

Chapter 79

Indigenous Management and Bottom of Pyramid Countries: The Role of National Institutions

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ABSTRACT

Recent research on indigenous management has created the potential for more diverse, and innovative international business research (Holtbrugge, Narayanan and Wang, 2011). In this conceptual chapter, I extend the existing literature on indigenous management, with an integration into, bottom of pyramid country research such as India (Prahalad and Hart, 2004; London and Hart, 2004; Berger, 2014). In the 21st century, eighty percent of the world's population is still considered developing, i.e. having a per capita income of less than U.S. \$1,000 dollars per year. Most of these are emerging. This chapter focuses on the importance of national institutions and their potential lessons for, bottom of pyramid countries. I argue that national institutions play a key role in indigenous management research, through their positive impact on the, development of bottom of pyramid countries.

INTRODUCTION

Recent research in, indigenous management (Holtbrugge, Narayanan & Wang, 2011; Banerjee & Prasad, 2008) has created the potential for more diverse, and innovative international business research, based on the past successful experiences of, emerging markets. I believe that such lessons are especially critical for the world's poorest countries, or bottom of pyramid countries (Prahalad & Hart, 2002). In this 21st century, eighty percent of the world's population is still considered developing,

i.e. having a per capita income of less than U.S. \$1,000 dollars per year. According to UNCTAD (UNCTAD, 2007) technically these Bottom of Pyramid countries are distinguishable from the emerging economies where the per capita income is between \$1,000 and \$9,999 (UNCTAD, 2007; Cheng, Wang and Huang, 2009; Das, 2010). As the number of thus defined economies is extremely low, overall I will use the term Bottom-of-Pyramid countries (BOP) as equivalent to developing 1st stage emerging countries, though sometimes I need

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to make the distinction among the three types of economies developing, emerging and developed.

The 21st century seems to be a combination of globalization and anti-globalization and global debates about economic and social value (Moss, 2007; Orsi, 2008; Kershner, 2008; Fletcher, 2009; Lara, 2009). Such social realities and public policy issues have also led to social science researchers addressing questions of, “anti-globalization” and what is the extent and limits to the economic and business elements of globalization and the future role of multinational corporations (Dunning, 1997; Graham, 2000; Eden & Lenway, 2001; Higgott, 1999; Prakah & Hart, 2000; Rodrik, 1997; Rugman, 2000; Vernon, 1998). This paper advocates that the stakeholder (Freeman) system of capitalisms is the best response to these anti-globalization movements

Measurement, and related concepts of standardization, commodification or the ability to measure or commensurate, or the comparison of different entities (Espeland and Stevens, 1998) has been seen as a key strength of the shareholder value system, compared to the more social, stakeholder (Freeman & Phillips, 2002) value system. For business ethics research, the issue of shareholders and stakeholders, and the strength of particular types of capitalisms (Orsi, 2008; Kershner, 2008; Klein, 2003) has become increasingly prominent in the 21st century, due to the various corporate scandals involving corporations as Enron, Worldcom, Tyco as well as professional service firms such as Andersen, which are seen as part of the more profit-oriented shareholder business system. The global financial crisis of 2008, further accelerated these issues towards global investment banks and their value systems.

London and Hart (2004) have provided an ambitious international business research agenda to integrate bottom of pyramid countries into international business research. In this context this conceptual chapter focuses on the importance of “national institutions” (North, 1990; Jackson,

Amaeshi & Yavuz, 2009; Panda & Gupta, 2007; Tsui, 2004; Xu & Yang, 2009) and their role in the analysis, development and competitive positioning of MNEs from bottom of pyramid countries. I do so through the focus on national institutions, with an emphasis on the differences in these between developed and bottom of the pyramid countries (Prahalad & Hart, 2002). This chapter also advocates a broadening of global business research to make comparisons across income levels both in developed, emerging, and developing/bottom of pyramid countries and across business systems. The presence and ratio of formal and informal institutions and the presence and extent of structural linkage among organisations in the three types of country are crucial for their MNEs to develop their competitive positioning.

While bottom of the pyramid (London & Hart, 2005; Prahalad & Hart, 2002) countries have been a well-researched topic for economic growth and economic development researchers (Meyer, 2006; Holtbrugge, 1999; UNCTAD, 2007), research in social sciences on economic growth in developing economies has reached a consensus on the crucial role in economic growth played by “institutions” (Rodrik, 2003; North, 1990; Olson, 1982; Ostrom, 1990). This chapter argues that including EMs, developing economies, or bottom of the pyramid countries (London & Hart, 2004; Prahalad & Hart, 2002) in comparative, global business research requires a more in-depth analysis of the institutions and organizations in such bottom of pyramid countries and their relevance to global competition.

This chapter is set out as follows. It discusses business systems briefly to provide a context. Then I analyse the traditional global triad (Ohmae, 1985) and discuss how it deters researchers from including developing economies, or countries at the base of the pyramid – reason why I want to develop a different triad, for which first I need to briefly refer to corporate governance systems (Albert, 1991; Roe, 1994; Peng, 2003; Pedersen

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