

Situated BOP markets and the multinational corporation

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Biography

James R Faulconbridge is a Reader in the Department of Organisation Work and Technology at Lancaster University Management School. His research focuses on the intersecting themes of institutions, the professions, globalisation and spaces of learning and knowledge. His interest in BOP relates to the way globalising organizations might translate, hybridize and produce in situated ways new knowledge that shapes BOP markets.

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by

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Abstract

There are significant opportunities to learn from but also develop the literature on multinational corporations when analysing BOP markets. This short review explores three potential opportunities relating to: market making dynamics; knowledge mobilities; and embedded power geometries. Each is explored in turn and helps reveal the complex questions that exist about the situated nature of both BOP markets and the activities of MNCs in these markets. The underlying theme that emerges from the review is that multinationals have the potential to shape in both positive and negative ways in terms of 'trade not aid' the development of BOP markets.

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Introduction

With its backdrop in debates about 'trade not aid', and the potentially significant role of the multinational corporation (MNC) in market development (Prahalad and Hammond, 2002), there is enormous potential for the BOP literature to learn from and develop the wide-ranging work of social scientists on the networked (Dicken et al., 2001; Nohria and Ghoshal, 1997) yet situated and embedded (Grabher, 1993; Meyer et al., 2011) MNC. Such potential exists because of the inherent tension that exists when the role of MNCs in BOP markets is considered. On the one hand, as has been shown in the context of non-BOP markets (Hall et al., 2009), MNCs have the potential to act as market makers, maximising the potential of BOP markets. But on the other hand, too often MNCs have also been shown to extract surplus value and inhibit upgrading in ways that are detrimental to development (Coe et al., 2004; Kaplinsky, 1993).

It seems crucial, therefore, to consider the potential implications, positive and negative, of BOP markets that are strategically coupled to the activities of MNCs. Following Yeung (2009: 332), strategically coupled is used to refer to the way local producers and consumers in BOP markets and MNCs might become mutually dependent on one another. This dependency raises three key areas for analysis, each of which is outlined below.

The MNC in BOP markets: three key conundrum

Market making dynamics

One of the fundamental questions facing those seeking to better understand BOP markets relates to the need, to use the language of Araujo (2007), to reconnect marketing to markets and better understand what leads to the emergence of stabilised conditions of demand (Slater, 2002). When considering the role of MNCs in BOP markets, such questions are important as part of evaluation of the pros and cons of the MNC as market maker or market maximiser. The mainstream international business literature tends to assume MNCs play the latter role, entering already existing markets and leveraging their potential through corporate strategies designed to meet demand conditions. But, as both Faulconbridge et al. (2008) and Yeung (2005a) point out, such an approach ignores the role of MNCs as institutional agents capable of making markets through their strategic actions.

In the market maker scenario the MNC would engage in tactics ranging from advertising to product giveaways, consumer education to consumption infrastructure provision, all with the aim of institutionalising particular forms of market and consumption. In the market maximiser scenario, the MNC would seek to identify already existing exchange relations and forms of consumption and adapt corporate strategy to tap into demand. The former tends, although does not have to lend itself more to an imported, potentially place-insensitive and inter-national approach to market making, the latter to the emergence of multiple and distinctive local markets. Such different outcomes are important because they then lead us to ask about whether market making versus maximising roles to a greater or lesser extent involve MNCs creating opportunities for trade, economic growth, development and the improvement of local livelihoods, or risk the construction of conditions in which strategic couplings disadvantage local producers and consumers, curtail development or lead to less than sustainable (culturally, environmentally, socially) markets? Such questions then logically lead to the second and third areas for research outlined below.

Knowledge mobilities

One of the supposed defining features of MNCs and their impacts on host-countries relates to the inter-national flow of knowledge (or 'best practice') that underlies market making/maximising efforts (Amin and Cohendet, 2004; Faulconbridge, 2006; Kogut and Zander, 1992). In particular, MNCs are said, through their mobilisation of knowledge generated throughout the worldwide corporate network, to provide infrastructures for the upgrading of the knowledge base of host-countries. Such knowledge mobility may play a key role in the growth of BOP markets. Yet, at the same time, such mobility also threatens to repress emergent vernacular market practices if, as part of hegemonic power relations, local particularities are not valued and embedded in situated marketing activities.

It thus seems incumbent on researchers to investigate the extent to which what has been described as bricolage (Faulconbridge, 2013), mutation (Peck and Theodore, 2010) and translation (Czarniawska and Sevón, 2005) occurs and/or could be beneficial as part of MNCs activities in BOP markets. Here the focus of analysis falls on whether models of market making or maximising developed in other contexts are reproduced by MNCs in order to make them sensitive to local cultures, norms, needs and infrastructures, rather than being imported wholesale along with the risk this creates of unsuitable markets and detrimental (for local producers and consumers) strategic couplings. Focus also falls on the potential for inter-BOP mutual learning. By replacing tendencies towards forms of colonial thinking that lead to knowledge mobilities being envisaged as something that involves flows from the 'West' to the 'Rest', it becomes possible to analyse the extent to which knowledge gained by MNCs from working in one BOP market can, when filtered through the bricolage/translation/mutation process, be used to help in the development of other BOP markets (and even non-BOP markets).

Embedded power geometries

All of the above discussions in various ways hint towards the importance of the power relations that determine whether producers and consumers in BOP markets benefit from the activities of MNCs, benefit being a prerequisite if the 'aid not trade' mantra is adhered to. This logically leads to analysis of the factors that determine the relative powerfulness of MNCs and their contending parties in different markets. Here is not the place for a review of the extensive debates on power and its conceptualisation in the context of MNCs (but see Allen, 2003; Clegg et al., 2006). It is worth noting, however, that in this literature power relations between MNCs and contending parties are understood to be situated constructions that vary in form and effect between markets (Faulconbridge, 2012); Yeung (2005b) referring to this contingency as power geometries.

In the case of BOP markets, geometries of power matter because they draw attention to the causes of the variable effects of strategic couplings between MNCs and local producers and consumers. Whether market making or maximisation is beneficial for development and local livelihoods, and whether bricolage/translation/mutation occurs, is likely to be a consequence of contingencies associated with the assets available to both local producers and consumer and the MNC in any particular market. Assets might include everything from regulation to knowledge, infrastructure ownership to discursive logics; the important variable being how local producers and consumers and MNCS each deploy such assets to render themselves powerful. Understanding strategies and situations that generate beneficial outcomes in terms of market emergence and growth, and in terms of the replacement of aid with trade, should therefore be a priority.

Conclusions

The brief discussion has focussed on questions about both how MNCs might operate in BOP markets but also on how the activities of MNCs might bring about beneficial development outcomes. As such, the agenda for research sketched here is one that brings together insights from an international

business, geographical and marketing perspective to advance knowledge in a critically reflexive yet practical manner.

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