

## Book Review

### **The Emerging Markets Century: How a New Breed of World-Class Companies is Overtaking the World**

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#### **Introduction**

What is an emerging market? What, furthermore, is emerging in an emerging market? How different, in any case, is an emerging market from a developing market? How are all these terms related to the one that used to be commonplace: 'the third-world?'

These then are some of the immediate questions that emerge in the context of the on-going debates on international capital flows, and the ability of the emerging economies to absorb, and put these flows to productive uses, given the high-returns on investment (ROI) that investors like Agtmael have been able to identify in these emerging markets across the world. These socio-economic phenomena moreover are not specific to a continent, but are happening in a number of countries. Not only are these some of the more relevant questions, they are also interesting because some of these debates were first articulated and formalized in this book. Agtmael, in fact, is the theorist who first coined the term 'emerging markets,' and did so for a number of reasons which I will set out below as a way of understanding what is at stake in these debates, which encompass a number of areas in strategic management and international management.

Agtmael, incidentally, is the head of an investment firm titled Emerging Markets Management, LLC, and had earlier helped to develop the IFC Emerging Markets Index and Database while working for the World Bank Group. There is another word that needs to be accounted for in the title of the book as well: 'century.' This is the century that Agtmael feels will belong to the emerging markets and the phenomena that he sets out to chronicle are not transitory; they represent deep-rooted changes in the structure of the international economy. The task that he sets himself in this book is to formalize these developments from the point of view of both an analyst and an investor. In other words, this locus of convergence is interesting insofar as it represents both the role of intellectual capital and financial capital in coming to terms with the rising importance that is being accorded to the notion of the 'emerging markets,' and the role that they will play in the international economy in the new century. But, before returning to the questions with which we began, it is worth asking whether it is possible to subsume these questions under a meta-frame. Is the notion of an emerging market a 'creation' or a 'discovery'? Is it 'descriptive' or 'normative?' The answer, as it turns out, is that it is a bit of both.

Configurations of Emergence

While Agtmael's description of the situation is historically accurate, it is also creative in the sense that the notion of 'periodization' in economic history is not a pre-given frame in the empirical world, but must be actively put together by the historical consciousness of the author of a given work, as is indeed the case here. This is even more difficult to do, I would think, in the context of international management than in the case of economic history, where at least the author is writing for fellow professionals, and can therefore take for granted their knowledge of

the modalities of periodization in history. Furthermore, as Agtmael points out, the period under description has just about begun; so unlike an economic historian, he cannot describe phenomena that are over and done with. Instead, he must understand the historical configurations of emergence, which is admittedly, a difficult thing to do since, as philosophers of history know, the notion of emergence is linked to the metaphysics of ‘becoming’ rather than to the metaphysics of ‘being.’

It is dynamically much more difficult to capture the former rather than the latter. But the idea that such a task can even be attempted in order to generate a coeval representation is what makes this an interesting foray in theory that will be of interest to both students of economics and management. It is, needless to say, of interest to all management/strategic management consultants as well since the advice that they offer companies may well have to be understood within the paradigm represented by the notion of emerging markets. The scope of multinationals and transnational companies, for instance, which are major consumers of advisory reports from international consultants, will be affected by their understanding of what is at stake in this paradigm. So while these are questions of theoretical import to business academia, they are also of immense value for both strategic and financial advisories. It is the ability to address the needs of all these constituencies that makes Agtmael’s pioneering work of immense value to a contemporary audience.

### **Management in Emerging Markets**

It is time however to return to the questions with which Agtmael begins his work. Agtmael’s motivation in conjuring up the notion of emerging markets is partly empirical and partly theoretical. It is empirical insofar as he discovered as an investor that the ROI is unexpectedly high in places like Africa, which took him by surprise. It is also partly theoretical in the sense that these ROI phenomena were to be found in many parts of the world that had taken to capitalism of late. This then forced Agtmael to look for similarities and differences between these markets, and the similarities between the markets were there in large enough numbers to justify the generalization, which is encapsulated in the term, ‘emerging markets,’ and the underlying economic and socio-historical trends were compelling enough for the invocation of the term ‘century.’ These were not, in other words, transitory phenomena. The phenomena were important enough to attract the attention of both theorists across a range of disciplines in academia including economics, management, history, philosophy, and sociology, and practitioners in financial advisories, investment firms, and strategic consultancies across the world. There is also an attempt to build a brand for his firm under the rubric of ‘emerging markets,’ since investment firms knew fully-well that clients were wary of investing their hard-earned funds in unregulated economies in the developing world, especially in places marked by political instability, terrorism, and inadequate regulatory protection for investors. While Agtmael was convinced that there is no shortage of good companies in these emerging markets, it is necessary for him to make this case formally so that he does not have to pitch for these markets time and again, but incorporate his learning as a part of the formal approach to the investment function in his firm, Emerging Markets Management, L.L.C.

### **Case Studies**

Agtmael also thought it to be a good idea to communicate not only the business philosophy of emerging markets that he uses to make his investment decisions, but also sets out a number of rigorous case studies of companies in the emerging markets that he felt were worthy of the reader’s attention. In addition to detailed case studies of these companies, Agtmael also makes available financial profiles of these companies in a tabular form for the reader’s convenience with data under headings, background, history, industry, competition, success factors, and challenges. The financial data is set out under categories such as market cap, revenues, net earnings, price earnings ratio, and net/debt/equity ratios. In other words, this book can be read either for its theoretical framework or as a preparation for the arduous ground work that is necessary before taking investment decisions for both investors in the West and for those who

are situated in these emerging economies. All these companies are invariably multinationals and Agtmael's case studies should be of interest to students of international management as well, especially for those with an interest in understanding the role of these companies in the international economy given that the revenues that they generate are often in a position to compete with the national incomes of the countries that they operate in. This inevitably creates friction in the socio-economic realm and in the ability of these emerging economies to forge an effective set of policies in the realms of FDI and effective macroeconomic policy in these countries.

### **Implications of the Sub-title**

The subtitle of this book is also a clue to the scope of the implications in Agtmael's work. The subtitle is 'how a new breed of world-class companies is overtaking the world.' I have set out what is at stake in the notion of an emerging economy in the earlier part of this review. But the implications of these socio-economic developments in terms of their underlying competitive/strategic dynamics are also worth studying. In addition to being of import to our understanding of the issues inherent to the international economy, we can also return from the problems of international management to the problems of strategic management and ask the following questions. If the world is indeed headed in the direction in which Agtmael and his research associates have identified it to be, will it change the way firms compete? Will it change our definition of what constitutes a definition of a multinational as opposed to, say, a transnational? Will the insights generated by studying the case studies of the multinationals from emerging economies change the way in which the older companies compete? Or will it just be more of the same? Who will influence whom? Will the trajectory of influence continue to be from the West to other parts of the world? Or, is there something that these multinational firms situated in emerging economies are able to do that can serve as instances of a new set of modalities to compete successfully in the international markets? These then are some of the questions that readers in the developed world might want to address in the context of analyzing the cases included in this book.

### **Conclusion**

While Agtmael does not claim to know the answers to these difficult questions, he has been able to identify at least some of the issues at stake. This book, especially the case studies of the multinationals, can also be used as reading material in courses on strategic management, the international economy, and international management. If the notion of 'the emerging markets century' makes the impact that it is expected to do, and which it already has to some extent in business academia and elsewhere, we can look forward to seeing a discussion of some of these frameworks in the areas mentioned above.



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