

The effects of international business strategy in emerging markets



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The increase in the continuous growth of the emerging markets, in particular the four major countries Brazil, China, India, and Russia, are the largest emerging markets (LEMs) which face challenges and offers immense opportunities to the international business growth however in the recent times it has shown an increasingly fierce competitiveness internationally of these economies now pose a challenge for the economies of the world. The challenges are evident in the form of increase in the commodity prices, rising food cost, growing outward investment and acquisition the largest emerging markets firms, with its direct impact on insecurity in jobs and growing inequality of income in developed and developing nations hence creating a need for restructuring the international institutions to reflect the shifting balance of economic power in the world economy. The growing recession in the west and the reliance on selective protectionism on a rise are impacting the prospects of the emerging economies of the world.

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Theoretical aspect

This research aims at formulating the scope of the international strategy by analysing the current situation of the economy's and the theories applied by different theorists on the emerging nation in the past taking into consideration the degree of their effectiveness into account and postulating new perspectives and dimensions to it. The analysis of the early phase of the market emergence, Institutional theory helps in comprehending the impact on the enterprise strategies this is due to the strong influence of the government in the emerging economy's to that of developed economies. The role of institutional theory is reviewed in context to the other theories and their interactions in understanding the emerged and the developed market economies.

Institutional theory

This theory emphasizes on the influence of surrounding system organisation that shapes the social and organisational behaviour (Scott 1995). The important role of an institution in an economy is to reduce information and transaction cost by building a stable structure to facilitate interaction by reducing uncertainty. Suhomlinova (1999) found that government institutions influence had a negative impact on Russian enterprise reform, Lau (1998) suggested that political and market pressures were the institutional constraints faced by chief executives in Chinese enterprise hence this theory would help in assessing the social barrier and interference pattern in the emerging market economy.

Transaction cost in emerging economies

Transaction cost economics studies the firm-environment interface through a contractual or ex-change-based approach (Williamson, 1975). This aspect plays an integral part as the rational governance choice requires a trade-off, at the margin, between the transaction costs associated with the market mode, a firm's need for control, and the governance costs of hierarchy which in most of the emerging economies is high hence Choi, Lee, and Kim (1999) hypothesized that measurement and enforcement are two critically important transaction costs in emerging economies. In a country where the price system does not accurately provide signals for efficient resource allocation, measurement costs should be high. Similarly, in a country where official discretion rather than the rule of law defines property rights, enforcement costs will be high (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997). This aspect has an important role to play in the emerging economies for international business.

Resource based perspective

The resource based view has argued on a primary concern, why do firms differ and how they achieve and sustain competitive advantage. Penrose (1959) argued that heterogeneous capabilities give each firm its unique character and are the essence of competitive advantage. This is another dimension for the research as to how do we strategize and enter the markets of these emerging economies

Empirical analysis

Research on strategy in this field of emerging economies is difficult on several grounds as the theory postulated for the developed economies may not apply for the emerging economies, with the empirical hence researchers do find it difficulty in data collection sampling measuring the variable for example the firms performance with the variety of variable changing. The combination of quantitative and qualitative method is the most reliable and relevant method of data collection and analysis.

Sampling and data collection

Sampling approach has to be innovative pertaining to the changing economies for example the general data source like telephone directory could become outdated rapidly. The data which may be generally collected from a company may not necessarily be consistent with the data possessed by the government authority hence there requires a collaboration of different studies to analyse and find the right method for data collection as questionnaire, surveys are dependent on the postal service. Collaborative projects with local researchers using face-to-face interviews may be a key means of gaining access to data sources (Lee & Miller, 1999). Henderson and Cock-burn (1994) used quantitative questionnaires, qualitative interviews, and multiple informants to increase the validity and reliability of their measures of organizational competence, variable measurement do pose a number of problems that present a difficulty in strategy research in emerging economies.

Mixed methodology

In assessing the empirical aspect relating to the research of the growth and the different attributes to international business in emerging countries, the approach to it has to be on broader perspective hence it requires a collaboration of quantitative which primarily deals with the numeric data collection converting it into statistical form and then evaluating it to derive result and the qualitative measure of analysis which aims at understanding the meaning exploring it further by means of case study , questionnaire survey's to and then analyse the response, both method in proper coordination would provide the insight in understanding the complexity of the emerging market and the factor effecting international business.

Conclusion

The areas of research is focussed to the (BRIC) nations Brazil Russia India China with downfall of the economy which is at the brinks of pulling itself out of recession the key to overcome lies with this countries hence the objective of the research is to evaluate the current aspects of International business strategy applied to these emerging economies.