Differences Awareness Model to Fundament Long Term Strategy Extension in a New Emerging Market

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ABSTRACT

The globalization opened the opportunity for multinational companies to increase their businesses in emerging markets and also to local giants from developing countries to step in the western markets. The objective of this paper is to propose a model for analyzing the differences between operating businesses in emerging markets and developed markets. The model purpose is to be applied in the strategic process by mainly the multinationals or local giants intending to develop long term businesses outside their traditional geographies. The studies on emerging markets identified two main axes to be considered when appreciating the attractiveness of the markets: the business dynamics both inside and outside the company and the institutional environment, as facilitator of efficient encounter between sellers and buyers.

KEYWORDS: *business dynamics, developed markets, strategy, emerging markets, institutional environment*

JEL CLASSIFICATION: *M11, L2*

INTRODUCTION

Following the vision for long term sustainable growth, more companies are committed to build strong business outside their home country borders. In the recent history there were movements both of multinationals towards emerging markets, but also from local giants to developed markets. This context enhanced by the increased frequency of economic and financial crisis, generates the awareness and requirement of better capturing the differences between operating businesses in emerging and developed markets. The aim of this paper is to support the understanding of the differences as a necessary step in developing a long term strategy in a new market.

There is a relevant history in the field of geographical extension that provides success stories and the drivers behind them. As it is identified by most of the authors the awareness and understanding of the new market realities is an essential driver to asses and build a long term business in a new market.

The paper proposes a differences awareness model to fundament long term strategy extension in a new emerging market to be applied in the preparation phase of the strategy formulation process.

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1. DESCRIPTION OF EMERGING MARKETS

In the last two decades the emerging markets opened their economies to global capital, talent and products markets. This impacted the dynamic of their own economic and business environment but also changed the global rules of doing business. As a result the GDP growth rates of these countries have out-paced those of developed economies decreasing the poverty, enriching the middle class, opening new markets for consumer products and services. Large, low-cost and increasingly educated labor pools give these markets a tremendous competitive advantage in production and information technology is enabling companies to exploit labor in these markets in unique ways (Blinder, 2006).

The practice in this area taught the managers that emerging markets feature different market structures than in developed markets and also that each country is unique in its own way due to historical, political, legal, economical and cultural drivers.

The first definition of emerging markets was designed by the International Finance Corporation (IFC) in 1981, since then various descriptions were released by media, foreign policy and trade debates, investment funds, multinationals, educational institutes (Agtmael, 2007, pp.1-6). The most comprehensive and structured description of what qualifies a country as emerging was published by Standard & Poor's (1996). It identified three main criteria:

1) the level of poverty described through the low-middle income country, low-average living standards, not industrialized;
2) capital markets: low income capitalization comparative with GDP, low stock market turnover and few listed stocks, low sovereign debt ratings;
3) potential of growth: economic liberalization, open to foreign investment, recent economic growth. (Standard & Poor's, 1996).

From a business operational approach, the emerging arena was seen by Tarun and Krishna (2010) as "simply starting from a lower base and rapidly caching up" environment where buyers and sellers are not easily or efficiently able to come together (Tarun & Krishna, 2010, pp. 5-6).

The current business challenge for multinationals is to build the right balance between staying competitive in home markets with high volume, small growth and profit rates while gaining market share in faster growing and higher profit emerging territories. They have double role within a multinational structure: opportunity of incremental sales by opening new markets and cost efficiencies through manufacturing and services outsourcing to cheaper facilities. The world's 40 largest multinationals now employ an average of 55% of their workforces abroad and earn 59% of their revenues outside their domestic markets (Pacek & Thorniley, 2007, p.149).

2. BUSINESS DYNAMICS AND INSTITUTIONAL ENVIRONMENT DIFFERENCES BETWEEN EMERGING AND DEVELOPED MARKETS

Essential business differences between business operations in emerging and developed markets identified in studies on emerging areas are the distance and interaction between consumers – company - external local environment – global landscape and the density of the institutional environment.

In the developed markets the long history in democratized markets sharpened the competitiveness among companies and brought the consumer in the middle of the business landscape. The consumer is highly informed, aware about alternatives and benefits, while doing the best choice for its own interests and financials (Ciocoiu et al., 2011). This approach shapes businesses to be organizationally stable and focused on best serving the consumer through highly skilled marketing, R&D, strategy capabilities. Entire institutional environments build up and improved during the last century to facilitate efficiently the meet between sellers and buyers. In parallel the consumer preferences are already shaped by the political, cultural, social and historical background of the country with reduced speed impact on consumer and companies behavior. There is a similar distance between consumer and businesses, consumer and external local environment. A fifth element of the business operations frame is the global landscape which in developed markets has a more direct and primary impact on businesses operations influencing their organizational structures and financials as an effect of global presence and competition. Action of global factors on consumers is impact full directly, it shapes behaviors and business requirement to adapt in s slower pace (Figure 1. Business operations frame distances and interactions in developed markets).

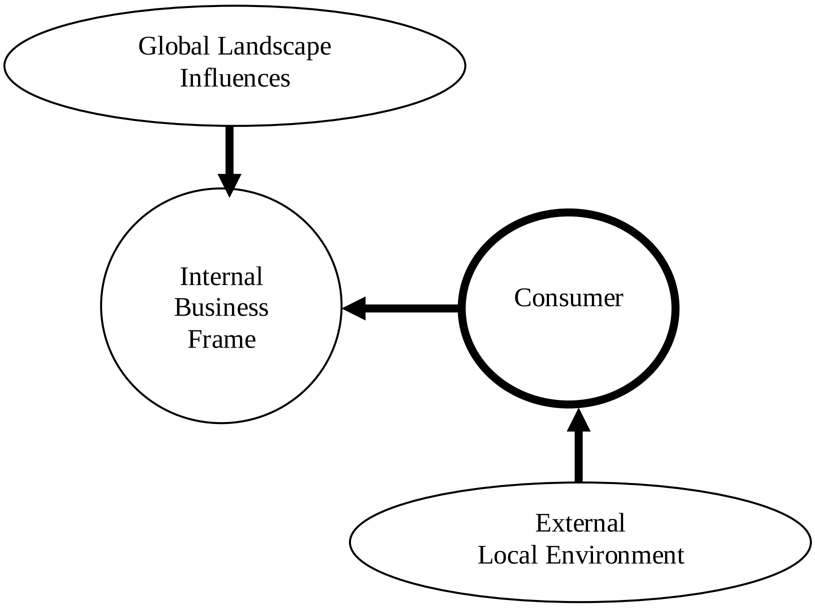

Figure 1. Business operations frame distances and interactions in developed markets

The emerging markets, business operations frame is corporate centered comparing with the more advanced economies which place the consumer in the middle of the business space. The recent history in democratic economies places the company in the middle as the main driver of economic growth. The companies are in a permanent internal shaping process to adapt to the external environment and global changes. There are two categories of players both in the same intense state of forming: multinationals which are understanding the local dynamics and adapting to them, and the local companies with a strong heritage from the past decades of non democratic economies – which face the challenge of reinventing themselves to become competitive in the new environment. The consumer plays a more reduced role in this landscape in impacting the portfolio creation, they major influence comes from financial availability and education permeability to upgrade to value added products and services. Overall the environment in emerging markets is less stable; the global landscape has a strong and fast impact on both consumers who are reacting shortly and companies. The cultural, political and social systems are in a similar redefining process generating instability and they are in a deeper and closer relationship with both the businesses and consumers. The interaction between sellers and buyers manifests in and environment lacking an efficient institutional framework to smoothen transactions (Figure 2. Business operations frame distances and interactions in emerging markets).

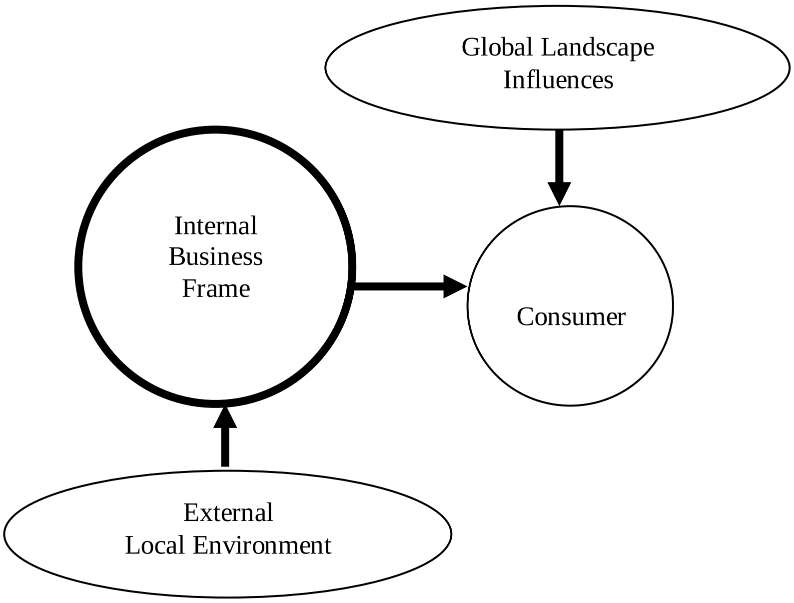

Figure 2. Business operations frame distances and interactions in emerging markets

The major points of difference between navigating in emerging markets comparing with operating in developed ones:

1) center of the operating frame – has the consumer in developed markets while the emerging arenas are in the pre-phase of shaping business structures primarily;

2) distance and interaction between businesses – consumers – local environment – emerging zones are characterized by deeper and faster change process in all dimensions and closer distance of the local environment to the businesses and consumers, while developed markets have more equilibrated and stable distances within the operating framework;

3) institutional environment – reached an efficient stage in the developed markets facilitating smoothly the transactions within, while the emerging ones have a deficit in efficient intermediaries;

4) impact of global movements – it is stronger on the emerging areas directly impacting the businesses, consumers and local environment, while the stability of developed markets absorb smoother the global influences and primarily at the business level.

The process of strategy formulation for entering a new territory is facilitated by including a comparative analysis between the home country and new targeted market. Top management will become aware in an early stage by the different requirements for the business operations in the new geography and they will spot the gaps in capabilities – to be further more if they can be addressed efficiently in order to decide the entry.

In the following section there will be a detailed presentation of the drivers inside each element of the business operating framework.

The past two decades, created a relevant business cases base on how to compete in emerging markets. Most of the authors reach the conclusion and recommend a mandatory long term planning and commitment to succeed in new markets. The increasing complexity of the global competitive set and the high frequency of economic cycles in the emerging arenas are two important drivers to justify a long term approach in opening and building new markets (Pacek & Thorniley, 2007, pp.1-20).

2.1. Business dynamics differences between emerging and developed markets

The initiation of a strategic step in a new market or the consideration of the position in a current market outside the home country, requires a comparative understanding of the differences between the two markets. This step would support the top management making the strategic decisions to integrate from the beginning a distinctive mindset on assessing another market than the one closest to them. The comparison with the best known market is recommended versus the stand alone assessment of the new country analysis. The approach brings more real understanding of the targeted environment and creates a faster and deeper familiarity with it, only by association with a known benchmark. The current part of the paper will approach the areas of business operations frame to be considered in the comparison process. Continuing from the interactions and distances models, main areas to be considered for the analysis are the internal business frame, the consumers, external local environment specific to each country, the global landscape and the institutional environment, which will be detailed in a separate chapter.

Internal Business Frame – refers to the internal business organization consisting in its structure, culture, leadership, resources, capabilities, portfolio, and strategic calendar. Developed markets enjoy more evolved and stable organizations while facing the challenge of adaptation to new globalization trends and increased frequency of economic cycles.

1) Organizational structure –pointing the leading functions, the opportunities for quality outsourcing and for geographical clustered functions;

Developed markets structures are focused around marketing, R&D, customer management and technical development functions with the aim of serving in a high competitive way the consumer – while the other functions are enhancers for an efficient development of the leading ones. The emerging markets, either they have a heritage of a large operations structure (in the case of local players), either they have a slim organization with a focus on building an efficient supply chain and customer management. Marketing, R&D and technical development are less developed in the emerging countries; they have an essential role as facilitators between the local consumers and the global functional teams.

The challenge for increasing margins turn the pressure to increasing internal operations competitiveness which lead to outsourcing of support functions. The environment of developed countries is shaping to provide a good quality outsourcing facility, while in the emerging markets there are still reduced alternatives for such a services, companies looking for other clustering support functions for a group of neighbor countries, either developing the capability within the local business structure with high investment and know-how transfer from home country.

The organizational structure in the developed countries enjoy more stability comparing with the emerging markets which are often under the pressure of economic variations which may require the increase of the capability to benefit from market growth or the downsize of the structure to adjust costs in the economic down turns (Pacek, Thorniley, 2007, pp.64-65).

2) Top management distance to the geography and connectives with local realities;

A major difference in the strategic approach of a home market and new one is the understanding of top decision makers towards the territory. In most cases there is still a high distance between top managers and local businesses driven by lower priority of emerging areas on the corporate agenda, requirements to optimize costs, less contact between local people and the home market. The sum of drivers conducted to a lower understanding of the markets which proved to require increased focused in order to reach sustainable success. The officials sources of information and quantitative research reports showed in the past 20 years the incapability of drawing a complete picture of the emerging countries realities. A constant connection and networking in the local environment proved to be mandatory for a smooth understanding and operating efficiently.

3) Define the country role for total business;

The globalization increased the complexity of competing, now businesses face the internal challenge of managing two portfolios: brands and countries. In the strategic agenda, each country has an assigned role according to corporate intentions. The developed countries will always be the core business of multinationals enjoying high volumes, investments in consumer and market understanding, tailored marketing, R&D and customer approaches. In the last decade, the home developed markets were source of scale economies and increased challenge to improve value added offerings, while they provided low growth opportunities both in terms of revenue and profits.

Emerging markets were an opportunity of fast revenue growth with high profit margins, while the consumer and customer challenges were reduced, stepping in empty territories for value added propositions. The recent years are drawing a new landscape in emerging markets: wider coverage of the market segments with both value added and affordable offerings, more price and profit pressure, under investment and un efficient organizational structures. The new context faces the multinationals with the challenge to analyze and decide the role of each country in the global portfolio in order to adjust their business expectations and investments in a more realistic way. The home countries role maintains for most multinationals, while the emerging countries suffers a more dynamic driven by the internal corporate priorities changes with each economic cycle.

4) Degree of freedom delegated to local management;

Companies approach on delegating power is different, offering a higher freedom to developed countries on the reasoning of a long and stable history of internal business operations, while the emerging markets are tightly decisional linked to the home countries. For the last ones, this limits the flexibility in operating and fast adapting to the local environment which is more dynamic. The degree of empowerment is directly linked with the importance of the country within the company. The tendency to offer the best management service to bigger countries, it is still in place. This generates a luck of high experienced managerial capabilities for opening and developing the businesses in emerging markets which supports the need to decrease the freedom of local management teams. The performance system for management of emerging markets it is linked to short term performance, a characteristic of the developed markets performance management. The approach creates a disfunctionality in the new markets which are characterized by an intense dynamic of the external environment. This leads to increased de motivation and lower capability to appreciate quality of local management act. More than in developed markets, the emerging ones are requiring a long term performance management, it will be favorable in assuring a healthy business growth for sustainable success.

5) Investment in building local corporate culture, leadership and constant change management;

Internal business interactions are smoother and more efficient in developed markets where they are governed by a long, stable corporate culture, leadership guidance and reduced impact full changes. The operating context in emerging markets is highly different; it requires the build up and constant nurturing of corporate culture on a background of a non democratic economical culture. Most of the managers avoid a proper attention to the big difference in the cultural and leadership differences. The underestimation of this particularity brings long delays in business plans implementations, increased operations costs and lower performances comparing to business potential. The increased dynamic of emerging markets and the build-up business phase require a constant change management approach to guide the organization to the aimed vision, otherwise there will be a delay or fail in reaching it.

6) Availability and transfer of know-how and people locally;

The business and technological know-how is concentrated in the developed markets, while the emerging one need a fast and solid transfer in order to operate efficiently. The companies allocate a period for the process while internal trainings are performed, expatriates are leading the local companies, information and informatic systems are created. Even though the gap still remains between the two zones due to underinvestment in completing the transfer in the entrance phase and updating with a similar peace. The different know-how level affects the business discussions quality between developed and emerging markets and increases the realistic period for reaching high performance. There are little companies which understood and build the benefit of properly equipping the new offices with the adequate level of know-how.

Both developed and emerging markets are phasing shortage of personnel, but in different layers of the organization. The free circulation of work force in European Union, created an unprecedented opportunity for developed markets to feel their middle management and operational positions with educated and cheaper people migrating from emerging markets, while the last ones faced the challenge of missing superior management skills and top talents, which were exported to them from developed countries. The constancy in top management which characterize the developed markets and fluctuations in the emerging ones, generated by a poor local talents pool, accelerates the dynamism of the senior management and strategic agendas in the developing environments. This lead into a time gap between the two areas in executing strategic plans.

7) Interest in developing local manufacturing;

The pressure on prices generated by an intense global competition raised the challenge for a flexible operations structure to provide lower production and transfer costs, while assuring an improved service level to more demanding and powerful global customers. Most of the multinationals maintained within a manufacturing facility which serves the best the big volumes of home market while they are changing frequently the supply chain structure globally, migrating the manufacturing capabilities from Western Europe to Central and Eastern Europe to Asia or Africa. Which is a given facility for the home market, most of the markets, mainly the new ones don't enjoy. The external sourcing is a most probable scenario, this attracts higher operating costs and parallel illegal imports among neighboring countries. The local manufacturing is an asset not only from price competitiveness angle, but also in establishing a much powerful position in the country within the local institutions and society. This difference of manufacturing availability in developing vs emerging countries, creates a gap in the companies support, reputation and trust from the external local environment which is an important facilitator of business operations.

8) Strategic choice to compete in branded value added market segments or in cost driven ones.

High level of competition in developed markets lead to an increased consumer education and demand for value added propositions and diverse offerings to fulfill the need to make the best acknowledged choice. Inertly the multinational approaches the new markets with the similar offerings as in their home markets. In the recent history there was a market share accumulation on the premium segments of the markets. A void was completed here with international brands offerings, leaving the demand for affordable products / services to be satisfied by the local players. The maturation of the premium segments in the emerging markets, moves the competing battle to the mainstream and affordable segments, in which locals are more skillful in serving the market. This new situation rise the challenge to companies to consider how to deepen to local realities their portfolio. Local consumers in emerging areas are more sensible and fluctuant to the external environment, they swap from a segment to other suddenly which generates a rapid de balance between value added and affordable offerings. For a sustainable presence in an emergent market, the company needs to make a strategic choice in what segments will compete and if its committed to invest in deepening the localization of its portfolio and capabilities.

Consumers – describe the local end users and house holds from the particular country. For analyzing the difference in dynamics generated by consumers the most relevant axis are enumerated bellow:

1) Preference balance between branded value added products and services comparing with affordability offerings;

Developed markets are long time educated in the spirit of appreciating the benefits of value added brands and they enjoy a wide variety to choose from. The increased competitiveness and fast pace of innovations and technology development reduced the entrance barriers in more and more industries. As a consequence the consumers enjoy a trend a reduced price of value added products. The context is different in the emerging markets, where the consumers are shortly educated towards consumption, they are still learning the full range of benefits offered by the value added brands. The premium segments are still small dimensioned, but with high profits and reduced range due to higher operating costs and pricing, lower marketing investment, reduced consumer habit towards frequent consumption of value added brands, reduced house hold financials and still high rural population. This context creates a high business in affordable basic products and services which are served by national or regional players in a reduced range and low innovation infusion.

2) Availability and degree of competitiveness of similar products/services on the market;

In developed markets there is a wide offering for all the markets segments, the companies efforts are guided towards differentiating, strengthening brand equity and innovating ahead of competition. This require a top age innovative and leading mindset. The void from the emerging markets challenges the management more at the operational level, in finding the efficient supply chain of serving the market. The management focuses on assuring a competitive price and wide customer availability. The brand awareness, generation of a loyal consumer base and portfolio extension come as a next step after the operational environment is efficiently designed. The markets are more dynamic in the emerging zones, due to the white spaces, which attracts new international or local players, and due to fluctuant preference to value added or affordable offerings, which require an extra attention for, segment creation and consolidation when stepping an emerging market.

3) Consumers openness to try and adopt new international products;

The historical background of consumption offers the degree of accepting international brands. The analysis is important to be detailed at industry level, because there are high differences of foreign offerings adoption in technology vs food industry for example. The developed countries are already mature, completed presence with most of the international brands, there is a high degree of familiarity between consumers and these brands and it is already acknowledged which are the winners. In the emerging markets there is still a unfinished competing battle to define the top brands, in most countries consumers are open to try the new offerings but is expensive and requires extra efforts to gain their loyalty and upgrade them to better offerings within the same brand. The new markets are characterized by extreme behaviors vs international brands, depending the industry. They are very opened to one industry for international value added and premium offerings, while they are highly committed to their habits of consuming local, cheaper products in other categories. It is essential for the strategic phase to identify the level of industry openness to international offerings and importance of specific local benefits.

4) Educational level towards value added products benefits and category utility;

The differences in consumers education through marketing campaigns and availability of products information through different organizations generated the structure of the portfolio, the advertising communication objective and the innovations speed. The emerging markets require a more increased level of innovations, widening the portfolio and advertising focused on communicating the new benefits, while the external organizations are more mandatory in the fairness of the messages to consumers. There is a different dynamic in the emerging markets, where the focus is on creating awareness for the brand and educating on the basic benefits of the product and category, the communication is more focused on education, the portfolio are smaller and innovation rates more reduced according to consumers capability to absorb the information efficiently and also afford the product. Even though due to economic pressure, there was a strategic option from multinationals to air similar portfolio, innovations and communication in most of the countries no matter the differences, the recent history proved that consumers in emerging markets are less receptive at an overall offering above their consumption educational status, finding international brands less relevant and turning to local affordable offerings.

5) Shopping behaviors;

The trade channels are consolidated and specialized in the developed market, the international retail chains are covering widely the entire geography of this countries, while the emerging areas are in a process of forming the trade channels. The modern trade consisting of retail channels is rapidly expending requiring a flexible attitude organization from multinational companies to adapt to constant transformation of the trade structure. Consumers from emerging area have a strong habit of daily proximity shopping from the traditional trade. This particularity limits the possibility of promoting a wide range nationally, restrict the distribution for value added products and generates higher logistic costs. The rapid expansion of modern trade and important weight of traditional trade loosing share to the big channels, induce a dynamic to the emerging areas which resonates with constant need of companies to adapt their way of serving the market, organizational structure within customer service function and influences the portfolio, marketing activities. Top management needs to acknowledge this state of market transformation and plan the internal processes and financial expectations accordingly.

6) Disposable financials and commitment to the category.

The differences in the household financials between developing and emerging markets and the tradition in consuming a certain category of products determine the business size opportunity on a mid term perspective. These two factors are major influencers of the future revenues and profits estimations. In developed markets consumers are more mature and their behaviors can be anticipated with a higher affinity while the emerging consumers have high fluctuations in their behavior generated also by fluctuations of disposable incomes and based on the phase of their learning curve towards a certain category.

External local environment – business operations are more directly and frequent influenced in the emerging markets by the fluctuations in the political, social and cultural environment. The transformational status of these structures are continuously generating changes in consumer behaviors and business internal organization. As a result of short history as opened markets, the emerging areas are in a forming phase as efficient transactional environments which require a high flexibility and long term commitment from top management to building solid businesses locally.

1) Political and social landscape

Strategic planning for a developed country counts on a more stable political and social landscape, while designing the SWOT analysis for emerging market has a higher level of uncertainty. The political risks and instability creates barriers to operate in the local environment, which require a better understanding and building local networking with relevant institutions. (Pacek & Thorniley, 2007, p.44).The transformations generated by the movements in politic and social environments, requires a high adaptation and adjusting effort from businesses operations. A return on investment in these areas should consider a long term perspective to pay off. Different than in developing markets, consumers behaviors are more directly and often influenced by the political crises and legislative variations.

2) Cultural frame

The developed markets enjoy a more stable culture, main preoccupations being in the direction of evolving the current trends and including them in the brands and innovations marketing mixes, while the emerging areas are confronted with the collision between local cultural values and the imported ones together with the opening of to global economy. This generated a constant movement at the level of values scale and priorities, which directly influences consumers preferences to certain categories and affinity to certain marketing mixes.

3) Historical background

Operating businesses in developing areas have a long history and there is a high inertia supporting a higher efficiency for the core businesses, but also a lower flexibility to adapt and fast assimilate new markets conditions. Recent history as democratized markets and heritage of close markets, make from emerging areas voids of products, but also operational capabilities and institutional facilities to smoothen the business operations. The entrance on this market require a commitment from the company side to assume its internal business building, but also neighborhood environment development.

Global landscape influences – the global dynamics have a deeper and wider influence on emerging markets which are more vulnerable both from macroeconomic, but also consumers point of view. Companies are required to consider this close interdependence in order to plan for long periods which will include both growth and down turn economic cycles.

1) Dependency degree on international capital flow;

There is an increasing trend of foreign capital flow to the emerging markets with a high associated risk. The infusion has a benefic influence in developing the business local environment and fuel the transformation of the economic structure. In the same time there is a high risk associated with the re drawl in case of financial crisis or lower long term rand aments than estimated generated by slower development pace than the optimist initial projections.

2) Risk of manufacturing and people migration;

The developed markets still enjoy protection in keeping essential manufacturing facilities and a human capital inflow, while they face the challenge of managing a multicultural mixture of employees. The emerging markets also take the advantage but with an associated mid term risk, of outsourcing and off shoring for low production costs advantages (Pacek & Thorniley, 2007, p.78). It is an advantageous trend in creating house hold revenue in emerging areas, on the other side thee is a high uncertainty of sustainability due to the compete among emerging markets for cheap production opportunities. From a population migration angle, emerging markets benefits from the locals working abroad and sending capital back home, while they are affected by the talents migration abroad which affects countries healthy future development. An entrance strategy should asses the match between company intentions and work force availability and fluctuation.

3) Technology adoption.

Emerging markets have extreme level of technology adoption; it varies highly from an industry to another. The opportunity of services and manufacturing outsourcing and off shoring, plus the voids in IT, communications markets created an opportunity for fast import of latest generation technologies. This places the emerging areas on a more competitive level than the developing countries. Consumers are early adopters of the latest technologies, as they step in the markets directly through top generations; they are not in the situation of doing replacement as the consumers in developed markets.

The above drivers are most important to be debated at the initiation of the strategic process for entering or consolidating business in emerging markets. The current high involvement of home market management in analyzing and deciding on emerging markets strategies, require a comparative approach of the two in order to facilitate different realities and make feasible projections.

2.2. Institutional environment specifics of emerging markets

In their work regarding emerging markets Tarun and Krishna (2010) approached the business operations efficiencies in emerging markets from the perspective of the institutional environment development. Their belief is that the gap between developed and emerging market will not be quick and easy to close, as most of the managers are optimistically anticipating. What is emerging in emerging markets is not only their forecast potential of liberalizing investment environments but also the institutional infrastructure needed to support their nascent market-oriented economies. Institutional development is a complex and lengthy process (Tarun & Krishna, 2010, p. 13).

The authors studied the institutional void and classified them in the following clusters to be considered when stepping in the emerging areas: credibility enhancers, information analyzers and advisers, aggregators and distributors, transaction facilitators, adjudicators, regulators and policy makers.

1) Credibility enhancers are the audit committees, the auditors, ISO certifications, quality certification agencies functioning in capital, people and products markets. The role of these institutions is to provide independent assessment to support or validate business claims.

2) Information analyzers and advisors are aimed to collect and analyze information on producers and consumers in a given market. Among these institutions are: financial analysts, credit rating agencies, financial press, financial planners, investment bankers, consumer reports magazines, press industry, market research companies, management consultants, career counselors, human resources consultants, publications that rank universities and professionals schools.

3) Aggregators and distributors are the matchmakers in market intermediation, providing low-cost matching and other value-added services for suppliers and customers through expertise and economies of scale (Tarun & Krishna, 2010, p. 55). Within this cluster the following institutions are included: banks, insurance companies, mutual funds, venture capital and private equity funds, trading companies, mass retailers, universities, professional training institutions, labor unions.

4) Transaction facilitators provide a platform for exchange of information, goods and services, support consummating transactions (Tarun & Krishna, 2010, p. 56). They include stock bond and futures exchanges, brokerage houses, commodities exchanges, credit cards issuers, executive recruiters, online job announcers.

5) Adjudicators support business participants to deal with disputes regarding law and private contracts. The institutions included in this cluster are: courts and arbitrators, bankruptcy specialists, union arbitrators specialists.

6) Regulators and other public institutions which are creating and enforcing appropriate regulatory and policy frameworks.

3. DIFFERENCES AWARENESS MODEL TO FUNDAMENT LONG TERM STRATEGY EXTENSION IN A NEW EMERGING MARKET

Considering the diversity and dynamics differences between operating businesses in developed markets and emerging ones, are decisive for long-term sustainable growth. Top management, sited in developed markets, finally decides the strategies for entering or continuing in emerging markets. The current practice is to go through the strategy formulation process for a single country, counting on the deep analysis and connections done by the assigned team. The current paper propose, with the aim of improving the degree of realism of strategic planning for emerging markets to enhance top management understanding by an introductory comparative analysis between the home country and emerging one dynamics. The responsible team with the strategy formulation can use a first step before elaborating the country SWOT a "differences awareness model to fundament long term strategy extension in a new emerging market" (Figure 3).

Building associations between the well known environment and the new one, for the decision makers will facilitate understanding, feasibility of strategic calendar and mutual trust in the execution.

The assigned team will complete the differences awareness model collaborating with local top management in the developed country describing the current situation. The local management from emerging market will collaborate with local institutions (consultants, banks, research companies, logistic providers etc) for deeply understanding the particularities of the country's dynamics for each comparison axis on a mod term perspective (considering a trend is more realistic due to the frequent changes in the emerging zones).

Comparison axis	Developed markets		Emerging markets		Capability grade in developed country (1-5)	Level of investment to develop the capability in emerging market (1-5)
	Influence Degree (%)	Description of current business context	Influence Degree (%)	Description of mid term business context		
Internal business frame 1) Organizational structure 2) Top management distance 3) Country's role 4) Freedom of local management 5) Corporate culture, change management 6) Availability of people, know-how 7) Local manufacturing 8) Branded value added vs cost driven segments						

Consumers 1) Value added brands vs low cost offerings 2) Degree of competitiveness 3) Adopt international brands 4) Consumption education 5) Shopping behavior 6) Financial availability						
External local environment 1) Politic and social environment 2) Cultural influences 3) Historical background						
Global landscape influences 1) Dependency on capital flow 2) Manufacturing and people migration 3) Technology adoption						
Institutional environment 1) Credibility enhancers 2) Information analyzers and advisors 3) Aggregators and distributors 4) Transaction facilitators 5) Adjudicators 6) Regulators and public institutions						
Business capability indicator in developed market						
Estimated effort level to build business capability in emerging market						

Figure 3. Differences awareness model to fundament long-term strategy extension in a new emerging market

The analysts will be asked to appreciate a "degree of influence" of each comparison axis for the long term performance of the business in the developed and emerging market. The sum of all rankings will close to 100% for each country. The experience of the interviewed senior people should be of enough relevance to make an accurate appreciation of each driver influence.

The final objective of the model is to add a quantitative dimension of the gap between the current capabilities in the home market and the effort required to be done in order to compete successfully on the new market counting on the core competencies already available within the company and the new capabilities required to be developed due to new market specifics. For this purpose the interviewed managers will appreciate the level of development of each capability or the integration of each external influence in the strategic planning or current way of operating the business. The indicator is named "Capability grade in the developed country" and values from 1 to 5, 1 counts for reduced capability and 5 for high skilled in that particular area.

For the emerging markets will be necessary to appreciate through the indicator "Level of investment to develop the capability in emerging market" the intensity of investment required considering the "Influence degree" value for the emerging market and the "Capability grade in the developed country". The indicator will value from 1 to 5, 1 ranks for low investment required and 5 for high investment.

The final output will be the "Business capability indicator in developed market" calculated as weighted average between the "Degree of influence in developed market" and "Capability grade in the developed country". Its value can vary from 1 to 5, 5 meaning that the business is highly equipped in the home country to compete and face the environmental influences.

"Estimated effort level to build business capability in emerging market" indicator will be calculated as weighted average between the "Degrees of influence in developed market" and "Level of investment to develop the capability in emerging market". Its value close to 1 will indicate a low effort required by the multinational company to adjust its home country business operations in order to succeed in the emerging market on the mid term.

The difference between the two aggregated indicators offer to top management, in a pre phase of the strategic formulation process, a quick snapshot of how big is the gap between the current business and the one to be developed in the new market. The utility of this model is that creates a favorable mindset from the beginning of the process and indicates areas to be deepened in the SWOT analysis and strategic agenda.

The ideal case will be when the "Business capability indicator in developed market" will be close to 5 and , "Estimated effort level to build business capability in emerging market" close to 1, meaning a highly capable business operation in home country and a reduced adaptation effort to sustainable compete in the emerging market.

CONCLUSIONS

The last two decades proved that multinationals are challenged to compete efficiently in both developed and emerging areas. This attracted more attention from the companies, consulting companies, financial institutions and academic environment to understand the realities of the emerging countries. With a focus on the BRIC countries, there are already relevant studies which clearly indicate that presence in emerging markets is mandatory and only the companies with a long term approach and investing accordingly will enjoy a sustainable growth.

Emerging areas are characterized by frequent transformations at all levels which determine a different dynamic within the business operations and in the interactions with the consumers, external and institutional environment. This dynamic generates a timely process in reducing the gap in business operations between developed and emerging countries, raising the need of an increased feasibility of the business projections for emerging markets.

The multinationals top managers close to the home-developed markets are the decision makers regarding long term strategies for emerging areas. In order to enhance the strategic thinking and effectiveness the actual paper proposes a model named "Differences awareness model to fundament long term strategy extension in a new emerging market" to be used in the pre-phase of the strategy formulation for the emerging market. Its role is to create from the start a mind set switch through association for decision makers, to appreciate up front the required stretch for the business to build competitive capabilities in emerging markets and to spot the areas on which to focus during the SWOT analysis and strategic calendar formulation.

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