

1. Dynamic benchmarking issues in emerging markets: building relevant theories and examining evolving practices

1.1 Introduction

Research interest on benchmarking issues for emerging economies is increasing. In view of growing potential customer base, dynamic benchmarking research requires vigorous debate and careful examination on the broad scope of practices beyond narrowly defined economic/productivity-based goals.

1.1.1 Changing global landscape. In a large pond, one group fish in the upper section and another group fish in the opposite section rarely interacted. The upper section was relatively clean and abundant with smaller numbers while lower section was somewhat less convenient and resource-scarce with larger number of fish. This is an illustration of what Top of Pyramid (ToP) and Base of Pyramid (BoP) are about. The world like this pond—somewhat divided and separated—now finds the need to pursue shared survival and prosperity together.

The emerging world landscape may be quite different from what we have seen for the past 100 years. The dominating role of emerging economies is not to be underestimated. By 2050, the prediction is that “China will be the largest economy in the world by a significant margin, while India could have edged past the US into second place and Indonesia have risen to fourth place [...] the world economy will more than double in size between now and 2050, far outstripping population growth” (Hawksworth *et al.*, 2017, p. 3). Such changes in national income have an impact on the relative size of middle classes by emerging economies. Asia is expected to have more than 60 percent of global middle classes by 2040 (Drabble *et al.*, 2015; Kharas, 2017). At the same time, other alternative perspectives on Brazil, Russia, China and IndiaBRICs receive increasing research attention as well (Duan, 2010; Bell, 2011; De Vries *et al.*, 2012; Mensi *et al.*, 2014).

The cumulative effect of slow growth rates of middle classes in North America and Europe would result in steady decline of relative size of global middle classes in North America and from 11 to 24 percent in 2009, 9 to 20 percent in 2020, 8 to 16 percent in 2025 and 7 to 14 percent in 2030. Asia Pacific’s share of global middle classes suggests a consistent increase from 46 percent in 2009, 54 percent in 2020, 60 percent 2025 and 65 percent in 2030. These predictions are not beyond any doubt. Other contextual factors (e.g. physical infrastructure, health status, and rule of law and economic growth outcomes) and actual buying power of middle classes require more careful scrutiny. In brief, the future of global landscape is quite fluid and dynamic in the ways of ToP and BoP interact (Hall *et al.*, 2014; Perez-Aleman and Sandilands, 2008; Prahalad, 2009).

Figure 1 shows the nations of the world into three groups. This is for the classification purpose only. This has little to do with the nature of progress of nations and the prospects of growth. All these nations have enormous potential on their own special ways. It also suggests the role of benchmarking mechanisms. Although individuals and organizations from countries in different blocs may interact directly such as G7-OECD countries with E7, E7 with developing countries and G7-OECD with developing countries. In the age of global complexity, it is more crucial to engage and interact for creation and delivery value in micro- and macro-level (Gunasekaran *et al.*, 2014). In this sense, by adopting interfacing

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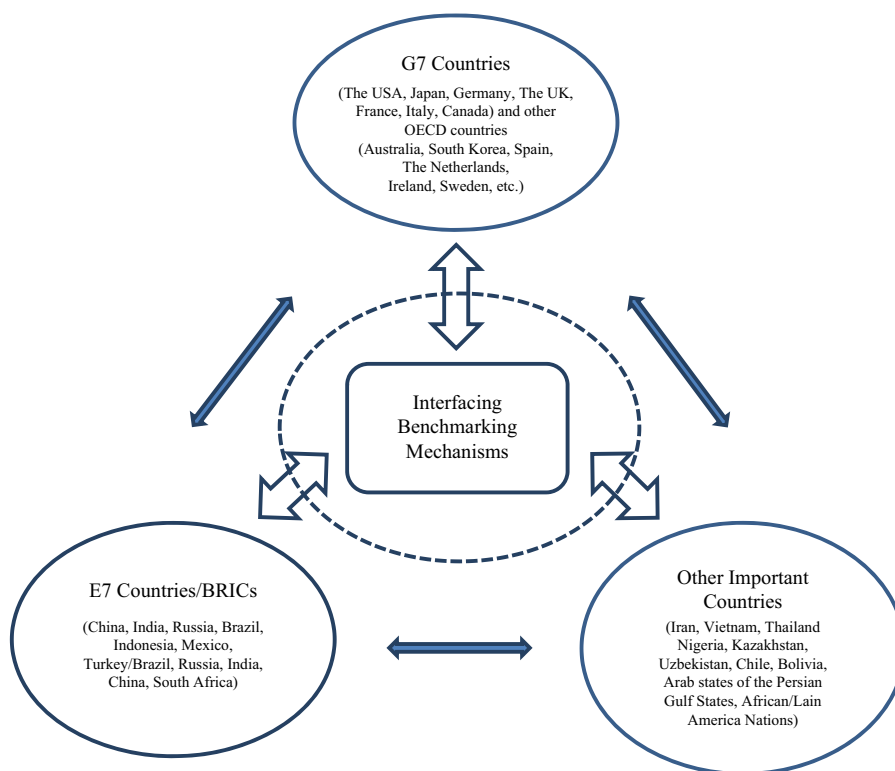


Figure 1.
Changing global
landscape: need for
benchmarking
mechanisms

benchmarking mechanisms, the interactions between these countries might become more productive and sustainable. The next section explains how interfacing benchmarking mechanisms may play such constructive roles.

1.1.2 Role of interfacing benchmarking mechanisms. Dynamic benchmarking is for both competitiveness and linkage mechanisms. Benchmarking by definition is to compare with what is the best for learning and improvement goals (Vorhies and Morgan, 2005; Hong *et al.*, 2012; Parast and Adams, 2012) and thus connect the diverse practices in different national environments in several ways.

First, benchmarking provides what specific practices are transferrable from the contexts of the advanced economies to the counterparts of emerging economies. Innovative practices of the USA and European countries, for example, supply chain practices, may be transferrable to China and India to the extent that these practices pass through the test of generalizability. At the same time some of these practices, free flow in information exchanges, may not be implemented in the identical intensity in societies where high level of government control and expression of ideas are somewhat constrained. In this sense, benchmarking practices provide rich opportunities to consider what specific practices are useful in diverse contexts.

Second, benchmarking may be applied as a change agent in emerging economies. Emerging economies as in the Middle East and Latin America have their own rich cultural traditions and organizational stability. Yet, in view of overriding goals for growth mandates and competitiveness initiatives, firms in these regions are willing to make necessary changes. Benchmarking provides necessary tools for bringing about changes in productivity enhancement and quality of life demands.

Third, benchmarking reports the dynamic transition processes. Advanced economies report no more than 1-3 percent of slow annual economic growth while emerging economies often achieve 6-10 percent of rapid growth in diverse sectors. Such high rates of growth involve noticeable changes in political-social-economic landscape. Benchmarking allows to capture how these transitions actually occur in various segments of industries, strategic choices of firms and individual attitudes and preferences.

1.2 Dynamic benchmarking

This special issue considers broad scope of issues related to dynamic benchmarking in the contexts of emerging markets. The following selected papers discuss the broad scope of benchmarking issues related to emerging economies. These papers cover a variety of geographic regions and countries, including Brazil, China, the Middle East and North Africa, Japan and Germany. They also study supply chain management from different perspectives including supply chain integration, industrial clustering, lean manufacturing, sustainability and leadership. While focusing on different industries, they describe characteristics, dimensions or measures of competitiveness. Further, they provide diverse practices and insights for achieving competitiveness, which could be transferrable to other emerging economies. Next, we will briefly summarize each of the selected articles.

The first article by Bartnick and Park examines how technological change, information processing and supply chain integration determine the speed of competitive reaction. They use the example of automotive transmission development to study this, provide a conceptual model for the analysis and offer research propositions. Their findings suggest that symptoms of two larger trends: increasing specialization and technological linkages and a need to increase external supply chain integration beyond traditional structures. Comparing the effects on Japanese and German incumbents, they find that increasing external supply chain linkages proves to be harder for Japanese OEMs. Tight links and routines in the Japanese supply chain networks may harm OEM efficiency under the new technological conditions, e.g. the lack of complete part specifications and high demands for customization. This article draws on original interview data in developed and emerging markets and information processing theory to explore the complexity of inter-firm coordination in automotive supply chains.

Ikram, Su, Fiaz and Rehman highlight the characteristic role of specialized markets and traders in the internationalization of emerging economies by examining the linkages between supply chain management and industrial clustering in China. Multi-method approach was employed as primary data were collected from a case study of Shaoxing textile cluster, and were supplemented with secondary data to triangulate the findings. The propositions explore how competitive advantages of industrial clusters facilitate effective supply chain management. This article elaborates the linkages between cluster theory and supply chain management both within cluster and between interspersed clusters. It also explains how specialized markets and global players are enabling concentrated supply networks. The paper recommends extension of "Triple helix + 1 model" by making local community part of the underlying framework.

Iwao and Marinov examine factors that inhibit and facilitate the contribution of continuous improvement activities to advance performance in "lean" factories. From the perspective of the routine dynamics theory, this paper considers the possibility of changes in the standard operating procedures (SOPs) made in the course of continuous improvement activities. For example, Toyota implements an incentive program to perform operations according to the SOP, while at Matsuo this incentive is not present. This study extends the theory of routine dynamics and the fields of operations management. It also shows how adequate management of consistency between the three aspects (material, ostensive and performative) of organizational routines is crucial for the successful outcomes of lean manufacturing.

El-Khalil and El-Kassar note that sustainability focuses on the effects of present actions on societies, environments and ecosystems of the future. This study discovers the extent to which the Middle East and North Africa (MENA) region corporations pursue various aspects of corporate sustainability. The literature review findings suggest six key categories/constructs measure the degree of corporate sustainability and performance outcomes and a theoretical framework is further tested through empirical data collected in the MENA region. In contrast to many sustainability studies on firms from North America, Europe and East Asia, the findings raise awareness among MENA-region corporations of the importance of increasing engagement in steadily emerging sustainability practices.

Ko, Haney and Lee aim to explore how ethical leadership and organization's formal control systems interact and further influence followers' opportunistic behavior. Empirical test results are based on the survey data collected from Chinese employees ($n = 430$). The findings indicate that both ethical leadership and formal control systems play significant roles in reducing employee's opportunism. In addition, ethical leadership and formal control systems are healthy organizational mechanism to manage potential opportunistic behaviors among key stakeholders. In the context of China, this study demonstrates how ethical leadership in interpersonal realm and formal control system promote constructive cultural engagements for the competitive growth.

Teberqa and Oliva posit that the volatile scenario of technological innovation demonstrates the need for risk controlling processes, in order to ensure its viability. This paper proposes a conceptual framework for risk management in the introduction of new technologies by startups in Brazil, aiming to provide the guidelines for the improvement of this process. They propose a matrix for the management of uncertainties and risks in startups. Comparative case studies on MercadoPago and GuiaBolso help the entrepreneurs develop their startups. The Startup Risk Management Matrix brings elements that provide the realistic assessment of the net present value adjusted to the risk of developing a new product (NPVR), process or service, and the contribution of the level of risk management maturity of benchmarking target firms.

1.3 Conclusion

The above seven selected papers bring out dynamic benchmarking issues in emerging markets. These articles provide a basis of building relevant theories and examining evolving practices for further development and refinement.

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