Editors’ Introduction

The twenty-first century is the century of the emerging economies, both in market growth and, just as importantly, in changes to business strategy. Based on the 2010 GDP statistics published by both the International Monetary Fund and the World Bank, the traditional BRIC (Brazil, Russia, India, and China) countries are now the seventh, eleventh, ninth, and second largest economies in the world, respectively, while the newest member of the BRICS (South Africa), is among the top thirty economies in the world. Moreover, companies based in emerging economies and those expanding into them in search of growth opportunities are experimenting with new business models even as they build on and extend traditional approaches to strategy and management. At a minimum, emerging markets will complement traditional “developed” markets in strategic importance in the foreseeable future.

Interest on management research on the emerging economies also is increasing by leaps and bounds as evidenced by many new journals focusing on these regions, and special issues in the leading existing journals on emergency economy issues. Management and Organization Review (MOR) is one of the newer journals, now in its eighth year, was created to publish primarily management research in the Chinese context. Strategic Management Journal is a mature thirty-one-year-old journal, published by the Strategic Management Society (SMS), devoted to publishing mainstream strategy research, historically primarily in developed economic contexts but with increasing emphasis on emerging markets. In turn, two new journals from the SMS – Strategic Entrepreneurship Journal (SEJ) and Global Strategy Journal (GSJ) – are deeply interested in research on emerging markets. Excellent research on the emerging economy context has been published in all four journals. Will and Anne decided to join forces and identify a set of papers focusing on the emerging context, particularly China (given the domain of MOR), and inductively derive some learning from these excellent works. We are pleased to present sixteen carefully selected articles and share our learning with our readers in the form of a “Virtual Special Issue”.

The sixteen articles consist of eight from Management and Organization Review (MOR), six from Strategic Management Journal (SMJ), one from Strategic Entrepreneurship Journal (SEJ), and one from Global Strategy Journal (GSJ). We chose the articles more because of their variety than due to their commonalities – the work involves a highly varied mix of conceptual frames and arguments, empirical contexts and methods, and author institutions and countries. At the same time, there is one strong common thread that runs through the articles to create a highly visible pattern – they all take seriously the idea that the context in China and other emerging markets has critical importance for global business scholarship, practice, and policy. We believe that the research that underlies these articles can help shape the pathways of important new research going forward – research about Asia, about other developing market settings, and about business activities in all countries and contexts.
One way of categorizing the works in this virtual issue reflects their conceptual lenses and empirical focus. Conceptually, some of the papers draw on economic theories of innovation, institutional development, regional variation, growth, rent appropriation, and FDI spillovers, while others draw on organizational arguments concerning institutional theory, social networks, personal relationships, organizational slack, and organizational control. Empirically, the studies include multiple aspects of competition, business organization and reorganization, and corporate and social performance. These conceptual frames and questions are highly relevant in emerging market settings, while the answers have implications for understanding business, market, and social trends throughout the world.

Perhaps more interestingly, based on our analysis, is that the work takes three distinct approaches to research. For short-hand, we refer to these approaches as blue, red, and green types of research. **Blue** research focuses on addressing gaps in existing theory, using new empirical data to help complete and extend traditional arguments. The usual argument is that the context (i.e., China or other emerging economy) introduces new understanding or consideration of the theory, or the new context extends the theoretical boundary of the theory. The focus of such blue research is the existing theory while the novel empirical context provides a means by which to refine or fill a gap in the theory. **Red** research focuses on addressing important empirical questions, using concepts from one or more traditional theories to frame how a study examines the issues. This type of research starts with an empirical question or puzzle that the researcher observes in the novel context. The researcher uses existing concepts or theories to understand the empirical phenomenon. The focus of red research is on the phenomenon while existing theory or theories provide a means by which to focus on and obtain an understanding of the phenomenon. **Green** research (short for greenfield research), meanwhile, attempts to address important empirical questions and use the answers to create new theory and/or uses new theory to explain an empirical phenomenon. The empirical phenomenon may or may not be new, but arises in a novel context. The green researcher has to use a new theory because of a failure to find an existing theory that is adequate to explain the empirical phenomenon. The result is the introduction of a new theory or, at least, a new concept that constitutes a new generalizable contribution to the literature.

The papers in the virtual issue provide a mix of red, blue, and green research. Most of the research, eleven of the sixteen articles, belongs to the red type – application of existing theories to empirical puzzles in the novel context. Three articles belong to the green type – creation of new concepts or theory to explain the empirical phenomenon in the novel context. Two articles use the empirical data in the new context to fill a gap in an existing theory. This pattern – although largely arising from our choice of papers – more generally supports the observation that much of the recent research in the new research contexts, whether China or other emerging markets, involves applications of existing Western theories rather than development of new theories (Jia, You, & Du, 2012; Leung, 2007; Rodriguez, Duarte, & de Padua Carriera, 2012; Tsui, 2007).

Two articles take a traditional blue approach to research, with a focus on addressing a theoretical question. White, Hoskisson, Yiu, and Bruton (2008) increase our understanding of organizational control by examining business groups as control mechanisms for managing conflicting pressures in the institutional environment. Zhang, Li, Li, and Zhou (2010) extend our understanding of how FDI spillovers affect firm productivity. These are striking examples of how contexts with empirical phenomena that traditional research typically does not face provide opportunities to strengthen and extend traditional theories of business strategy and performance.

ask whether state-owned enterprises will be viable competitors in the future. Li, Lam, Sun, and Liu (2008) integrate institutional theory and strategic HRM arguments to study the evolution of employment modes among MNEs. Li, Yao, Sue-Chan, and Xi (2011) apply institutional theory to analyze the types of political ties that state-owned and independent firms tend to form. Chan, Makino, and Isobe (2010) draw from theories of regional economics to compare the economic performance of foreign subsidiaries in China and the U.S. Li, Poppo, and Zheng (2008) draw from theories of ownership, competition and uncertainty to examine when management ties create economic value. In a meta-analytic study, Luo, Huang, and Wang (2012) use social network theory to examine the economic benefits of guanxi ties at the firm level. Batjargal (2010) builds on social network theory to study how structural holes have a different impact on product development and profitability of entrepreneurial firms in different institutional contexts. Li, Chen, and Shapiro (2010) use ideas from the economics of innovation to determine when access to foreign knowledge helps local firms catch up in innovative activity. Li, Chen, and Shapiro (2010) apply theories of economic rent extraction to examine the distribution of gains among entrepreneurs and political agencies following management buy-outs. Liu, Lin, and Cheng (2011) draw on theories of ownership and organizational slack to study business globalization. While these studies use a mix of conceptual lens to examine a wide range of important empirical issues, they share the common feature of developing focused and disciplined arguments that provide reliable answers to important questions – answers that matter in China and other emerging market settings, and answers that will also help frame studies of open questions in what we think of as traditional developed markets.

Finally, three papers take a green approach to their research design – starting by addressing important empirical questions and then using the answers to help develop new theory. Guo and Miller (2010) study the dynamic of guanxi networks and their impact on business organization, helping to develop a new conceptual lens for understanding social structure in different institutional contexts and stages of entrepreneurial formation. Chai and Rhee (2010) start by using theories of social relationships to study cultural variation in network structure and then use the results to help create the new concept of “Confucian capitalism”. Chakrabarti, Vidal, and Mitchell (2011) use theories of business reorganization to study reconfiguration in varied institutional environments, using the results to help develop a more robust theory of business dynamics. Similar to the “red” research, these studies address important empirical issues, while also helping develop novel conceptual arguments.

These sixteen articles together illustrate the amazing opportunities for new scholarship that are arising in many emerging market settings. Clearly, understanding business strategy and performance in Asia, Latin America, Eastern Europe, Africa, the Middle East, and other non-traditional market settings is critically important for academic scholarship, business strategy, and social policy. Quite simply, these are the markets in which businesses and societies are experimenting – implicitly or explicitly – with applying traditional business practice in novel ways and in developing novel forms of business practice. Our analysis also leads to the same conclusion and echoes the same recommendation that others have made. We need more “green” type research when studying management phenomena in novel contexts, especially emerging economies, with great differences in formal and informal institutions, political systems, and stage of economic development. The uncritical application of existent theories may lead to conclusions that can be artefacts of the theory – or, at best, address peripheral issues rather than core issues in the new context – rather than an accurate understanding of the key aspects of reality in these novel contexts.

When we teach emerging market strategy, we point out to our students that “emerging markets are where the growth is”. Perhaps more importantly, certainly in the long term understanding of business strategy and performance, “emerging markets are also where the novelty is” – novelty in business strategy and social relationships that matter to competition and to social welfare. We hope that this
“virtual special issue” will add fuel to the fire of wonderful scholarship that is now taking place about emerging market business – research that sometimes builds on traditional concepts and other times helps advance the new concepts that we will need to understand critically important aspects of the evolution of business and society around the world.