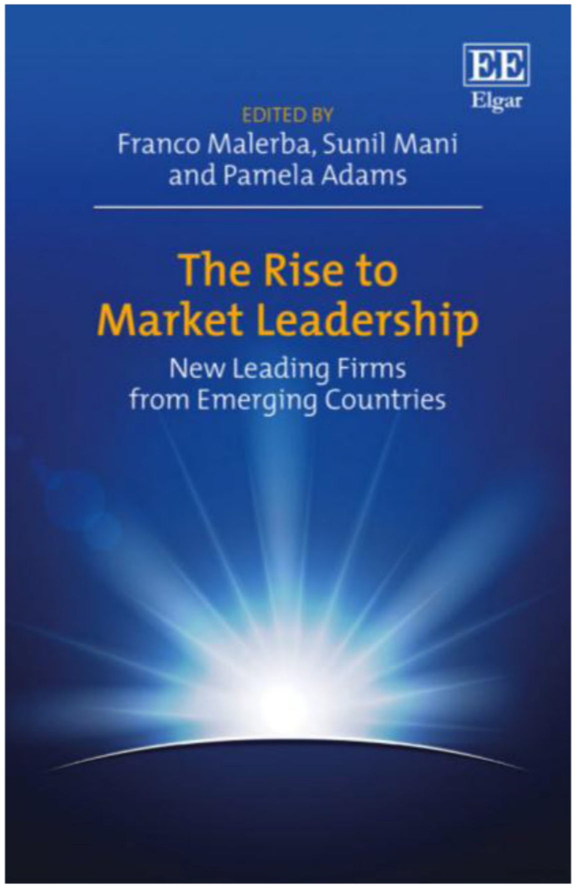
Journal of Scientometric Res. 2018; 7(3):231-233
http://www.jscires.org

Book Review

The Rise to Market Leadership: New Leading Firms from Emerging Countries



The Rise to Market Leadership: New Leading Firms from Emerging Countries
Edited by

Franco Malerba, Sunil Mani, Pamela Adams; Edward Elgar Publishing, Cheltenham, UK, Hardcover, 2017, ISBN: 9781783476787.

There is compelling evidence to show that economic growth has a strong correlation with a country's industrial capacity and its ability to compete. It is also generally accepted that industries grow and succeed in the competitive market through innovations. In recent years Innovation Systems framework has emerged as a useful conceptual framework to understand the innovation process with the focus on National, Regional and Sectoral Innovation Systems. In each system, although the innovating agents are similar (individuals, firms, institutes, universities, collaboration networks etc.); the difference is in the way actors in these systems interact and coordinate innovation activities. This framework argues that interactions among the various agents enable learning 'interactive learning' and is one of the key determinants for a successful innovation.

A progressive economy is expected to create an environment that promotes innovation and entrepreneurship in various ways by ingeniously creating and implementing novel policy initiatives. They may provide various types of fiscal and non-fiscal support mechanisms for entrepreneurs, incumbent firms, MSME. These strategies may vary based on the socio-economic status, ethnography and historical background of the economy. Innovating agents tend to utilize the relationship between and among themselves promoting learning and building capabilities. The scholarly literature has primarily focused on successful firms from leading economies to uncover factors (endogenous and exogenous) of success. These studies have drawn attention to how innovation systems create enabling environment for firms to interact (upstream and downstream), capacity building through interactive learning, overcoming path dependency, etc. This calls for more in-depth studies to uncover factors that have been instrumental for firms from emerging and developing economies to attain domestic market leadership and create a global presence. In this context it would be useful also to apply similar types of framework/theoretical models for studies of leading firms from developed economies.

The book "The Rise to Market Leadership: New Leading Firms from Emerging Countries" addresses some of these issues. Primarily, it identifies factors associated with the rise of firms from developing countries to positions of dominance. As highlighted in the acknowledgement, this book is a product of collaboration among leading scholars who met for the 'catch-up project' under the guidance of Richard Nelson. The book was completed with his directions. Hence, it is tempting to look for imprints of his work in the book. This review presents the main caveats of the book for prospective readers.

The book focuses on ten leading firms from three emerging economies India, China and Brazil, operating in three sectors namely automotive, pharmaceuticals and information communication technology (ICT). The key question they ask, how these firms rose to a position of market leadership and what factors drive their innovation and growth. The introductory chapter presents the main arguments of the book, the case studies chosen from the three different countries and the basic profile of the selected firms. A common conceptual framework based on an evolutionary theory of economic change and innovation systems framework is followed. A firm in the position of leadership displays three vital characteristics. These characteristics defined in the conceptual framework are, a) dominant position in the domestic market, b) global reach and, c) innovativeness in products and processes. Firms used as cases in the book are analysed based on these three characteristics.

The framework also highlights that besides technological know-how, managerial know-how also plays a significant role in the growth of a firm to the position of market leadership. A firm's employment of managerial know-how such as organization, coordinating and managing activities is the avenue of innovation leading to a process of Schumpeterian creative destruction. This process differentiates between rise to leadership and development or catching-up of a firm. For instance, a failure in shifting from strategies of imitation of product/process to developing novelties is observed in the pharmaceutical industry of developing countries. Another key factor comes from the concepts of evolutionary theory; the ability to adopt to the changing environment. Those firms that have the capacity to innovate and use their environment to their advantage are able to reach leadership position.

Chapter two introduces the case study of "Geely: a Chinese automotive firm". A clear distinction across the stages of company development consistent with the sectoral and national system framework is presented. Companies in their infancy enter low end local markets. They improve their products through processes of imitation and learning in the process of catching-up with MNC. Innovation and clever use of local conditions are the ultimate aim for market leaders. It focuses on factors of domestic system that are altered by developing firm to gain market dominance.

Chapter three is the case study of leading Chinese biopharmaceutical firms. Given the nature of the pharmaceutical industry with increasing participation of emerging economies in global value chains it becomes a challenge to identify the conceptual framework to provide richness to the analysis. The author has proposed a two-tiered sectoral innovation system which I think can be a useful treatment for capturing the structure and dynamics. The chapter brings out the importance of government policies and support mechanisms, developing knowledge networks, understanding the market demands, strong focus of building internal capability as key factors for firms to survive and position themselves in this fiercely competitive industry.

In chapters two and three the focus of authors is on firms that have a potential to become market leaders. These firms fulfil only one or two of the three criteria laid down in the first chapter. Next two chapters present analysis of firms that have established themselves as market leaders in their respective sectors. The author follows the conceptual framework meticulously and presents both national and sectoral factors related to each industry thoroughly.

Chapter four is about the Indian automotive sector firm Tata Motors Ltd. (TML). It presents an in-depth analysis of factors that signify innovativeness and growth of firms. Importance of vibrant leadership, organic integration with economic development and investments in knowledge creation (through R&D) and transfer (acquisition) is highlighted for maintaining innovativeness of firms. Chapter five deals with the growth of Indian pharmaceutical firm CIPLA; its emergence as a global leader in generics. The author delves briefly in the concept of the knowledge economy in this context. In this setup a decentralization of innovation activities is observed and discussed in these chapters. The cases of TML and CIPLA also highlight the importance of firm's strategy for successfully utilizing resources. Both firms tapped into local demand and display ability to develop products relevant to larger sections of consumers.

Chapter six is the case study of one Indian ICT firm Hindustan Computers Limited (HCL) and its rise to dominant position in the domestic market. Role of government policies in enabling new firms sustain in global competitive environment is highlighted. HCL's active collaboration with premier technical institutions helped it in developing competent management and knowledge acquisition gateways from developed countries. In this case it is observed that the strategy of diversification and forming joint ventures did not result in competitive advantage. Instead, its ability to meet global demand for a new class of products (namely, "software exports, services for Unix-based network environments, internet technologies etc.") that led to the rise of HCL in the Indian IT sector.

Chapter seven and Chapter eight present cases of Brazil's automotive and ICT industry respectively. In the case of Brazilian automotive firm Marcopolo, authors find that it was not a knowledge intensive growth but the dominance was achieved by capacity building and availability of cheap labour around the local cluster. Marcopolo gave importance to developing a standard virtualization and process management for all its plants. This improved the value and image of the company globally. Totvs and Positivo, the market leaders in ICT industry of Brazil focused on local requirements and catering to local markets to attain leading positions. They diversified their portfolios to compete with global leaders. A demand driven growth in both sectors of Brazilian economy can be observed. The understanding from case study of Marcopolo is further enriched with specific socio-economic background of Brazilian economy that are discussed. A similar exercise with the analysis of ICT industry as well could have been useful.

Chapter nine summarizes, discusses the cases and characterizes the different paths to market leadership observed in the case studies. Strengths and weaknesses of innovation systems in three emerging countries are highlighted on the basis of case studies. A broad pathway through which firms traverse the journey from entry, survival and leadership in market is drawn. The authors have also cautioned against generalization of observations about a firm in designing strategies and policies for other firms. They have rightly suggested that each firms, sector and country is different in terms of systemic factors and these should be considered by policymakers.

All the contributors have given specific importance to activities of capacity building, market access, technology competency and government support/role in the growth of a firm. This is the most visible imprint of Richard Nelson on this book. As per the understanding of reviewer, these are the key determinants of success or failure of a firm under the theory of national system of innovation. The book uncovers valuable insights through a well thought framework in providing case studies of different countries. It would have been enriched further if some time was spent on discussing other frameworks for looking at firm growth to bring completeness and also could have given readers a more compelling reason why the framework applied in this study gives us a more sophisticated approach. Resource-based view of the Firm and Porter's Diamond model are some of the other influential frameworks within which competitiveness and market leadership is understood. Some more insights of the each of the three countries structural characteristic could have provided readers with better understanding of the context within which the case studies are done.

The book will be particularly useful to scholars of Innovation and STS studies, Scientometricians and Policymakers. The case studies highlight the key attributes that played critical role for firms from emerging economies to make their market presence. They also characterized national priorities in each sector and identify areas that need the attention of policymakers. The use of system of innovation framework and evolutionary theory helps to properly ground the case studies. The book is well presented and it contributes significantly to the scholarship in innovation studies among others.

Reviewed by

Anurag Kanaujia

CSIR- National Institute of Science Technology and Development Studies (NISTADS) Pusa Gate, K.S. Krishnan Marg, New Delhi, INDIA.

Email: anuragkanaujia01@gmail.com

DOI: 10.5530/jscires.7.3.38