or joint ventures (JVs) with local companies can be the price of admission for multinationals in some emerging markets. Partners can also serve as valuable sources of local knowledge, substituting for missing market intermediaries, such as offering insight into customer preferences in the absence of market research firms.

However, institutional voids can also make it more difficult for multinationals to acquire new capabilities through collaboration—for instance, in evaluating potential local partners. Partnerships can bring risks as well as rewards for multinationals. Technology transfer agreements, for example, can create powerful potential competitors out of former partners.

Accept or Attempt to Change the Market Context?

Through adaptation, multinationals can often circumvent voids. Partnerships, for example, can substitute for voids. In the face of particularly challenging market contexts, multinationals need to determine whether they need to work proactively to fill voids. Multinationals can fill voids independently to serve their own business, such as a retailer developing a more comprehensive distribution infrastructure than necessary in a developed market where third-party providers are better established, or an automotive company establishing a financing arm. Alternatively, multinationals can induce other businesses in the emerging market to fill the void by offering a guaranteed stream of business through contracting. Given the challenges of filling voids in emerging markets discussed in chapter 3, however, multinationals need to consider carefully the extent to which they can shape the institutional context in emerging markets.

Enter, Wait, or Exit?

It may be impractical or uneconomical for some firms to adapt their business models to emerging markets and daunting to attempt to change the market context. The first-mover advantage can be powerful in emerging markets, but waiting—emphasizing opportunities elsewhere—can also be a viable, and even wise, strategy for multinationals facing institutional voids.

Delayed entrance strategies can take a number of forms. Waiting might mean avoiding a high-risk consumer-facing environment while getting the

company's feet wet through exploring or establishing sourcing relationships or by considering setting up a part of the value chain in-country. Indirect engagement often limits the need for multinationals to adapt existing business models or significantly localize offerings. The ability to enter a market under the radar and to spend time learning about the local market and customer needs can be an excellent entry path into developing regions. Following existing customers into emerging markets and helping fill market gaps can be a wise entrance strategy for multinationals. For multinationals already established in emerging markets, it is sometimes necessary simply to cut their losses and exit in the face of challenging institutional voids.

Multinationals in Emerging Markets: Examples

In the rest of this chapter, we look at examples of multinationals based in developed markets that confronted these strategic choices in the face of institutional voids in emerging markets (see table 4-2). Although each of these companies has confronted each of these strategic choices, we focus on the most salient choice for each example.

When General Motors entered China, the automaker replicated its model and targeted the global segment of the country's nascent car market. Similarly, L'Oréal exploited the advantages of its global brand and

TABLE 4-2

Case examples

Strategic choice	Example
Replicate or adapt?	General Motors in China L'Oréal in India Organizational adaptation in emerging markets
Compete alone or collaborate?	Microsoft in China GE Healthcare in emerging markets
Accept or attempt to change market context?	McDonald's in Russia Monsanto in Brazil
Enter, wait, or exit?	The Home Depot in emerging markets Tetra Pak in Argentina