

Starting in January 2004, Monsanto enlisted the grain companies such as ADM, Bunge, and Cargill to serve as collection agents for POD at their elevators and in turn gave them a share of the proceeds. The POD initiative required a major effort in communication and negotiation with the grain companies and elevators, but it worked: some 95 percent of farmers self-declared in the first year.

In the face of pervasive institutional voids—lack of enforcement of intellectual property rights (IPR) protection and slow adjudication of disputes in the court system—Monsanto devised a creative solution to collect on its Roundup Ready technology. Although the idea of collecting at harvest was not new, Monsanto successfully executed this approach by engaging—and getting buy in from—stakeholders all along the value chain. When the context changed and the Brazilian government approved the sale of the seed, Monsanto set up a dual system, allowing farmers to pay either up front or at the time of harvest, and giving incentives for farmers to pay earlier.

POD was devised as a response to specific contextual features. In Argentina, for example, Monsanto was unable to secure a patent for Roundup Ready, so the company had no legal basis to enforce its claims as it did in Brazil. Nonetheless, Monsanto's response to institutional voids in Brazil illustrates a creative attempt to change the market context by ultimately compelling IPR, which did not exist prior to that time.

Enter, Wait, or Exit?

All the developed market-based multinationals discussed in this chapter chose to enter emerging markets in spite of institutional voids. In several cases, this was a strategic decision based on the benefits of early-mover advantage. Early entry was important to GE Healthcare in China, for example, not only because of the market's fast growth but also because of the importance of building customer brand allegiance and government relations in the country's still-nascent health-care sector. One company executive explained: "You go to China right now because you want to influence future decision making in that health-care market, both at a macroeconomic level of working with the government, which

we certainly do, but also at a micro level of teaching physicians how to use your equipment, working with nurses on how they can use patient monitoring to save lives . . . It's at that level that you're trying to get in and get in early."⁵⁴ Through these efforts, GE Healthcare sought to lay the foundation for future demand.

Microsoft's business is similarly dependent on shaping market context. By working to build the ecosystem of local partners—such as software developers and vendors, hardware producers, and systems integrators—the company sought to establish itself as a standard platform in emerging markets. Just as Google became dominant in online search engines by developing the ecosystem around its business, one Microsoft executive noted, multinationals in emerging markets can establish dominant positions by investing time and resources as early movers:

You have to take a long-term view. The early years, it's about minimizing your losses while building the ecosystem and becoming the de facto standard. We're moving very fast in countries like India, China, Russia, to set up these ecosystems, which are still in their infancy. If you look at all multinationals that are successful in cracking emerging markets, that's one of the first things they do—set up that network of suppliers and distributors.⁵⁵

As many of the examples in this chapter illustrate, institutional voids can be painful for developed market-based multinationals operating in emerging markets. Adaptation, collaboration, and context-changing initiatives to compensate for voids can be difficult and expensive propositions. Emphasizing opportunities elsewhere by waiting to enter or exiting an emerging market is an option for multinationals facing difficult institutional voids. We consider these options in the examples of The Home Depot in emerging markets and Tetra Pak in Argentina.

Enter, Wait, or Exit? The Home Depot in Emerging Markets

The Home Depot, the U.S.-based do-it-yourself home improvement retailer, has been cautious about entering emerging markets. The company