

Doing Business in Emerging Markets – Risks, Opportunities and Practice

The acronym BRICs – Brazil, Russia, India and China – was one of the most well-known buzz words of the first decade of the twenty-first century, and seems all set to continue into the next. Now, in 2012, the concept has gained add-ons – first of all the ‘s’ has grown from a mere plural into inclusion of another country – South Africa – and the use of ‘beyond’ suggests that there are even more countries on the threshold of becoming BRICS. The **N-11** – a raft of countries waiting in the wings – is also widely discussed as offering economic growth prospects worthy of consideration by investors and business people worldwide (glossary items are shown in bold – see Glossary for definitions).

Yet, this observation alone is not necessarily enough to justify another book on one of the hottest topics of the decade. There is a vast literature and wealth of internet-based sources on the financial and economic development and future prospects of these countries and the **emerging market multinationals** becoming established there. There is a multitude of academic analyses of the evolution of these markets, with detailed enquiries into trends, including how the **Emerging Market Index** often outstrips the performance of companies in developed countries, including the **G7** itself. Many consulting firms produce booklets with useful regulatory information,

facts and figures and tips and hints about operating in specific locations. But relatively few texts profess to provide the kind of up-to-the-minute blow-by-blow insights available from such on-the-ball media as *The Economist* and the *Financial Times*. These sources provide daily and weekly updates but tend to be thrown away and almost forgotten in the rapid pace of business life, and, as newspapers, sometimes get overtaken by events.

BRICS and Beyond: Risks and Opportunities for Western Business in Emerging Markets aims to distil many months of reading all the latest news from daily and weekly **emerging markets** reports, alongside a wealth of hitherto mostly tacit knowledge gained from living and working in the **BRICS and beyond** for nearly thirty years. After being a journalist, consultant, trainer and teacher in India, many Asian countries including China, the Middle East, Africa, the former Soviet Union countries and South America, I felt that many books and guides to doing business in emerging markets included material that seemed rather obvious or was fairly superficial – or they were so academic that practitioner-oriented readers would find them interesting but not immediately useful.

Now, as an MBA teacher, my students, who are mostly learning part-time whilst working, want real insights into the issues involved in dealing with these countries – from the point of view of **developed countries** doing business with the BRICS and beyond, and these countries doing deals with each other. They are also looking for material that relates to specific courses within their MBA studies – such as Country Risk in International Business, Corporate Governance and CSR, Cross-Cultural Management, Marketing, Entrepreneurship, Strategy and so on. This book has been written with them in mind, as practical business leaders looking to be savvy about risks as well as well-informed about opportunities, and to gain insights from fellow practitioners who have been there before.

This might be another differentiator – I have tried to steer a middle course between doom-saying cynicism about business prospects in the BRICS and beyond and overly-naïve optimism about making

millions overnight. Most practitioners have no illusions that they could lose their shirts – and many have already – yet they press on. Meanwhile the optimism and excitement about the ‘two billion arm-pits’ represented by the opening-up of the China market has given way to more rational calculations of prospects and more sober risk analysis.

Thus, the chapters in this book are grouped into three parts – Risks, Opportunities and Practice. Chapter 2, Country Risk, focuses on one of the greatest challenges for external investors and foreign business people, that of the powerful involvement of governments in most of the BRICS and beyond. This can be particularly arbitrary and unpredictable – or at least it often seems that way to outsiders. Chapter 3, Corporate Social Responsibility, looks at ethics, **transparency** and **governance** in emerging markets – which can present a completely new and worrying experience for those with limited experience of the developing world. Business Culture, Chapter 4, considers the challenges of cross-cultural management and of managing people in emerging markets. Culturally-oriented behaviours are hard to generalize, but there are some useful guidelines to follow and assumptions to avoid. The **globalization** of products and services are making the world a smaller place, but perhaps it’s an appreciation of the differences rather than the similarities that counts.

In case these chapters tend to suggest that doing business in the BRICS and beyond is more trouble than it’s worth – the opportunities are unavoidably attractive for those willing to think in quite a different way. Chapter 5, Marketing, looks at the possibility of implementing new marketing ideas both inbound and outbound from emerging markets – both sides can learn from each other, especially as developing economies now account for more than half of global consumption, and many developed countries are deep in financial recession. Chapter 6, Entrepreneurship and Innovation, reviews technology and new business ventures in emerging markets and suggests that the developed world no longer monopolizes the

source of new business ideas – if it ever did. Again, this is another learning opportunity for those willing to put aside old prejudices.

Finally, the third part of the book focuses on the experiences in practice of companies from the BRICS and beyond – and the businesses seeking to work with them. These are discussed in terms of Strategy and Operations (Chapter 7) and Strategic Alliances (Chapter 8). Many of the decisions made on both sides defy explanation, but they all contribute to the conclusions, overall insights and pointers to the future in the last chapter, Lessons for Global Business.

Each chapter is divided into different sections, each of which provides practical material for the international business person that can also be used as separate case studies for MBA students. Lessons at the end of each chapter are followed by Workshop Activities and Worked Examples, corresponding to each of the sections. Business people in the field will be able to add their own ‘war stories’, many of which smack of *Lonely Planet*-type experiences.

Working in the BRICS and beyond has given the world a new vocabulary, much of which is introduced in the Glossary section. What if you hear that the world’s new **anchor economy’s chameleon-like** and **anonymous** companies are leading the world in **disruptive innovation** despite **institutional voids**, whilst its biggest rival **creatively adapts reverse innovation to springboard** into **multipolar vertical integration**? And what if you are accused of **corporate imperialism**, yet warned against **cannibalizing your cash cow** whilst you are **reconnoitring for adversaries**? This terminology needs to be cracked, if only to keep up with boardroom and AGM conversations, if not on the golf course and in the club bar – to say nothing of during the long-haul flight and on the ground in the BRICS and beyond.

Finally, many books on this subject of developing economies and emerging markets spend numerous pages struggling with a definition of which countries they are talking about, and which countries should or should not be included. This book prefers to keep it simple, taking from *The Economist* an inclusive rather than

exclusive definition, based on what the BRICS and beyond are not. *The Economist's* definition of developed economies based on 1990 data includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. The BRICS and beyond are, basically, every other country – it may be just a matter of time before their business prospects emerge.

