capabilities in India, but only after retreating from an earlier failure to adapt to the country's local market segment. Adaptation for multinationals can also mean tailoring operations and organizational structures in emerging markets.

Adaptation is not enough for many multinationals to manage institutional voids in emerging markets. Microsoft's initial attempt to adapt on its own in China failed. The company found that it needed to collaborate with local stakeholders and position itself as a partner in progress to make headway in the market. GE Healthcare sought to take advantage of cost savings in emerging markets without sacrificing the quality of its sophisticated imaging and other medical equipment. Replicating global standards in emerging market-made products required the company to collaborate closely with its supply chain.

McDonald's sought to replicate its menu around the world. To deliver this in Russia, the company found that it could not simply take the market context as a given. It needed to work actively to fill voids in its supply chain. In Brazil, Monsanto faced contextual challenges of intellectual property rights infringement that undermined its business. In part by borrowing foreign market institutions, the company pressured stakeholders to change that context.

Institutional voids prevented The Home Depot from executing its standard business model in emerging markets. The company opted to adapt in some markets and wait in others, emphasizing opportunities elsewhere. Tetra Pak's operations in Argentina faced serious contextual challenges during the country's financial crisis in 2001–2002. Instead of exiting, however, the company exploited the relative advantages of its global organization to weather the crisis and recommit to the market.

Replicate or Adapt? GM in China

When U.S.-based automaker General Motors (GM) made its first major push into the China market in 1997—beating out global rivals to sign a $1.6 billion joint venture agreement with Shanghai Automotive Industry Corporation (SAIC)—the company saw a market with extraordinary potential. At the time, China boasted only 5.25 passenger cars per 1,000 people, but that figure was poised to increase dramatically as the country's economic growth created a new middle class.[8] China's hard infrastructure of roads and highways was underdeveloped at the time, limiting GM's potential customer base to some extent, but the company also faced the underdeveloped soft infrastructure needed to produce and sell vehicles there.

Automakers depend on a number of market intermediaries. Car research and development and product design depend on market research firms—product market information analyzers and advisers. Developing products requires employees having technical expertise developed in universities and other training institutions—labor market aggregators, distributors, and credibility enhancers. Producing complex products such as vehicles depends not only on the hard infrastructure of logistics and transportation but also on soft infrastructure to develop a deep supplier network—including, for example, information analyzers and advisers to identify suppliers, credibility enhancers to certify them, and regulators and adjudicators to ensure intellectual property protections.

Because vehicles are a major purchase for consumers, distributing and selling vehicles depend on extensive dealer networks where customers can test-drive cars. Before making a car purchase, customers in developed markets turn to a wide range of information analyzers and advisers such as ratings and awards from organizations like J.D. Power and publications like *Consumer Reports* magazine. Financing a large purchase like an automobile depends on capital market aggregators and distributors to advance loans as well as capital market information analyzers and advisers to provide credit scoring. Automotive standards depend on regulators and other public institutions. Disputes over car warranties are resolved by adjudicators.

In short, successfully bringing together buyers and sellers of cars is a complex enterprise facilitated by a wide range of market intermediaries. Many of these intermediaries were missing or underdeveloped in China when GM entered the market. The company had no choice except to collaborate with SAIC as a price for admission into the China market. The company's main strategic choice was to replicate its U.S. business model