

# Adopt Contrasting Strategies for Emerging Markets



By V. (Paddy) Padmanabhan , Unilever Chaired Professor of Marketing

**Emerging markets have typically been lumped together by investors and corporations attempting to define all-encompassing strategies, but these markets are diverging. Tailored, local strategies are now more important.**

The ASEAN (Association of South East Asian Nations) region has been growing steadily at about 6 percent a year since 2008. If it were a country, it would be the 7<sup>th</sup> largest economy in the world. ASEAN today is on the cusp of a new era. The growth drivers of 1998-2008, based on export-led growth of products and commodities for developed markets are no longer as relevant. A new growth model, based on innovation and domestic demand, is necessary, but this presents very different opportunities and challenges for countries and corporations in this part of the world.

At the recent Emerging Markets Conference at INSEAD, hosted by the [INSEAD Emerging Markets Institute](#) and PwC, INSEAD's Dean and Professor of Economics, Ilian Mihov said that **BRIC nations should be treated separately**. "Each one of these countries are very different and they are at different stages of economic development with different

monetary and fiscal policies,” he said. As a consequence, countries in the region will need very different approaches to leverage the opportunities.

Speaking on a panel at the conference, Bob De Lange, the Vice President of Caterpillar’s excavation division, the global headquarters of which is in Singapore, agreed, saying “there's probably no such thing as ASEAN, because there's such a wide variety in the economies, the environment, even within ASEAN.”

De Lange and other panellists discussing the future of South East Asia at the conference explained how they were adapting to this new emerging market order.

### **Building and leveraging local capacity**

Rahul Gupta, Managing Director of Business Development in ASEAN at General Electric explained that corporations are changing their approach to emerging markets and are at an inflection point of a longer-term game. “The days when you said ‘enter opportunistically and exit when the tide turns against you’ have gone,” he said.

Given that governments are focused on how they can increase productivity, develop skills and create home-grown innovation, customers are changing too. “Customers want you to turn around in their time zone, so that leads to a lot of people to have local empowerment, and in order to achieve that you need to have the accountability and the capability,” Gupta added. This is why GE is focused on developing local leaders. “It was not very long back that a region like ours had expatriates in country leadership roles. Today, we find all our country managers – Vietnam, Indonesia, Thailand, Philippines – everybody is a local,” he said.

This is also reflected in the way GE improvises to align with the needs of the market, rather than following only global business models. Gupta pointed to the example of a handheld ultrasound machine developed by GE Healthcare that runs on batteries so it can be used in remote places with unreliable electricity supply. He also highlighted how these and other projects have led GE to increasingly focus on aggregating a local business opportunity with other regions to build a global business case that would justify investments beyond the narrow scope of a local opportunity.

De Lange of Caterpillar echoed the sentiment by explaining that his organisation is committed to becoming local in the region for the long-term opportunity in basic infrastructure development, but also to diversify across markets at very different stages of stability and progress. This has driven Caterpillar's decisions on everything from building manufacturing, capacity, R&D and local supply bases across the region.

Catherine Jucker of Baxter also explained that the healthcare company had established local manufacturing capacity in Thailand around 3 years ago as part of a strategy grounded on partnering with government and healthcare practitioners to enhance access to dialysis care for patients. The company continues to take this long term collaborative partnering approach in emerging markets to improve access to therapies and raise standards of care.

### **Local players rising**

While growth strategies are changing, they're also being coloured by the emergence of highly competent local players. Governments are racing ahead on policies to encourage more domestic demand growth and increase the economic lot of their populations.

Widhyawan Prawiraatmadja, Commissioner of PT Pertamina, an Indonesian state-owned oil and gas company, shared how Indonesia is applying a proactive approach to building a new growth model for the country. It includes diversifying the economic bases for growth, creating opportunities for more local economic activity and making local businesses competitive while also addressing the issue of inclusive economic growth.

### **Drop the group acronyms**

Panelists highlighted the fact there is no such thing as a monolithic ASEAN strategy. The particularities of sectors and countries necessitate a more granular approach to understanding the challenges as well as the opportunities and building the strategies for growth at both a country and corporate level.

All panellists agreed, however, that long term strategies are needed, as the prospects of emerging markets remain bright, despite current headwinds.

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