAMONDS PROPEL EMERGING MARKETS

Despite the challenges that emerging markets can present to businesses inside and outside those countries, the population and economic growth rates in these countries make

Box 1.1 How Entrepreneurship Is Different in Emerging Markets

The word *entrepreneur* has been around since at least the early 1700s, but the theoretical underpinning for how we regard the term today stemmed from the work of twentieth-century Austrian economist Joseph Schumpeter. Schumpeter argued that the entrepreneur is the agent of change and dynamism in market capitalism. Because entrepreneurs engage in new ventures, he said, they invariably disrupt the existing order. Without what Schumpeter famously called ''creative destruction,'' growth would be limited, and capitalism would stagnate.

The attributes of today's entrepreneurs have become a common vernacular across political boundaries: visionaries, risk takers, tireless, passionate, irreverent, tenacious, game changers, and so on. The terms conjure up images of luminaries in a broad range of industries. Steve Jobs, Fred Smith, Sergy Brin, Phil Knight, Sam Walton, Ingvar Kamprad, Soichiro Honda, Percy Barnevik, and Pierre Omidyar: all of them embody these characteristics.

So how do entrepreneurs from emerging markets differ from their well-publicized counterparts in developed countries? They do, of course, share many of the same attributes. However, the context within which they exert their creative energies necessarily influences their entrepreneurial strategies and tactics. We found that the leaders of the rough diamonds excelled at several things that entrepreneurs in developed markets rarely face (or deal with in vastly different circumstances):

- *Nurturing close relationships with government*. Rough diamonds are private firms, but this did not dissuade them from working closely with the public sector.
- *Establishing relational capital*. Rough diamonds work extensively with their contacts and networks, partly for accessing capital and partly for assistance in their business ventures.
- *Turning disadvantages into advantages*. Not unlike their counterparts in developed countries, rough diamonds are game breakers. But in emerging markets, entrepreneurs often manifest that by entering niches in established or maturing markets.
- *Being creative late, but also as early entrants*. What appears contradictory actually makes sense to rough diamonds; indeed, they are late in

terms of entering markets with established incumbents, but they're early in that they aggressively tackle markets with still undefined or evolving demand.

- *Avoidance of publicity*. Rough diamonds generally eschew uninvited visibility and attention.

them too promising for companies to resist. The prominence and promise of Brazil, Russia, India, and China have already spurred a new quest to identify the next set of surging markets and breakout nations. BRIC has been joined by a whole parade of acronyms; just the sound of ''Next-11,'' ''CIVETS,'' and ''VISTA'' hints at some untold potential for growth.[2] The telltale book titles already embedded in the business lexicon—*Breakout Nations, Growth Map*—invite the same interest and heighten expectations even further.[3]

Given the sluggish world economy in 2012, however, a new line of the story started to pop up. While pundits see new growth in emerging markets as the key to a global recovery, questions about the sustainability of their economic expansion, currently projected to outpace developed economies by 3.5 percent, remain unanswered.[4] Can those soaring rates be sustained into the future? Will companies still be able to find new opportunities going forward?

These emerging economies will continue to grow and offer rich business opportunities. But their ongoing development will rely in large part on rough diamonds and companies like them. All told, we examined more than 105,000 companies throughout the BRIC countries. The revenues and profits of the seventy rough diamonds we identified grew faster, and in a more sustainable manner, than the rest. Even beyond the specific lessons we can learn from their experiences, it's clear that these companies are opening up economic opportunities across entire emerging markets.

GROW, AND GROW ALIKE

These exemplary firms don't exist to help their national economies expand. They've done plenty to capitalize on the booming home markets too. Few have done that as successfully as Yonghua Lu, who founded the Linyang Group in 1997. At the time, Lu was a successful manager of a computer firm, earning an annual salary of more than 1 million RMB (about $160,000). But when he learned that a joint venture he had recommended, a little proposal called Linyang Electronics, had lost about 1 million RMB and was teetering on the edge of bankruptcy, he decided to give up his comfortable job and revive the project. He quit and bought out the equity shares of the joint venture.

It was a risky decision. The fledgling firm had no technology, no capital, and no customers. Undaunted, Lu bought a second-hand van and traveled extensively throughout China, exploring patterns in consumer demands and weaving them into his new vision for Linyang. By the end of the first year, he had the kernel for his first big product launch: Lu predicted that many aspiring households in China would want to upgrade their electric meters. He built a smart, single-phase electronic meter that clicked with the country's rising middle class. Linyang was a success.

By 2004, Lu was noticing a new pattern emerging with China's increasing affluence and growth and steered the company toward a new market—one with great potential but still largely untested: solar energy. The soaring growth of China's infrastructure that followed the move proved his new venture, Linyang Solarfun, was yet another timely response to the demands of a growing market. In just two years, Linyang Solarfun's revenue reached $60 million, and on December 21, 2006, it went public on the NASDAQ exchange, raising $150 million. Not content to sit on his laurels, Lu sold all of his shares in 2010 and has since entered another promising industry: power storage. For all that Lu gained from China's remarkable ascension over the past fifteen years, his ability to identify new opportunities proves that it takes much more than a soaring economy to find success in these emerging markets.

BEYOND EXEMPLARY FIRMS, WHAT IS REALLY DIFFERENT?

Studying the distinctive characteristics of exemplary firms might not strike some readers as especially novel. After all, a number of bestselling books have already done this exercise for firms in both developed and emerging markets. In most cases, the characteristics that set exemplary young companies apart tend to be quite similar from country to country. For example, the strong up-and-coming firms tend to focus on strategic planning, market development, and relentless implementation no matter which market they call home.

So what is really different about this study? Rather than look solely at the factors that drive the growth of exemplary businesses, we delved into a subject of deep interest to keen observers of emerging markets: how these rough diamonds sustain their growth over time. Any emerging market might be of particular interest at a certain time, but observers will question whether it can sustain growth and prosperity.

Pundits and politicians typically view sustained growth through a historical lens, emphasizing macroeconomic projections that are tied to past performance. Emerging markets are expected to maintain growth as long as the economic drivers that underpinned their past performance remain stable and continue to expand. However, this approach fails to fully capture the complexities of many institutional developments, such as improvements in education, legal systems, or infrastructure. They emphasize quantitative growth, not systemic development (box 1.2.).[5]

We adopted a different approach for this study, one that specifically focuses on sustainable growth from the standpoint of new and evolving players. Like great sports franchises, development is graded not on one game's performance but on the organization's ability to develop exemplary players who can win over the long haul. The sustained performance of the rough diamonds portends not only the future growth of emerging markets, but the future development of a dynamic, vibrant, and resilient economy over time. It is systemic in that it facilitates an analysis of exemplary firms over a long period of time. Moreover, because exemplary firms over time tend to be embedded in supportive institutions, we view development in both quantitative and qualitative terms, providing a platform for examining how development can be both systemic and synergistic in an emerging market economy.

The many rough diamonds profiled throughout this book offer remarkably varied stories of success that encompass individual endeavors as well as institutional development. They provide a different set of lenses for understanding sustained growth and high performance. Yet by looking at rough diamonds as a group, we can start to identify common patterns that can benefit companies of all stripes. Collectively, their remarkable growth tends to emerge from a progressive sequence of four primary strategies.

We call them the Four Cs.

Box 1.2 What Is ''Development'' in an Emerging Market Economy?

The potential of emerging markets has spawned numerous treatises about what actually qualifies as one. Based on an extensive review of the literature, the SKOLKOVO Business School–Ernst & Young Institute for Emerging Market Studies distilled the following characteristics:

- *Rapid growth*. Distinctly faster growth rates distinguish emerging markets from the developed ones. While developed economies grow at an average of roughly 2.5 percent a year, emerging markets can grow as much as two or three times this rate, depending on which forecasting source is cited. Typically an annual growth rate of 5 percent is the standard for emerging markets.
- *Relatively lower economic development.* Compared with established economies, emerging markets are still in the process of development. Hence, market and capitalistic institutions are not as adequately developed, and governments are generally more interventionist during this transitional process.
- *Potential for continued high growth*. Not all emerging markets exhibit the rates of growth associated with fast-growing economies, but they have the observable potential to realize such levels in the foreseeable future. Hence, emerging markets also present propitious opportunities for growth as they evolve into more developed economies.

While critics will debate this point, we believe that emerging markets also exhibit a greater likelihood to establish and nurture property and human rights and become more capitalistic in orientation. Without these institutions, many experts argue, development will be stunted and future growth limited. When viewing growth in this context, development in emerging markets tends to be systemic and synergistic over time.

Sources: Adapted from William T. Wilson and Nicolay Ushakov, ''Brave New World Categorizing the Emerging Market Economies — A New Methodology,'' SKOLKOVO Emerging Market Index (February 2011, June 2012). Sources cited in this report in support of the arguments include Eden Lorraine, ''The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity?'' in *Rise of Transnational Corporations from Emerging Markets*, ed. Karl P. Sauvant (Northampton, MA: Edward Elgar Publishing, 2008); Khanna Tarun, Krishna G. Palepu, and Richard J. Bullock, *Winning in Emerging Markets: A Road Map for Strategy and Execution* (Boston: Harvard Business Press, 2010); Sunje Aziz and Civi Emin, ''Emerging Markets: A Review of Conceptual Frameworks,'' in *Proceedings of the First International Joint Symposium on Business Administrator: Challenges for Business Administrators in the New Millennium* (Canakkale Onsekiz Mart Universitz, Silesian University, Gokceade Canakkale, Turkey, 2008); and Dilip K. Das, *Financial Globalization and the Emerging Market Economies* (London: Routledge Taylor and Francis, 2004).