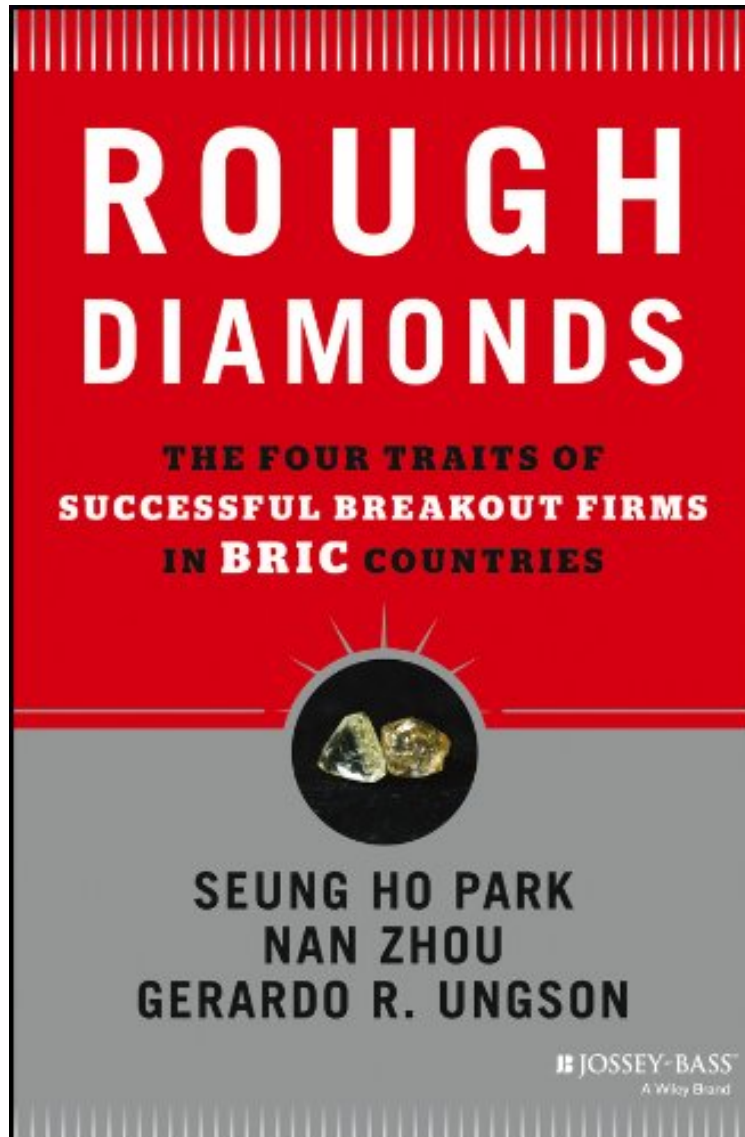


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Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries

Seung Ho Park, Gerardo R. Ungson, Nan Zhou
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Seung Ho Park, Gerardo R. Ungson, Nan Zhou : Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries before purchasing it in order to gage whether or not it would be worth my time, and all praised Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries:

3 of 3 people found the following review helpful. Best Business Books 2013: Globalization by John JullensBy strategy+businessThe large companies described by Kumar and Steenkamp are probably already on the radar of

established MNCs; however, a second wave of lesser-known emerging market firms are just beyond the horizon and rapidly approaching. These new competitors are smaller, privately held companies from the BRIC nations (Brazil, Russia, India, and China), and some of them are already posting long-term growth rates far higher than those of most of their counterparts in both emerging and developed economies. Under the auspices of the SKOLKOVO Institute for Emerging Market Studies, Seung Ho Park and Nan Zhou, professors at the Moscow School of Management SKOLKOVO, and Gerardo R. Ungson, a professor at the College of Business at San Francisco State University, spent three years identifying and studying these companies using a five-step process that included several screens of data analysis (financial metrics and frontier analysis to evaluate each company's resource allocation efficiency), secondary data analysis, and field interviews. They ended up with a list of 70 "stars of the future"—22 in India and 16 each in China, Russia, and Brazil—that are the focus of their book, "Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries." In it, the authors report that this select set of companies grew at an average rate of 43 percent per annum from 2000 to 2009. Moreover, they write, "in terms of profit margins and return on assets over an extended period of time, these rough diamonds match and often exceed the top 100 private firms in their respective countries, not to mention the top 20 manufacturing firms in their countries and comparable firms worldwide." How did the rough diamonds achieve this feat? The authors trace their success to a progressive sequence of four strategies that they label "the Four Cs of High Performance." First, the rough diamonds capitalize on being latecomers to their industries, which are often global and already mature, with well-established technologies and scale advantages—all formidable barriers to entry. The rough diamonds can deal with this because they are unusually adept at spotting the opportunities that arise in established markets during economic transitions, such as market liberalization, privatization, and shifts in consumer demand. For example, Russia's OMK (United Metallurgical Company), which was cobbled together at low cost through the acquisition and consolidation of several run-down, state-owned metallurgical companies, found success by focusing on two nascent markets: railroad wheels and large-diameter piping. Second, rough diamonds create inclusive market niches and segments. In emerging markets, demand is not only nascent, but often extremely fragmented as well. The enormous diversity in customs, cultures, and languages can be bewildering, especially in continent-sized markets, such as China and India. Rough diamonds leverage their superior knowledge of local markets and customers to anticipate demand, secure first-mover advantages, differentiate their products and services, and consolidate their positions ahead of their foreign competitors. For example, Esmaltec, a Brazilian appliance manufacturer, changed production from one-door to two-door refrigerators, added frost-free technology, and lowered the energy consumption on every one of its products, all without a large increase in price, while its Western competitors were waiting for high-end demand to grow. Third, rough diamonds craft operational excellence. The authors found that these companies all spend a good deal of time and effort developing efficient and flexible operations. Since distribution and logistics systems tend to be extremely fragmented in emerging markets, rough diamonds invest heavily in both backward and forward integration, often building out complete supply chains of their own. In Brazil, for example, Magnesita developed an integrated supply chain from scratch, establishing a network that stretched from mining to the manufacturing of its nonclay refractory products to distribution and logistics. Rough diamonds also pay much attention to ensuring quality along the entire value chain, because trust in a company's integrity can be even more important in emerging markets than elsewhere, due to weak institutions and a lack of enforcement power. And they are innovative, building up their R&D capabilities by making investments in education, hiring top researchers, and creating focused learning centers. Finally, rough diamonds cultivate profitable growth. The conventional wisdom holds that success in emerging markets is a function more of rapid revenue and market share growth than of early profitability. However, such a top-line growth fetish often leads to overextension in emerging markets, because the requisites of growth—such as manufacturing facilities, managerial talent, and physical infrastructure—are limited by underdeveloped market institutions. In examining more than 105,000 BRIC companies over consecutive five-year periods, the authors reported that more than 70 percent of the firms that adopted a profit-oriented strategy in Phase I retained their higher profitability in Phase II, whereas fewer than 10 percent successfully made the switch from a sales-first strategy to profits later. Thus, it is not surprising that virtually all rough diamonds adopt a more balanced approach to growth that doesn't overtax their internal resources or incur unnecessary risks. These companies recognize that growth is important, but pursue it in a phased approach of gradual and incremental expansion, while remaining intently focused on sustaining high levels of profitability. Accordingly, the authors also find that rough diamonds do not engage in M&A nearly as much as do many state-owned enterprises, especially those in China. Undoubtedly this is partially due to their incrementalist management philosophy, but perhaps it also reflects their relatively small size and few resources. The book's focus on a hitherto little known set of private companies, instead of Huawei, Lenovo, Tata, and the other usual suspects, makes it a valuable addition to the growing body of literature on emerging market multinationals. In addition, the authors' data on the long-term benefits of adopting a profit-first versus a top-line growth orientation is truly insightful, and their extensive experience and insight into the peculiarities of doing business in emerging markets shine through on every page. For these reasons, "Rough Diamonds" is my choice for the best business book on globalization in 2013.

Discover the four traits of the best performing, but least known, breakout firms in BRIC countries "Rough diamonds" are the best performing firms in the BRIC (Brazil-Russia-India-China) countries. These firms compare favorably with the top 500 firms and the top 25 manufacturing firms in their countries and comparable firms worldwide, exceeding them profit margins and return on assets over an extended time period. This book outlines who these firms are and explains their exemplary performance through the Four Cs for Sustaining High Performance: Capitalizing on late development; Creating Market Inclusive Niches; Crafting Operational Excellence; and Cultivating Profitable Growth. Offers a description of the four major traits that high performance companies in Brazil, Russia, India and China have in common Contains company profiles from BRIC countries that have proved to be successful Written Sam Park the president at Skolkovo-Ernst Young for Emerging Market Studies and Chair Professor of Strategy at Moscow School of Management Skolkovo This important resource outlines the four traits of the best performing, but least known, breakout firms in BRIC countries.

From the Inside Flap Building a market around specialized coat-hooks in trains . . . a beauty contest to build brand awareness for cosmetics . . . catering to local tastes for specialty sausages. Although these examples don't represent innovative products or strategies, the companies behind them are revolutionizing the global marketplace. Rough diamonds are companies that embrace dynamic new business models and development strategies that are defining the next generation of flourishing firms in the fast-growing BRIC economies. Rough diamonds rank among the top twenty-five manufacturing firms in their own countries as well as comparable firms worldwide; often exceeding them in terms of sales growth, profit margins, and return on assets over time. This groundbreaking book explores who these rough diamond firms are, shows how they achieved extraordinary levels of performance, and reveals what it will take for them to sustain these advantages in the future. These remarkable firms craft profitable growth through entrepreneurial ventures and core competencies specific to their markets and operations. Through four interrelated and interlocked development processes; the four Cs; these companies whose origins may have been in the creation of new markets evolve into firms whose success lies in the cultivation of long-term, sustainable, and profitable growth. The success and future growth of rough diamonds foreshadow the new rules of the game for firms in both developing and developed markets. With insight and a wealth of illustrative examples, Rough Diamonds reveals some of the most-important changes occurring within the BRIC markets; from trends in institutional and industrial development, to the impact of new government policies, to the shifting balance of competitive position between incumbent and upstart companies. Ultimately, Rough Diamonds shows what it will take to produce a continual stream of rough diamonds into the future.

From the Back Cover Praise for Rough Diamonds "BRIC markets have spawned a diverse set of progressive and innovative companies that have identified opportunities and capitalized on them. Rough Diamonds offers critical insights for multinationals moving into or seeking to expand in these growth markets." —Ruben Vardanian, co-head of Sberbank CIB, Russia "The compelling stories of these rough diamonds have gone overlooked for way too long. The authors not only peel back the layers to reveal the core strategies that lead to sustained growth, [but also] bring those successes to life through a rich array of anecdotes." —Yuanqing Yang, chairman and CEO, Lenovo Group, China "A must-read for any company looking to build success in an emerging market. The lessons learned from the success of rough diamonds provide a roadmap for how to compete with established companies, consolidate markets, and build on their success as they grow." —Shiv Vikram Khemka, vice chairman, SUN Group, India "If the rough diamond companies are fueling the ongoing and potential growth of emerging markets; and I believe they are; this book provides one of the most penetrating looks at the very heart of global economic development." —Keun Hee Park, president and CEO, Samsung Life Insurance, Korea "A common set of fundamental strategies has helped an up-and-coming tier of remarkable companies build long-term growth in emerging markets. Rough Diamonds identifies those four primary strategies and provides vital lessons for companies that want to compete and partner with this thriving sector." —Kairat N. Kelimbetov, deputy prime minister, Kazakhstan "Shines light on underappreciated and dynamic entrepreneurs from the emerging markets. These organizations might well be tomorrow's household names." —Tarun Khanna, Harvard Business School and director of South Asia Institute "Offers a refreshing perspective on emerging-market multinationals centered on the novel concept of the "rough diamond." These firms will become major global players much earlier than you think. And their strengths hold lessons for all firms." —Mauro F. Guilleacut;n, Wharton School and director of the Lauder Institute About the Author Seung Ho Park is executive director at Skolkovo Business School; Ernst Young Institute for Emerging Market Studies (IEMS) and Chair Professor of Strategy at Moscow School of Management SKOLKOVO. He was the founding president of Samsung Economic Research Institute in China and the BAT Chair Professor at the China Europe International Business School. Nan Zhou is research fellow at IEMS and assistant professor at Moscow School of Management SKOLKOVO. Gerardo R. Ungson is the Y. F. Chang Endowed Chair Professor of International Business at the College of Business, San Francisco State University, and a Non-Resident Senior Research Fellow at IEMS.