In all markets, Tetra Pak served as a credibility enhancer, substituting for underdeveloped product safety regimes.

For its customers, Tetra Pak was a packaging systems provider and not a producer of commoditized cartons. The company supplied sophisticated proprietary filling machines for processing and packaging liquid foods. Tetra Pak thus invested in customers' value chains but derived its real returns from sales of the packaging materials. The asymmetric devaluation cut Tetra Pak's receivables to one-third their value, in U.S. dollar terms. Tetra Pak's sales contracts contained a U.S. dollar conversion clause, but the clause was not practically enforceable in the midst of Argentina's crisis as the company's customers—with peso-denominated incomes but without currency-hedging contracts—struggled to keep their own businesses afloat. "Different from a country, a customer goes bust, and you can kill him. He can never come back," said one company executive. "So the important thing is to identify—the same way we identify the countries we want to stay in—which of the customers you want to protect."[62]

Within each category, Tetra Pak identified the customers and partners essential to its business and negotiated workable arrangements to continue their relationships. Payments owed to Tetra Pak were refinanced long term, an option enabled only by the company's financial position and support from headquarters.

Managing through the crisis in Argentina required Tetra Pak not only to reorient its financial bearings but also to conscientiously communicate to stakeholders—customers, suppliers, banks, employees—the company's commitment to remain in the country. The company did not lay off any employees, cancel any training programs, or alter its recruitment process through the crisis. "We bet on the country," said one company executive. "We knew we wanted to stay in the country, and the country would recover. We even moved to better offices. It was a strong message that we are here for the long term."[63]

Multinationals have unique capabilities that they often can exploit during times of crisis in emerging markets. Although exiting in the face of such contextual challenges is tempting, recommitting to markets undergoing strain can position multinationals for longer-term success.

Managing Voids and Growth in Emerging Markets

Developed market-based multinationals that enter and operate in emerging markets inevitably face institutional voids and have a range of choices to respond to them (see toolkit 4-1). None of the companies discussed in this chapter cracked emerging markets without difficulty, and all of them required experimentation to find the appropriate combination or sequence of approaches to align their businesses with the unique contexts of these markets. Multinationals should be open to and supportive of experimentation as they align themselves with institutional contexts and seek out competitive advantage in these markets.

In addition to these choices, multinationals must face the competitive challenge posed by what we call emerging giants: emerging market-based firms that have an intimate understanding of their home markets' institutional contexts and that are building globally competitive organizations—the subject of the next two chapters.

Toolkit 4-1
Toolkit for Multinationals in Emerging Markets

1. Self-Assessment

A. Business Model

What is the core of our business model?

What is changeable?

B. Home Market Institutions

What market institutions does my business model most depend on in my home market?

Which are core?

Which are transferable?