

Building Strategic Capabilities in Emerging Markets

Firms in emerging markets are becoming leading global players despite operating in challenging home country environments, but little is known about how they build their capabilities. By analyzing multiple companies operating across over a dozen emerging markets in Asia, Latin America, Africa and Europe, the authors identify the specific challenges faced by emerging market firms to become internationally competitive. Furthermore, they provide actionable solutions to upgrading capabilities, sustaining competitive advantage, and achieving multinational status, all while operating in emerging economies. Featuring contributions from eminent business scholars from across the globe, this timely volume provides a valuable tool for academics and practitioners, managers and consultants, especially those involved with emerging market firms working to grow and succeed globally.

Alvaro Cuervo-Cazurra is Professor of International Business and Strategy at Northeastern University, a fellow of the Academy of International Business, and co-editor of *Global Strategy Journal*.

William Newburry is Chair of the Department of International Business and the Ryder Eminent Scholar of Global Business at Florida International University and a fellow of the Academy of International Business.

Seung Ho Park is President's Chair Professor of strategy and international business and Director of Nanyang Center for Emerging Markets at Nanyang Technological University and a Fellow of the Academy of International Business.

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Edited by Alvaro Cuervo-Cazurra , William Newburry , Seung Ho Park
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Alvaro Cuervo-Cazurra

Northeastern University

William Newburry

Florida International University

Seung Ho Park

Nanyang Technological University



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Notes on the Contributors

Almira Abilova is a PhD candidate in Marketing at the Rotterdam School of Management, Erasmus University. Her research focuses on marketing strategy and consumer responses to global technological advancement. She has worked as a research associate in the Graduate School of Business at Nazarbayev University, Kazakhstan.

Helena Barnard is a professor at the Gordon Institute of Business Science at the University of Pretoria, South Africa. Her research interests are in how knowledge (and with it technology, organizational practices, and innovation) moves between more and less developed countries, particularly in Africa. She researches both organizational mechanisms (notably emerging multinationals and internet-enabled businesses) and individual mechanisms such as scientific collaborations, doctoral training, and the diaspora. Her research has appeared in the *Journal of Management*, *Journal of International Business Studies*, *Research Policy*, and *Journal of World Business*. She is the 2017–2020 Vice President for Administration of the Academy of International Business, an area editor for the *Journal of International Business Policy*, and the deputy editor in charge of Africa for *Management and Organizational Review*.

Armando Borda Reyes is an assistant professor, director of the International MBA, and head of the Graduate Student Exchange Office in the Graduate School of Business at ESAN University, Peru. His areas of interest are international business, strategic management, and entrepreneurship. His work has been published in the *Journal of World Business*, *Journal of International Business Studies*, and *Journal of Business Research*. He is a member of the Academy of International Business and the Academy of Management.

Mariola Ciszewska-Mlinarič is a dean of the College of Management and an associate professor of Strategic and International Management at Kozminski University, Poland, and has been a visiting professor at

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universities in France, Austria, and Slovenia. Her research interests include the theory of strategy and the internationalization process, focusing on emerging market firms, decision-making processes, and the role of distance in international expansion. She is a consultant in enterprise growth strategies and in the implementation of performance management systems in the chemical and energy industries and for nonprofit organizations. In 2017 she was awarded a medal for special merit in education by Poland's Minister of National Education. She has published in the *Journal of Business Research*, *Business History*, *Journal for East European Management Studies*, and *European Journal of International Management*.

Carlos Cordova Chea is a PhD student at Alliance Manchester Business School, University of Manchester, and an instructor at ESAN Graduate School of Business, ESAN University, Peru. His research interests lie at the intersection of international business, emerging markets, and strategic management. He has coauthored articles published in *Multinational Business Review*, *Advanced Series in Management*, and *Emerald Emerging Markets Case Studies*, and has presented at the conference of the Academy of International Business Latin America and the Caribbean chapter.

Alvaro Cuervo-Cazurra is a professor of Global Strategy at Northeastern University, a fellow of the Academy of International Business, and coeditor of *Global Strategy Journal*. He studies the internationalization of firms, particularly emerging market multinationals; capability upgrading, focusing on technological capabilities; and governance issues, particularly corruption in international business.

Verónica Duque-Ruiz is Chief Procurement Officer at Prodevenas, the Colombian branch of the multinational Comeca Group. She has worked in international trade and international procurement for various firms and has coauthored two book chapters on the internationalization of emerging market firms.

Diego Finchelstein is an assistant professor at San Andrés University, Argentina, and a researcher at the Argentine national research agency, CONICET. His main areas of expertise are the relation between institutions, state actors, and internationalization and the evolution of business groups in Latin America. His research has been published in the *Journal of World Business*, *Desarrollo Económico*, and *Multinational Business Review*. He is a member of the Emerging Markets Research Network and is on the academic advisory board of the Emerging Market Institute,

Cornell University. He is also on the executive board of the Latin America and Caribbean chapter of the Academy of International Business.

Afonso Fleury created the interdepartmental area of Work, Technology, and Organization at the University of São Paulo, Brazil, where he also served as Head of the Production Engineering Department. His research projects have addressed such issues as work organization, technology management, and industrial and technology policies in industries including aeronautics, automobiles, capital goods, computing and information, digital games, machine tools, footwear, software, telecommunications, and textiles/apparel. His research in international business and international operations management looks at the impact of digital transformation on the international production networks of both developed and emerging country firms. He is associate editor of *Operations Management Research* and is on the editorial boards of the *Journal of International Management* and *Journal of Manufacturing Technology Management*.

Maria Tereza Leme Fleury is a professor of International Management at the Getulio Vargas Foundation (FGV) and the University of São Paulo (USP), Brazil. She was Dean of the School of Business Administration at FGV (2008–2015) and is currently its Director, having also served as Dean of the School of Economy, Administration, and Accountancy at USP. She has been a research fellow at the Institute of Manufacturing at Cambridge University, UK; at the Institute of Development Studies, University of Sussex, UK; and at the Institute for Development Economics, Japan; and a visiting professor at ESSEC, France. She is a fellow of the Academy of International Business and served as its Vice President Program (2019 Program Chair). She is member of the board of IE Business School, Spain, and has served on the boards of several international universities. Her work has been published in *Journal of International Business*, *Journal of World Business*, *Journal of Business Research*, and *Journal of International Management*.

Cláudia Sofia Frias Pinto is an assistant professor at the University of the West of Santa Catarina, Brazil, and a researcher at the Center for International Business Studies and at GlobAdvantage, the Center of Research on International Business and Strategy at the Politechnic Institute of Leiria, Portugal. Her research focuses on international business in emerging markets, particularly the influence of local contexts on the strategies and operations of emerging market multinationals.

Ana Maria Gomez-Trujillo is an assistant professor in the International Business Department at CEIPA Business School, Colombia. Her research and teaching interests include the internationalization and sustainability of companies from emerging markets. She has authored several journal articles and coauthored book chapters on the internationalization of emerging market firms, and she has presented her research at eight international academic conferences.

Maria Alejandra Gonzalez-Perez is a professor of Management at EAFIT University, Colombia. She was Vice-President of Administration at the Academy of International Business (AIB), 2015–2018, and is the regional Chapter Chair for its Latin America and the Caribbean chapter, 2018–2021. She is a member of the World Government Summit global council for the UN's Sustainable Development Goal Number 1 (End Poverty) and a research partner at the Center for Emerging Market Studies. She is Area Editor of the journal *Cross-Cultural and Strategic Management*; Associate Editor of UNCTAD's *Transnational Corporations*; and Editor-in-Chief of the emerging market journal *AD-minister*. She has published sixteen books, over sixty peer-reviewed papers, and several book chapters in the areas of internationalization of emerging market firms, sustainability, corporate social responsibility, and international migration.

Subhashish Gupta is a professor of Economics at the Indian Institute of Management Bangalore (IIMB), India. His research interests are in industrial organization (regulation, antitrust, economics of organizations), international business with a focus on Southeast Asia, and telecommunications. He has served as a consultant to the World Bank, the Asian Development Bank, the Energy Research Institute, the government of India, the Competition Commission of India, the All India Council for Technical Education, and 24/7 Customer, a business process outsourcing firm. He teaches managerial economics, game theory, industrial organization, regulation, and advanced microeconomics to MBA, executive education, and PhD students. He has served as Chair of the Economics department and Admissions Chair at IIMB.

Natalia Guseva is a professor at the School of Business and Management, and the Academic Director of the Doing Business in Russia program, at the National Research University Higher School of Economics, Russia. She has published more than 115 research works, including refereed articles and books. Her major research interests are modern management trends, organizational capabilities, cross-cultural management, foreign

professionals, and negotiations in a cross-cultural context. She was nominated for a Best Teacher award in 2019, 2018, 2015, and 2014. She has served as a senior expert for the World Bank and for the European Business Club in Moscow. She was a visiting research professor at the School of Business and Public Management, George Washington University, USA, and a lecturer at the School of Business at Buckinghamshire College, Brunel University, UK. She is a member of the Association of International Business, the Association of North America Higher Education International, USA, and the French–Russian Cercle Kondratieff, France.

Michel Hermans is an assistant professor at IAE Business School, Austral University, Argentina. His research focuses on how firm internationalization affects employees and how strategic human resources management contributes to the development of organizational capabilities that allow firms to compete in the global business context. His work has been published in the *Journal of International Business Studies*, *Research in Personnel and Human Resources Management*, and *Harvard Business Review* (Latin America edition). He has been a visiting instructor at business schools in Brazil, Ecuador, and Mexico, and was the Host Chair for the Annual Meeting of the Academy of International Business Latin America and the Caribbean chapter in Buenos Aires.

P. D. Jose is a professor of Strategy at the Indian Institute of Management Bangalore (IIMB), India. He currently chairs IIMB's Digital Learning Initiatives, particularly through Massive Online Open Courses. He teaches courses on competition and strategy, business and sustainability, and learning from corporate failures. His research interests include strategy formulation and implementation, crisis management and organizational renewal, corporate sustainability, and corporate social responsibility management. He has held visiting positions at universities in India, the UK, and Sweden. He has also been a consultant for several private- and public-sector organizations, government agencies, state governments, and international organizations.

Eva Cristina Manotas is an associate professor at the National University of Colombia at Medellín. She was a researcher with the university's Applied Statistics Research Group, 2004–2008. She is currently a member of the Economy and Environmental Research Group at the National University and of the Management in Colombia Research Group at EAFIT University, Colombia. She has worked as a researcher with REDAIRE and the Epidemiological Research Center at the

University of Antioquia, her research contributing to the reduction of air and noise pollution in the metropolitan area of the Aburra Valley. Her research areas are international entrepreneurship, business internationalization, the survival of small and medium-sized enterprises, reliability analysis, multivariable data analysis, geostatistics, sampling, forecasts, and time series.

Santiago Mingo is an associate professor in the School of Business at Adolfo Ibáñez University, Chile, where he teaches business strategy, global strategy, and international business. His research explores how the institutional and business environment affects corporate strategy, global strategy, and entrepreneurial activity. Most of his work focuses on emerging markets. He has published in such journals as *Management Science*, *Administrative Science Quarterly*, *Journal of International Business Studies*, *Journal of Management*, *Industrial and Corporate Change*, and *Journal of World Business*, and has presented his research at numerous conferences and universities around the world. He is associate editor of the *Journal of Business Research* and serves on several journal editorial boards. He is currently affiliated with the Nanyang Centre for Emerging Markets, Singapore.

Miguel A. Montoya is a professor at Tecnológico de Monterrey, Mexico, where he teaches courses in International Economics and International Business. He is a member of the National Council for Technology and Science (CONACYT-Mexico), the Economic Council of Business Association (COPARMEX-Mexico), the Academy of International Business, and the Academy of Management. He has published academic journal articles and book chapters and has participated in academic conferences. He has been a visiting professor at the University of South Carolina, USA; ESAN University, Peru; the University of San Francisco de Quito, Ecuador; the Ortega y Gasset Institute, Spain; and the Bordeaux School of Business and Montpellier Business School, France. His areas of interest are multinational companies and business at the bottom of the pyramid.

William Newburry is Chair of the Department of International Business and the Ryder Eminent Scholar of Global Business at Florida International University, USA, a fellow of the Academy of International Business, and a nonresident senior research fellow at the Nanyang Business School Center for Emerging Market Studies. He is an associate editor of *AIB Insights* and series editor for *Research in Global Strategic Management*. He was Chapter Chair of the Academy of International Business Latin America and the Caribbean chapter,

2012–2018. His research focuses on how multinational corporations relate to subsidiaries and local stakeholders when they invest abroad, with an emphasis on reputation in emerging markets. He coauthored *Emerging Market Multinationals: Managing Operational Challenges for Sustained International Growth* (2016), has coedited four books, and has published more than forty journal articles and more than twenty book chapters. He serves on the senior advisory board of *Review of International Business and Strategy* and on several journal editorial boards.

Krzysztof Obłój is a professor of Strategic and International Management at Kozminski University, Poland, and former President of the European International Business Academy. He has lectured in the US, Europe, and China. He serves as Chair of the Department of Strategic Management at Kozminski University and of the School of Management at the University of Warsaw, Poland. His research interests include strategic and international management and entrepreneurship in emerging economies. He has published papers in *Entrepreneurship: Theory and Practice*, *Journal of Management Studies*, *International Human Resource Management Journal*, *Business History*, *Journal of Organizational Change Management*, *European Management Journal*, and several Polish journals. He is the author of *Passion and Discipline of Strategy* (Palgrave, 2013). He has an extensive experience as a consultant, corporate speaker, and supervisory board member for many companies in Poland and elsewhere. He was an advisor to the President of Poland, 2012–2015.

Christian Nedu Osakwe is a research associate of the Gordon Institute of Business Science, University of Pretoria, South Africa. He has reviewed for journals such as *Marketing Intelligence and Planning*, *Journal of Marketing Management*, *European Journal of Marketing*, and *International Journal of Bank Marketing*. One of his research interests is identifying and understanding the marketing or business capabilities of an enterprise, with a particular focus on emerging economies in Africa. His publications include journal articles, conference papers, and a book chapter.

Seung Ho Park is President's Chair Professor of Strategy and International Business and Director of Nanyang Center for Emerging Markets at Nanyang Technological University, Singapore. He was the founding president of the Samsung Economic Research Institute China and Skolkovo-EY Institute for Emerging Market Studies. His coauthored books on emerging markets include the award-winning *Rough Diamonds: Four Traits of Successful Breakout Enterprises in BRIC Countries* (2013, with Nan Zhou and Gerardo R. Ungson; Jossey-Bass), *Scaling the*

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Tail: Managing Profitable Growth in Emerging Markets (2015, with Gerardo R. Ungson and Andrew Cosgrove; Palgrave Macmillan), *Managing Emerging Multinationals: Solving International Challenges* (2016, with Alvaro Cuervo-Cazurra and William Newburry; Cambridge University Press), and *ASEAN Champions: Emerging Stalwarts in Regional Integration* (2017, with Gerardo R. Ungson and Jamil Paolo S. Francisco; Cambridge University Press). He is a fellow of the Academy of International Business. His research focuses on sustained-high-performance organizations, emerging market multinationals, and growth strategies for multinational and local companies in emerging markets.

Camilo Pérez-Restrepo is a professor in the Business School at EAFIT University, Colombia, and serves as Coordinator of its Asia Pacific Studies Center. He is currently the Managing Editor of the online journal *Mundo Asia Pacifico*. He has served as a researcher for the Pacific Economic Cooperation Council in Singapore, and as a consultant for private-sector organizations and the government of Colombia. His research areas include trade policy, foreign direct investment, and regional economic integration between Asia and Latin America.

Francisca Sinn is an associate professor in the School of Business at Adolfo Ibáñez University, Chile, where she is also Head of the Strategy Unit and Director of the Family Business Center. She is the country leader and a former global board member of the Successful Transgenerational Entrepreneurship Practices Project, a global applied research initiative that explores the entrepreneurial process within business families and generates solutions that have immediate application for family leaders. She was coeditor and coauthor of the books *Strategy Today and Forever* and *Women and Entrepreneurial Activity in Chile* (published by the Global Entrepreneurship Monitor). She has published articles in such journals as *Journal of Consumer Research* and *Journal of Business Research*. She has been a consultant for many Chilean firms and advises business families.

Mohan Song is a doctoral candidate at Florida International University, USA. Her research interests focus on international business and strategy, specifically in the areas of country and corporate reputation and dynamic capabilities in emerging markets. She has published three articles and two book chapters in the fields of management and hospitality management and has presented papers at several conferences in the management and international business fields.

Venkat Subramanian is an associate dean and an associate professor of Strategy in the Graduate School of Business at Nazarbayev University, Kazakhstan. He has held faculty appointments at the University of Hong Kong and at Vlerick Business School, Belgium. He was a research fellow in Strategy and International Management at Catholic University of Leuven, Belgium, and a research associate in Strategy and Finance at INSEAD, France. He was also a visiting scholar at the Fuqua School of Business, Duke University, USA. He has published in academic and practitioner journals, and in the business press, on strategy and international business and on competition in emerging markets.

Ashok Thampy is a professor of Finance and Accounting at the Indian Institute of Management Bangalore (IIMB), India. His teaching and research interests are in corporate finance, banking, and the internationalization of firms. He has held visiting positions at the Department of Economics at Santa Clara University, USA, and the School of Business, Economics and Law at the University of Gothenburg, Sweden. He is the Editor of the *IIMB Management Review*, a journal with a focus on emerging markets.

Maria Teresa Uribe-Jaramillo is Head of the International Relations Office at EAFIT University, Colombia, where she has also worked as a researcher at the Asia Pacific Studies Center. She is a political scientist and international negotiator for EAFIT University and the EM Strasbourg Business School, France. She has served as an advisor to the Ministry of Foreign Affairs of Colombia and to various companies in Colombia and Mexico, and as a consultant for institutions including the Inter-American Development Bank and the Konrad Adenauer Foundation.

Gerardo Velasco is Director of Postgraduate Courses in the School of Engineering at Tecnológico de Monterrey, Mexico, where he has also worked in regional development studies. He has been the Regional Coordinator of the Center for Studies for the Preparation and Socio-economic Evaluation of Projects, a trust set up by BANOBRAS, where he was responsible for coordinating the evaluation of more than 165 investment projects. He has served as director of Tecnológico de Monterrey's Finance Academy and is on the councils of the Glaucoma Institute, the Strategy and Specialized Consulting Group Mexico, and the Economic and Social Council for the Competitiveness of the State of Jalisco.

Juan Velez-Ocampo is an assistant professor in the Management Department at Antioquia University, Colombia, where he also serves as Academic Coordinator for the MBA program. His research and teaching interests include the impact of globalization in emerging economies, the international expansion and performance of multinational enterprises from emerging economies, the interlinks between internationalization and corporate reputation, and the institutionally based view of strategy. He has authored more than ten journal articles and presented his research at more than twenty international academic conferences.

Cynthia Vilasboas Calixto is a lecturer at the Getulio Vargas Foundation, Brazil, and a researcher at the foundation's Center for International Business Studies. Her research interests relate to international business, business models, and multinational enterprises' political connections. She is a Program Chair of the Academy of International Business Latin America and the Caribbean chapter, 2019–2022, and is on the board of the Teaching International Business Special Interest Group of the Academy of International Business.

Stephanie Lu Wang is an assistant professor in the Department of Management and Entrepreneurship, Kelley School of Business, Indiana University, USA. Her work lies at the intersection of international business and strategic management. She studies the processes of capability upgrading, internationalization, and multinational management. She is particularly interested in the rise of emerging market multinationals. She has won awards including the FIU Emerging Scholar Award from the International Management Division at the Academy of Management Annual Meeting, 2018, and the inaugural *Journal of World Business* Best Phenomenon-Based Article Award, 2018. She serves on the editorial boards of the *Journal of International Business Studies*, *Journal of World Business*, and *Global Strategy Journal*. She is a research fellow at the Nanyang Centre for Emerging Markets, Singapore.

Preface

In the book you are now reading, you will discover suggestions on how to upgrade the strategic capabilities of firms in emerging economies. Some emerging market firms are in the process of becoming leading competitors in the global economy. False perceptions that these firms were only good enough to operate in their home countries – protected by their governments and providing, at best, export products that relied on inexpensive labor – are quickly being replaced by the realization that some are becoming credible competitors, if not global leaders, in their industries. Many researchers have studied emerging market multinationals, marveling at their technological advances and marketing prowess. Yet these multinationals are only a tiny minority of firms in emerging economies: the ones that have been successful at upgrading their capabilities and expanding abroad. Many other firms are in the process of improving; some will become leading multinationals in the future. This book analyzes such firms and identifies the methods they use to build their competitiveness to international levels.

This study of the ways in which emerging market firms build their strategic capabilities is important not only because this process is the foundation of later international expansion, but more fundamentally because the focus of this research varies from the approaches commonly used in analyzing firms in advanced economies. In emerging markets, firms cannot rely on sophisticated and well-functioning infrastructure such as that underlying many of the advantages provided to companies in advanced economies. As a result, emerging market firms have to use methods to upgrade their capabilities that differ from the methods used by firms in advanced economies. This is the understanding that we provide in this book: how to upgrade a firm's competitive capabilities in spite of the unsupportive context in the typical emerging market.

We present a detailed analyses of the processes that have enabled emerging market firms to upgrade their capabilities by studying how firms in twelve emerging countries have achieved this. We researched firms with a wide diversity of characteristics, in terms of their industry of operation (high-tech, low-tech, and service) and level of internationalization (purely domestic, exporter, or multinational). These analyses were conducted by local experts possessing contextual understanding of the subtleties of the countries and firms studied, who gathered contextual data and interviewed top managers of the participating firms.

This book is a collaborative venture that could not have become a reality without the effort of thirty-four scholars from nineteen institutions. The initial idea came from a research project conducted in association with the network of scholars associated with the Nanyang Centre for Emerging Markets (CEM), Singapore. CEM is a platform that facilitates the development of knowledge on emerging markets through a global network of leading researchers, thinkers, institutions, and corporations. In 2016, this volume's coeditors collaborated on the volume titled *Emerging Market Multinationals: Solving Operational Challenges in Internationalization* (Cambridge University Press). The present book builds on and connects with other books on emerging market multinationals written by the coeditors. For example, Alvaro Cuervo-Cazurra coedited *Mexican Multinationals: How to Build Multinationals in Emerging Markets* (2018, with Miguel Montoya) and *Understanding Multinationals from Emerging Markets* (2014, with Ravi Ramamurti; both Cambridge University Press) and edited *State-Owned Multinationals: Governments in Global Business* (2018, Palgrave). William Newbury coedited *International Business in Latin America: Innovation, Geography, and Internationalization* (2016, with Maria Alejandra Gonzalez-Perez; Palgrave) and *Contemporary Influences on International Business in Latin America: Environmental, Firm and Individual-Level Factors* (2019, with Leonardo Liberman and Moacir de Miranda Oliveira Jr.; Palgrave). Seung Ho Park co-wrote the books *ASEAN Champions: Emerging Stalwarts in Regional Integration* (2017, with Gerardo R. Ungson and Jamil Paolo S. Francisco; Cambridge University Press), *Scaling the Tail: Managing Profitable Growth in Emerging Markets* (2015, with Gerardo R. Ungson and Andrew Cosgrove; Palgrave), and *Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries* (2013, with Nan Zhou and Gerardo R. Ungson; Jossey-Bass).

The three coeditors identified the theme for this book and invited local experts from a variety of emerging markets, all part of CEM's global research network, to join this intellectual enterprise: Helena Barnard and Christian Nedu Osakwe from the University of Pretoria, South Africa; Subhashish Gupta, P. D. Jose, and Ashok Thampy from the Indian Institute of Management Bangalore, India; Venkat Subramanian and Almira Abilova from Nazarbayev University, Kazakhstan; Santiago Mingo and Francisca Sinn from Adolfo Ibáñez University, Chile; Miguel Angel Montoya and Gerardo Velasco from Tecnológico de Monterrey, Mexico; Maria Alejandra Gonzalez-Perez, Camilo Pérez Restrepo, and Maria Teresa Uribe-Jaramillo from EAFIT University, Colombia; Verónica Duque-Ruiz of Prodevenes, Colombia; Ana Maria Gomez-Trujillo from CEIPA Business School, Colombia; Eva Cristina

Manotas from the National University of Colombia at Medellín; Juan Velez-Ocampo from Antioquia University, Colombia; Amanda Borda Reyes and Carlos Cordova Chea from ESAN University, Peru; Michel Hermans from Austral University, Argentina; Maria Tereza Leme Fleury and Afonso Fleury from the University of São Paulo, Brazil; Cláudia Sofia Frias Pinto from the University of the West of Santa Catarina, Brazil; Cynthia Vilasboas Calixto from the Getulio Vargas Foundation, Brazil; Mariola Ciszewska-Mlinarič and Krzysztof Oblój from Kozminski University, Poland; and Natalia Guseva from the National Research University Higher School of Economics, Russia. The research team also included Stephanie Wang from Indiana University, USA, and Mohan Song from Florida International University, USA.

It required almost three years of conference calls, gatherings, and workshops to advance this large-scale global collaboration. The editors worked with the research team to develop the framework used to guide field studies and data-gathering in each country. The local experts used the framework to select the target firms and gather the information necessary to understand the process of capability development. The team reviewed and shared the preliminary findings in panel sessions at the Academy of Management and the Academy of International Business. It has been a long and challenging process, but we were able to pull it through thanks to strong commitment from everyone in the team and with the help of the Nanyang Centre for Emerging Markets, Singapore.

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