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Comparative strategic management: An emergent field in international management

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ABSTRACT

In this article we present an important yet understudied field in international management—comparative strategic management across nations. Although the strategic management discipline traditionally uses the firm as a unit of analysis, and indeed firms within the same nation or industry are often heterogeneous, as argued by the resource-based view, we observe something more. We note a sustained and systematic pattern of strategic management issues at the national-level. We explicate that a unique bundle of national-level institutional, competitive and socio-cultural conditions function together with a repertoire of distinctive capabilities or weaknesses for most firms, incubating certain national-level patterns of corporate-, business-, and international-level strategies adopted by most firms within the nation. To further illustrate we use BRIC countries (Brazil, Russia, India and China) to showcase why and how we advance the study of comparative strategic management (CSM). In our quest to guide future research on CSM, we present a rudimentary yet overarching framework of comparative environments, comparative capabilities, and comparative strategies among firms operating in BRIC countries.

1. Introduction

Researchers in the field of international business often pursue a dichotomous approach to examining developed (e.g., Europe, U.S. and Japan) and developing countries, assuming high homogeneity within each class. For decades, researchers have insightfully diagnosed motives, behaviors, strategies, and practices of internationalization by developed country multinational enterprises (MNEs). At the same time, they insightfully assessed similar issues for firms from developing countries (Aulakh et al., 2000; Peng et al., 2009; Yiu et al., 2007). A handful of studies compare international business decisions, strategies and performances between developed and developing country MNEs (e.g., Chua et al., 2009; Khanna and Palepu, 1997) or between firms from different developed countries, notably Japan, U.S. and Europe (e.g., Cappelli et al., 2010; Granstrand, 1999; Kotabe and Omura, 1989). Despite these efforts, our understanding of comparative insights into various international business and management issues for firms from different countries remains incomplete especially when comparing firms from different developing countries. This gap has serious repercussions today because firms compete internationally against rivals from countries within the same class. For instance, developing country MNEs in similar industries or businesses often vie for the same type or segment of foreign consumers in a host country rather than competing against developed country counterparts.

Comparative strategic management (CSM) has not yet received adequate attention in international management (Mudambi and Swift, 2011-this issue). This deficiency becomes more critical as strategic decisions exert greater and more enduring

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consequences than functional issues on a firm's long-term growth and performance. Further, firm capabilities and strategies are often inherited, incubated, or inhibited by a unique set of institutional, competitive and socio-cultural environments of the country in which the firm operates. As a result, firms in different countries face not only varying environmental parameters affecting strategic decisions but also they feature comparative competitive advantages or disadvantages. Systematic and distinctive differences in firm-level capabilities and related strategies across nations exist. CSM, with its characteristically broad scope, allows us to map and measure similarities and disparities of strategic decisions and behaviors, understand the sources of distinction, explain the distinctiveness of these behaviors, and assess and benchmark various strategic management practices across countries. In line with an increasingly complex environment in international business, CSM provides a framework to understand better each country's competitive advantage against that of other economies, and to elucidate how macro-contexts shape firm's capability, strategy and performance. The comparative method itself is not new and lies "at the heart of social science research" (Collinson and Pettigrew, 2009: 765). The comparative strategic management lens toward international management and global strategy has not yet evolved into a coherent body of knowledge partly due to the lack of an overarching framework. To fill the gap, we aim to provide an integrated comparative approach to cohesively link contextual attributes, firm capabilities, and strategy variations (orientation, deployment, and implementation) across countries.

Through theorizing CSM, we hope to bring a nuanced and informative perspective to current international management research. Both scholars and practitioners are keen to learn what, how and when organizational capability, strategies, and practices are diffusing in convergent and divergent ways across nations, not only between advanced and developing countries but also among developing countries. CSM can excel in inquiring national contextual factors such as macro-level inputs, which shape firms' behavior and performance, resulting in national-level patterns of strategic management issues. To international managers, our framework provides a tool both to better identify and analyze rivals and better prepare the firm to compete globally. Policymakers can utilize this framework to improve the institutional and competitive environments (macro-level) that foster capability development, deployment and upgrading for firms (micro-level) in the country so as to productively compete against other country rivals. In sum, CSM links macro- and micro-level endowments that vary across nations, and via this bridge we can identify comparative competitive advantages and strategies.

We examine BRIC countries (Brazil, Russia, India and China) to illustrate why and how to pursue CSM research. While the acronym of BRIC captures the reality of a shift in economic power away from traditional developed countries (e.g., G7), these emerging economies are significantly heterogeneous in national-level political, economic, socio-cultural, and institutional conditions, and in firm-level capabilities and strategies, thus providing ideal scenery for comparative assessment. Furthermore, as Makino et al. (2004) illustrates, external effects, such as country-level arbitrates, are more important in shaping firms' behavior and strategic choices in less advanced countries such as BRICs than in advanced countries such as the United States and countries in Western Europe. BRIC countries now contribute 25% the world's GDP (IMF, 2010) and are poised to surpass developed economies in size (combined GDP of the G7) before 2035 according to Goldman Sachs's Global Economics Paper report in 2003. But relative to the large population BRIC countries have, their private consumption remains weak. Within this group, China and India are by far the world's two most populous countries, with 1.34 billion and 1.18 billion inhabitants respectively. Brazil, home to 193 million inhabitants, and Russia with 142 million inhabitants have roughly one tenth of the population of the larger BRIC giants China and India. While China is the "workshop of the world" and it is competitive in manufacturing, India excels in skill-intensive services with a ratio of trade in services to GDP of 15%, versus 7% for China. Brazil exports food and raw materials while Russia leads as an exporter of fuel and minerals. Furthermore, Brazil's economy is far more closed than either China or India, with a ratio of merchandise exports to GDP of a mere 22%, compared to 67% for China and 32% for India. Finally, neither Brazil nor Russia achieved a significant rise in their share of world GDP in recent years, compared to China and India. In 2009, China's economy grew by 9.1% and India's by 65.7%, but Brazil's stagnated (−0.2%) and Russia's shrank by 7.9% (IMF, 2010).

2. Conceptualizing CSM

CSM analyzes the extent to which strategic management principles, policies and practices apply from one country to another. It involves the simultaneous study and comparison of a multitude of strategic management principles, policies and practices in two or more countries. It seeks to determine what, among these principles, policies and practices, is universal or homogenous and what is distinctive or heterogeneous among nations. For instance, total quality management (TQM), a managerial practice that aims to increase customer satisfaction by cutting costs and reducing time from innovative products to the marketplace, is available and widely shared by firms in a pattern consistent across the world. Yet, other aspects are much less universal. For instance, *guanxi,* personal connections based on reciprocal favor exchanges, is important in business dealings in China. Similarly, Chinese firms are recognized leaders in exploiting low costs in novel ways and upgrading lower labor costs advantage to more powerful competitiveness (Zeng and Williamson, 2007). Overall, CSM exists because (1) certain fundamental principles in strategic management, such as importance of core competence, are transferable from one locale to another under a variety of circumstances and (2) many concrete strategies and practices, such as practices in building core competence, are context and culture-bound, differing remarkably across locales.

Context-free models or knowledge are fundamental principles or models in strategic management. For instance, resource based view (RBV) and dynamic capability theory are valid perspectives and they apply almost universally. So are analytical models, such as Michael Porter's five-force model and generic competitive strategy typology. Still, a myriad of strategic choices and processes are quite contextual-dependent. For example, confronted with increasing globalization and ensuing fierce global

competition (Hoskisson et al., 2005), American firms frequently adopt a down-scoping restructuring strategy, while firms in Asia, Europe and Latin America prefer to build conglomerates.

Our CSM framework encompasses four major components: (1) environmental differences (economic, institutional, and socio-cultural), (2) capability differences (possession, deployment, and upgrading), (3) strategic differences (orientation, formulation, and implementation), and (4) environment-strategy and capability-strategy alignments as well as performance consequences (See Fig. 1). Environmental and capability attributes establish the sources of inherently distinct strategic inputs, externally and internally. Environmental differences determine the opportunities and threats facing firms across countries, while capability differences reveal the strengths and weaknesses of firms in different countries. Together they produce strategy variations across nations. Due to a greater emphasis on yin–yang philosophy, Chinese firms tend to behave ambidextrously to bolster short-term survival and compensating competitive disadvantage for long-term growth than their counterparts (Luo and Rui, 2009). Further, Russia's unstable institutional environment provokes its entrepreneurs' short-term focus, which in turn encourages unrelated diversification. Indian business groups mostly pursued unrelated diversification before 1990s when they changed course and adopted free market policy. Since that time they have become active in refocusing, consolidating through mergers and acquisitions, and active in international diversification (Kedia et al., 2006).

Two types of comparative differences—environmental differences between nations and capability differences of firms located in different nations are linked (re-linked) and configured (re-configured) through resource flows and investment flows conducted by multinational enterprises (MNEs). The diamond network model (Rugman and Verbeke, 1993) states that, by building dispersed and specialized competencies in its subsidiaries, the MNE can ideally arbitrage national differences in comparative advantages (national-level) and competitive advantages (firm-level), and generate superior returns compared with its domestic and non-specialized international competitors. By analyzing more than 2000 subsidiaries in seven European countries, Asmussen et al. (2009) show that MNEs can overcome "unbalanced" national diamonds—local country environments where some of diamond conditions (market demand, rivalry and business policy, related and supporting industries, and factor conditions, see Porter, 1990) are present but others are missing—by acquiring complementary capabilities across borders. That is, comparative strength of environment and comparative strength of capabilities are constantly configured and reconfigured by MNEs' networking function—these firms combine the distinct strengths of various unbalanced, national diamonds that have been tapped by their globally dispersed subsidiaries, without any individual national diamond possessing all the strengths necessary for overall competitiveness. Thus, MNEs from BRIC countries and beyond will be an important force configuring a cross-national alignment between environment and capabilities by co-specializing and creating complementarities across borders—using foreign subsidiaries to interact locally with complementary firms in other countries (Asmussen et al., 2009).

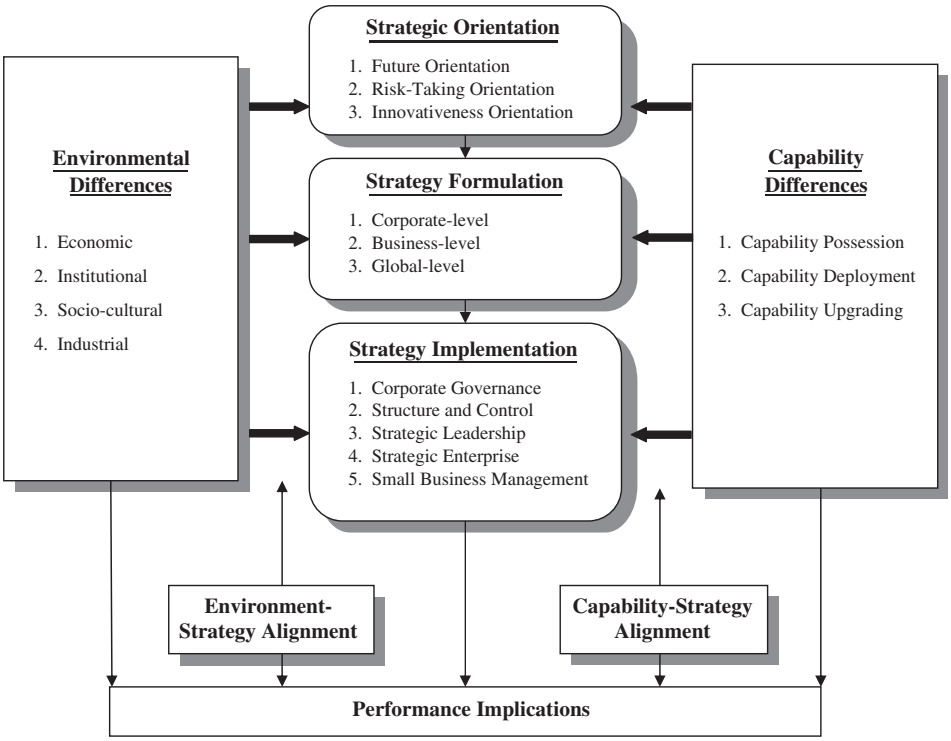


Fig. 1. A unifying framework of comparative strategic management.

3. CSM among BRICS: Environmental comparison

According to World Bank (2009), BRICs cover approximately 25% of the world's land mass, 40% of the world's population, and they together have contributed almost 30% to global GDP growth from 2000 to 2008, compared with around 16% in the previous decade. Exports of BRICs have also risen significantly, with 14.2% of merchandise and 8.7% of service exports to total world exports in 2008 (World Bank, 2009). Similarly, the contribution of outward FDI flows from BRICs to total world has increased to 7.68% in 2008 (UNCTAD, 2009). The staggering growth of BRICs economies has resulted in more than quadruple number of firms listed in the *Financial Times* 500 in 2006–08 (The Economist, 2010). Further, the countries have active cross-border M&A purchases of approximately US$70 billion in 2008 and sales around US$45 billion in 2008 according to World Bank statistics (World Bank, 2009).

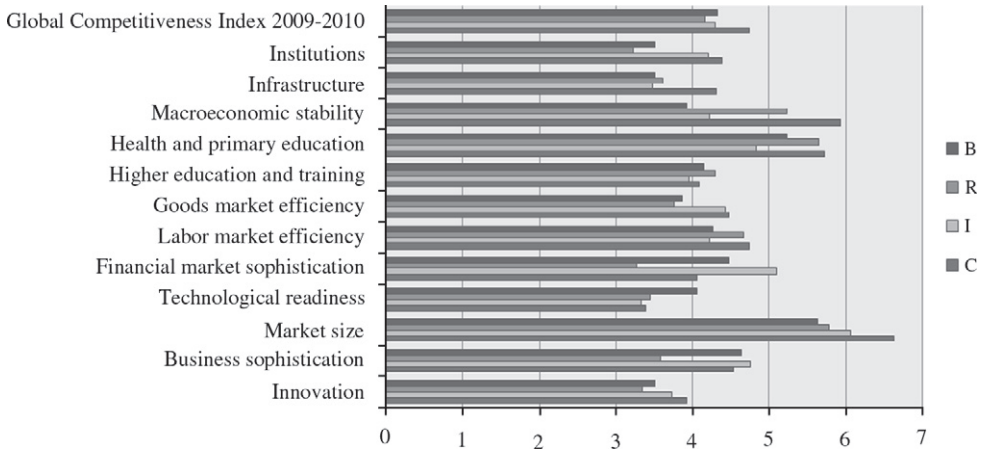
Despite similarity of high global competitiveness potential, BRICs excel in a varied lens of economic potency, while bearing heterogeneous institutional barriers and market volatility. Judging from the Global Competitiveness Index (GCI) by the World Economic Forum, clearly, each country has unique strengths and weaknesses (See Fig. 2). Brazil performs comparatively well in technological readiness, Russia in higher education and training, India in business process (BPO) and knowledge process outsourcing (KPO) services, and China in infrastructure and macroeconomic stability. Below we illustrate BRICs' environmental differences from economic, institutional, social–cultural, and industrial perspectives.

3.1. Economic environment

Brazil possesses varied and vital natural resources (e.g., lumber and minerals such as iron ore and tin), which provide important sources of industrial raw materials and result in a diversified industry structure and export earnings. However Brazil's economy seems relatively less industrious compared to its BRIC peers. The country's industrial production growth rate of 3.8% in 2006–08 period is low when compared with China's 21.9%, India's 8.0%, and Russia's 5.4% (World Bank, 2009). Russia, also rich in natural resources, boasts 65% of Russia's total exports in oil and gas. Despite its export dominance in these industries, the country suffers from high inflation, indicated by the consumer performance index (CPI) of 272 in 2008 (2000 = 100), compared with China's 114, India's 141 and Brazil's 173. Additional barriers to Russian productivity include its primitive banking sector and the absence of a comprehensive financial infrastructure. India lags behind BRIC economies in several economic measures. In 2008, India's average GDP per capita was only US$1061, far lower than other BRIC countries. In the same year, GDP per capita was US $3292 in China, US$8311 in Brazil and US$11,858 in Russia (World Bank, 2009). Public-sector finance is another critical weakness for India. The country lags behind all BRICs in terms of government deficit and debt, which amounted to 4.9% and 75% of GDP in 2008, respectively. A lack of infrastructure in electricity, energy, and transportation also impedes growth.

In terms of overall economic growth, China performs best among BRICs, with GDP growth rates in excess of 10%, approximately US$1.5 trillion foreign exchange and gold reserves, US$921.50 billion imports and US$1.19 trillion exports in 2009 (World Bank, 2009). Nevertheless, resource scarcity and environmental problems (6099 million tons of CO_2 emission in 2006, compared with Brazil's 352, India's 1509, and Russia's 1563 million tons) hinder its development of sustainable growth (UN, 2009).

Brazil leads in science and technology, agricultural research, deep-sea oil production, and jet plane manufacturing. Despite high literacy rates and an excellent technical environment, including the highest telephone subscriber rate (almost 100%) and Internet usage (33% of population) (World Bank, 2009), Russia lacks vital skills essential to success in consumer-products manufacturing and services. Both India and China boast a sizeable pool of college graduates in science and engineering. As a result, companies in



Source: World economic forum;
Index units: 1=least-competitive economy, 7=most-competitive economy.

Fig. 2. Competitive environment differences across BRICs.

the *Fortune 500* list have 98 R&D facilities in China and 63 in India (The Economist, 2010). Nevertheless, India has a large room to improve its education system and a scarcity of trained workers in various manufacturing sectors, indicated by its low education index of 64%, compared with Russia's 93%, Brazil's 89%, and China's 85%, and by in adult literacy rate of 66%, compared with much higher rates in Brazil (90%), China (93%) and Russia (99%) (UN, 2009). These deficiencies drive up skilled-labor wages, which could ultimately diminish the country's current competitive advantage in its BPO and KPO services.

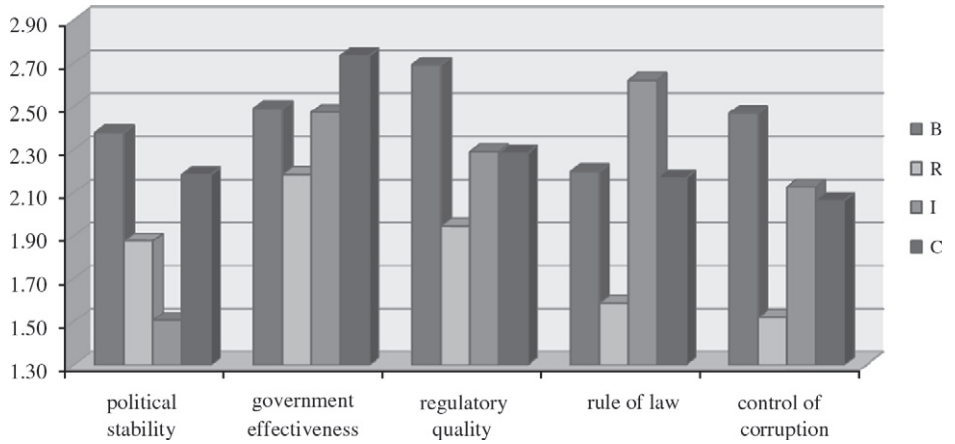
3.2. Institutional environment

While institutional vulnerability (e.g., ambiguous property rights protection, poor law enforcement, bureaucratic red tape, corruption in public services, and regulatory uncertainty) is common in BRICs compared with advanced economies (Hoskisson et al., 2000), it is important to highlight their comparative strengths and weaknesses. According to World Bank's governance indicators of 2009, Brazil enjoys comparative advantages over the other three, notably Regulatory Quality (2.69, with 5 being the highest score) and Control of Corruption (2.47) (see Fig. 3), largely due to its entrenched multi-party democracy and high market liberalization. Russia lags behind its counterparts in several measures of institutional environment, particularly in Control of Corruption (1.52), Rule of Law (1.59) and Regulatory Quality (1.94) (Fig. 2). Moreover, the total tax burden (16% tax revenue of total GDP) in Russia is high, together with widespread corruption and burdensome regulations (World Bank, 2009). However Russia has distinct advantages, such as a high level of urbanization, which represents a major threat in both India and China. Benefiting from its heritage of British governance, India compares well in terms of clarity and maturity of Rule of Law (2.62). Nevertheless, Political Stability (1.51) constitutes the major obstacle in India due to its bloated government, ethnic conflicts, and hostile neighbors. While China outperforms all others in Government Effectiveness (2.74), it lags in Control of Corruption (2.06) compared with Brazil (2.47), and in Rule of Law (2.17) compared with India (2.62).

3.3. Socio-cultural environment

Brazil is among the most racially heterogeneous countries on earth and the country is proud of its multicultural heritage (Lenartowicz and Johnson, 2003). It has 55% European descent (primarily Portuguese), 38% a mixture of cultures (e.g., African, German, Japanese, and Amerindian) and others. In spite of the diversity, Brazil suffers from the most skewed family income distribution among BRIC nations, with the Gini index of 56.7 in 2009, compared with India's 36.8, China's 41.5 and Russia's 42.3 (World Bank, 2009). In 2008 nearly one third (31%) of Brazilians still lived below the extreme poverty line of US$ 1.25 a day, compared with 25% of Indians, 15.8% Russians and 8% Chinese (World Bank, 2009). Both Russia and China maintain strong nationalism, a legacy from Marxism, and high power distance (95 and 80), leading to the two countries' high relationship dependence (Hofstede, 2001). Distinctly, Geert Hofstede analysis suggests that Russia exhibits high uncertainty avoidance (90) indicating a high concern for rules, regulations, and controls, while China possesses the highest long-term orientation (118). Family orientation and the pursuit of harmony play a central role in the societies of both India and China, where legacies of Hindu culture and Confusion culture persist. Additionally, urban and rural disparity and conflicts persist in China and India (India has a 29% rural population growth rate). Despite China's massive population and high level of economic development, the country is featured by a low consumption rate and the budget-minded culture.

Judging from rank in the Human Development Index (HDI), a comparative measure of life expectancy, literacy, education and standards of living, Russia (71st) and Brazil (75th) significantly outperform the other two BRICs, China (92th) and India (134th)



Source: The World Bank, Worldwide Governance Indicators (WGI).
Index units: 0=poorest, 5=best.

Fig. 3. Institutional environment differences across BRICs.

(UN, 2009). Russia suffers from a shrinking labor force, with a negative 0.4% population growth rate in 2005–10 period (UN, 2009), threatening its productive capacity. India and China have significantly higher population density, 340 and 140 per square kilometer respectively, compared with Brazil (23) and Russia (9) (UN, 2009). Additionally, in India, ethnic conflicts prevail among the country's diverse religions (i.e., 80.5% Hindu and 13.4% Muslim). Meanwhile, life expectancy in India is just 64 years, 8 years less than in China, while the infant mortality rate is three times China's rate (World Bank, 2009). As to China, with declining birthrates and significant emigration (2 million in 2005), the simultaneous labor force growth results from a demographic shifts in employment—from agriculture to manufacturing, or from rural (−1.0% growth rate) to urban (2.7% growth rate) (UN, 2009).

3.4. Industrial environment

Within a country, different industries are not the same in terms of comparative advantages. It is neither necessary nor realistic to expect high or equal strength in every industry of the economy. This perspective is important to comparative strategic management because industrial parameters often exert a direct influence on strategic decisions. Comparative advantage is often concentrated in particular industry sectors within a given economy. In general, companies gain a competitive advantage when such industrial or micro-business environment (1) permits and supports the most rapid accumulation of specialized assets and skills, (2) affords better ongoing information and insight into product and process needs, and (3) pressures companies to innovate and invest. While China is the "workshop of the world", competitive in manufacturing, India is stronger in skill-intensive services (the ratio of trade in services to GDP is 15%, against 7% for China), with Brazil being mainly an exporter of food and raw materials and Russia an exporter of fuels and minerals.

4. CSM among BRICS: Capability comparison

4.1. Differences in capability possession

Differences in capability possession capture variations in building and possessing critical resources and capability, such as operation, distribution, brands and reputations, R&D, marketing and relationship capabilities. Higher domestic liberalization and marketization in Brazil and China have enhanced their firms' competitive capability more so than those in Russia and India. Benefiting from the thirty years open policy, Chinese firms have developed stronger manufacturing capability due to skillful labor force, inexpensive labor costs, improved infrastructure and logistics, and increased technological awareness. Strong relationship capabilities are more important in Russia and China due to the legacy of transition economies and the strong power of government officials (Boisot and Child, 1996; Puffer et al., 2010). Distribution and supply chain management abilities are also more important in China and India given their greater market segmentations, larger geographic differences, higher provincial/regional protectionism, and many dispersed and hard-to-reach markets. Technologically, college graduates in India and China in engineering, technology, and computer science help advance the two countries' strong technological capability in information and telecommunication related industries. Brazil takes advantage of geographic proximity with the North American market to enhance its technological capability in airplane and automobile industries (Kotabe et al., 2007). Russia leverages its advanced defense industry infrastructure and related high technology inherited from the former Soviet Union.

Moreover, extensive experience in serving brand-prone internationalized consumers nourishes Brazilian firms' strong branding and marketing abilities. Russian oil and gas companies reveal strong market-seeking acquisition capabilities to achieve processing entities, distribution networks and storage and transportation facilities across Europe and the United States. Both China and India exhibit strong cost reduction abilities that support their gigantic low-end domestic markets. China's strong manufacturing ability outpaces other BRIC economies due to its colossal mass markets and higher inward foreign investment. In addition, Indian firms are equipped with strong operational capability serving administrative and technical off-shoring business as a result of its inexpensive but educated workforce, fluency in the English-language, and high-quality information and communication technology infrastructure.

Additionally, managerial expertise in private companies may be superior in Brazil given its longer establishment and maturity of some dominating businesses in Latin America (Lenartowicz and Johnson, 2003). Entrepreneurs in emerging economies such as China and Russia, balance well between informal and formal institutions to acquire key resource and survive (Puffer et al., 2010). Learning and absorptive capabilities seem to be stronger in India and China (particularly in private firms) given their advantage of newness, risk-taking culture, and greater desire to capture up in areas such as own brand-building and key technologies. More specifically, Indian firms possess superior leadership ability with its pro-western education, culture, language, and training system, while Chinese private firms show strong entrepreneurship ability given the more economic freedom and enormous opportunity that accompanies the country's market transition and business system change.

Finally, BRICs are divergent in financial capability building. With long history of market economy and competition, Brazilian firms have an edge in obtaining debt and management. Through the support from government, state-owned firms in Russia and China gain easy access to state/government controlled capital at low cost, and retain large cash reserves. Financial risk-managing and controlling abilities are notable strengths of Brazilian and Indian firms due to their appropriate corporate governance and maturity of relevant rule of laws. Chinese firms, on the other hand, possess strong accounts receivable management expertise due in part to their budget-minded culture and tough standards for private firms accessing to governmentally controlled loans.

4.2. Differences in capability deployment

Differences in capability deployment explain differences on how firms apply distinctive resources through an appropriate configuration with external and internal dynamics (Luo, 2000; Teece, 1998). Brazilian firms tend to perform better in deploying their resources and capabilities in neighboring countries, stimulated by favorable Latin-America regional integration. Russian firms are weaker in capability deployment due to higher organizational inertia, lingering environment of uncertainty and risk. Indian firms are likely to be more skillful in leveraging, deploying, utilizing technological resources and capabilities given their greater awareness and experience participating in global offshoring and outsourcing competition. With their strong reverse-engineering capability, Chinese copycats excel in imitative innovation largely by mimicking designs and technologies from established firms, while adding new functions and own designs; however, they typically fail in deploying and utilizing these capabilities across borders.

4.3. Differences in capability upgrading

Differences in the capability to upgrade depend on the divergence of firms' learning and acquiring new knowledge. Emerging economies emphasize resilience, dynamism, and continued evolution. Brazilian firms, especially big international ones, have gained considerable experience in capability upgrading such as increased innovation, greater client awareness, and increased product/service customization. Russian firms seemingly lag behind BRIC counterparts in capability upgrading. India maintains its global competitiveness as BPO and KPO service providers by offering the best combination of cost, quality and scalability (Gupta, 2005). They also expand such expertise and capabilities to various industries, such as banking, finance, taxation, law, logistics and healthcare. Chinese biology, high-tech and green energy firms are advancing in capability upgrading, due to the rising challenge of sustainability, risk-taking entrepreneurial orientation, future-orientation culture, and support from the government. For example, Suntech Power, China's largest manufacturer of solar panels, now commands 12 percent of the US solar market.

5. CSM among BRICs: Strategic differences

5.1. Differences in strategic orientations

Strategic orientations are principles intended to provide coherence, focus and direction to all of the strategies undertaken by the firm. BRICs differ in the degree of future orientation. China enjoys a long history of future orientation and forward-thinking, as indicated by the high saving rate and high investment on education. Stable politics and economic environment also heightened Chinese entrepreneurs' progressive and pragmatic decision to invest in their future. In contrast, Russian entrepreneurs are more short-term oriented and have high uncertainty avoidance in line with the rapid replacement of central planning system with market-based mechanisms (Michailova and Hutchings, 2006).

BRICs possess diverse levels of strategic risk-taking orientation. Significant entrepreneurial opportunity combined with a fast-developing open economy and flourishing financial market has enhanced Chinese firms' risk-taking behavior. The Chinese have an incredible appetite to learn, adapt and they are open to change, usually under the lead of an inspirational founder (e.g., Mr. Ren Zhengfei of Huawai Company). In Russia, however, the lax tax laws and administration, inconsistent government regulations, poorly protected property rights and widespread corruption have fostered firms' risk-adverse orientation, collaborating how stability influences a firm's resource commitments (Ghemawat, 1991). Indian companies adopt a return-focused orientation such as stakeholder-based governance, investment in employees, and obligations to the community consistent with the traditional Hindu culture (Cappelli et al., 2010). Finally, BRICs differ in their innovativeness orientation. China and India rank high in innovativeness orientation in local and global market because of their significant well-trained low-cost pool of scientific and engineering talent which is reinforced by contextual characters such as diverse consumer preference, energy and raw material scarcity, environmental degradation, and high population densities (Gupta and Wang, 2009).

5.2. Differences in strategy formulation

At the corporate level, state-owned firms in China and Russia tend to favor mergers and acquisitions (M&A) as the means of diversification strategy, given the flexibility of staggering cash reserves and ease of access to state financial support. Indian firms frequently adopt a refocusing and restructuring corporate strategy to adjust the diversification strategy (Carrera et al., 2003; Hoskisson et al., 2000) to its dynamic economy. For example, the Tata Group restructured to retain 91 out of 250 businesses during a recent 10-year period. At the business level, compared to those in Brazil and Russia, a larger percentage of businesses in China and India tend to focus on low-cost competitive strategy since the two countries have a much bigger population of poor, that is, larger bottom in the country's wealth pyramid.

At the global level, Brazilian firms tend to be more regional, investing in neighboring markets, expanding local markets, and accessing regional markets through Mercosur (the Common Market of South America) (Kotabe et al., 2007). Chinese and Indian firms use international expansion as a springboard to acquire strategic resources and reduce their institutional and market constraints at home (Luo and Tung, 2007). In so doing, they overcome their latecomer disadvantage in the global stage via a series of aggressive, risk-taking measures by acquiring or buying critical assets from mature MNEs to compensate for their competitive weaknesses (Luo and Tung, 2007).

5.3. Differences in strategy implementation

BRICs differ in corporate governance and control. In Brazil, more than 60% of publicly held companies have a single shareholder controlling over 50% of the voting shares (Borodina and Shvyrkov, 2010). In Russia, firms prefer relation-based to market-based corporate governance (Black et al., 2000; McCarthy and Puffer, 2002), due to the underdeveloped financial institutions, weakly-protected private property rights, high country risks and low levels of trust between enterprise incumbents and investors (Buck, 2003). A family-centered corporate governance model is evident in India and in line with predominantly Hindu culture. According to Deutsche Bank research, 54% of large Indian companies are controlled by a single family. Most Chinese firms tend to prefer going public, but 70% of such companies are controlled by the state, according to Standard & Poor's preliminary research in 2008. This predominance of government ownership reflects the government's powerful market influences and the high power distance in the society.

Next, organizational structure and control differ among BRICs. In Brazil, the presence of pyramidal ownership structures facilitate non-voting system and concentration of control, associated with the country's governance weakness such as poor functioning of boards, disregard for minority shareholders' rights and low liquidity of the stock markets. Russia firms must navigate a bureaucratic structure across a range of industries with its government's significant participation in and direct ownership of firms. India is the closest to common law tradition of the US and the UK in terms of controlling shareholders' rights and responsibilities. In China, while coercive isomorphism—government support has fostered the growth of state-owned enterprises (SOEs), the country lacks accounting transparency.

There are also considerable differences in small business management among BRICs, given that small business is an important mechanism for economic development through employment, innovation and income influences (Baumol, 2002; Schumpeter, 1934). Brazil's business sophistication in production processes and consumer orientation enable more than 4.5 million small businesses to operate profitably in a wide range of industries throughout Latin America. In India, small and medium sized enterprises (SMEs) contribute 95% of industry establishments, 40% of domestic exports, and 35% of industry sector in 2003 (Raja and Kumar, 2007). To avoid uncertainty, about one million SMEs in Russia possess an informative network with domestic and international partners (Volpe and Schenck, 2008). During market transition, SMEs in China realized entrepreneurial opportunity, developed various strategies in terms of seeking political protection, cultivated ties with business associations, and in various innovative forms such as personnel enterprises, township and village enterprises, red-hat enterprises, private-owned enterprises or joint-owned enterprises.

6. CSM among BRICs: Strategic alignments and performance implications

Strategy is the 'fit' between a firm's use of resources and its environment. It is an ongoing process of interaction between the firm's internal resources and the external environment. Thus, comparative strategic management is not merely designed to identify and analyze differences in environments, capabilities and strategies but also to verify possible differences in strategic alignments, entailing environment-strategy and capability-strategy matches. While such alignments may seem universal, the specifics among firms and countries vary. Moreover, a comparison of performance consequences of strategic alignments in different contexts is merited because such alignments may contribute differently to financial or competitive performance of firms in different countries. Appropriate environment-strategy-performance alignment and organizational adaptability lead to superior firm performance (Miles and Snow, 1978). As many strategies are initially designed to seize opportunity of particular critical capabilities under certain external environment, they make variable contributions to competitiveness when exposed to new markets, new cultures, new competitors and access to new resources. For instance, technological and financial capabilities are likely to be less context-dependent than organizational and operational capabilities (Luo, 2000). More, importantly, the extent to contextual change with respect to both industrial and macroeconomic environments varies from country to country. As firms scan, identify, and capitalize on emerging market opportunities, they are able to dynamically leverage country-level competitive strengths and overcome contextual obstacles to enhanced competitiveness and productivity. These country-level differences shape firms' organizational structures, strategies, and performance (Peng, 2003).

A country's best performing industries are often characterized not only by superior capability endowment but also by an appropriate alignment between this endowment and the context. Brazil leads Latin America in numerous advanced industrial sectors and it is a major producer and exporter of automobiles, textiles, shoes, durable consumer goods, steel, pharmaceuticals, and petrochemicals. The country is rich in natural resources and it relies heavily on its regional geographic focus strategy. The country is home to industry leaders including Petrobras, a pioneer company in off-shore, deep-water oil exploration; Embraer, the world's leading producer of regional jet aircraft; and Natura, a high-profit cosmetics company with a 18.6% growth rate in 2008 due to its outstanding marketing, distribution and operational network throughout Argentina, Chile, Colombia, Peru, and Mexico. India hosts the largest number (4946) of domestic listing companies and China is a distant second with 1700. India's success in this area is largely due to the country's superb capabilities in IT-enabled services, language advantages, and ever-growing talent pool in IT. According to NASSCOM and McKinsey & Company (2009), Indian BPO service providers have forged business relationships with 75% of Fortune 500 companies. The country has 2.5 million people working in the BPO industry, accounting for nearly 95% of the growth in foreign exchange inflows in services industries in recent years according to the Center for Monitoring Indian Economy. In both Russia and China, firms such as Surgutneftgaz and ChemChina in highly regulated, highly concentrated industries are largely protected by the government. Both companies earn high revenues, achieve high profits, and expand internationally through M&A. Additionally, China advances the competitiveness of many industries by applying mass-production techniques to

sophisticated services, compared to its peers. For example, as China supplanted the US as the world's largest market for cars in 2009, its domestic auto industry prospered. The thriving automobile industry in China is evident by Chinese firms' relentlessly pursuit of Western automotive assets (e.g., Geely Automobile recently acquired Volvo), by the popularity of capability-enhancing joint ventures (Zhao et al., 2005), by their long-term future oriented innovation (i.e., BYD Auto produces electric cars), by the innovatively increased global presence (e.g., Chery Automobile targets developing markets), and even through the emergence of copycats selling remarkably inexpensive cars (e.g., Shuanghuan).

7. Conclusion

The global economy is increasingly interconnected, yet the firms achieving significant growth differ markedly from country to country. In this paper, we propose a rudimentary framework of comparative strategic management (CSM) and use BRIC countries to elucidate the major components of this framework, including (1) comparison in institutional, economic, and socio-cultural environments, (2) comparison in strategic orientation, strategy formulation, and strategy implementation, (3) comparison in capability possession, deployment, and upgrading, and (4) comparison in strategic alignments and their performance implications. Future research may reference this framework as a platform to further probe trends, nuances and insights in comparative environments, comparative capabilities, and comparative strategies across emerging economies. The CSM approach can advance our understanding of what is common and what is not among different emerging economies concerning numerous strategic management issues so as to help firms competing in these markets optimize their strategic decisions and bolster their organizational legitimacy.

Research on CSM, especially in the context of emerging markets, becomes more imperative than ever as firms from these markets are becoming direct competitors in international markets as well as in their home countries. Globalization makes firms from different emerging economies much more interactive than before, prompting simultaneous competition and cooperation among them. Meanwhile, profiting from combined comparative advantages at the national level and competitive advantages at the company level is well received as the dominant logic underlying global strategies. CSM can serve as a diagnostic template in which researchers and executives are guided to explore appropriate paths for internationally active firms aiming to simultaneously leverage comparative and competitive advantages through strategic moves. CSM among BRICs seems particularly compelling and appealing since the commonality and differences in specific environments, firm capabilities, strategic patterns, and performance implications among these countries are today a black-box that has to be unpacked. Furthermore, international management scholars can probe how an MNE combines comparative strengths of nations (e.g., diamond conditions) through a higher degree of external embeddedness in each local environment and a high degree of integration between geographically dispersed subsidiaries in different nations. Through knowledge sharing and spillover, distinctive competencies and best practices excelled by MNE subsidiaries are subsequently absorbed by local companies, thus creating another link that reconfigures the connection between environment differences and capability differences across nations. This suggests that, aside from comparing differences in environment–strategy and capability–strategy alignments needed in each nation, research in international management should diagnose how an MNE leverages its internally differentiated yet globally integrated subsidiary network to synthesize different factors of Porter's diamond (1990) in different countries and build on its competitive advantages not only within a host country but across host countries in which its subsidiaries operate. In conclusion, to develop this emergent field further along, we have a long way to go, requiring more scholarly attention to this critical domain. This article, we hope, is a small step-stone toward this direction.

Appendix A. Major environmental statistics of BRICs

Environment	Metric	Year	Source	Brazil	Russia	India	China
1. Economic environment							
Region				South America	Eastern Europe	South-central Asia	Eastern Asia
Surface area	Square kilometers	2008	UN	8,514,877	17,098,240	3,287,263	9,596,961
GDP: Gross domestic product	Million current US$	2008	UN	1,595,498	1,676,588	1,253,860	4,327,025
GDP per capita	Current US$	2008	UN	8311	11,858	1061	3292
Exchange rates	National currency per US$	2008	UN	2	29	48	7
Balance of payments, current account	Million US$	2008	UN	−28,192	102,400	−36,088	426,107
CPI: Consumer price index	2000 = 100	2008	UN	173	272	141	114
Agricultural production index	1999–2001 = 100	2008	UN	132	118	121	122
Food production index	1999–2001 = 100	2008	UN	131	118	119	122
Exports	Million US$	2008	UN	197,942	467,994	181,861	1,430,693
Imports	Million US$	2008	UN	173,197	267,051	315,712	1,132,562

Appendix A (*continued*)

Environment	Metric	Year	Source	Brazil	Russia	India	China
1. Economic environment							
FDI inflow	Million US$	2009	UNCTAD	25,949	38,722	34,613	95,000
FDI inflow/gross fixed capital formation	%	2009	UNCTAD	9.9	14.7	8.4	4.0
FDI outflow	Million US$	2009	UNCTAD	−10,084	46,057	14,897	48,000
FDI outflow/gross fixed capital formation	%	2009	UNCTAD	−3.8	17.4	3.6	2.0
Net cross-border M&A purchases	Million US$	2009	UNCTAD	2501	7599	291	21,490
Net cross-border M&A sales	Million US$	2009	UNCTAD	−1369	5079	6049	10,898
Energy imports, net	% of energy use	2007	WB	8.48	−83.10	24.20	7.25
Listed domestic companies, total	NO.	2009	WB	425	333	4946	1700
CO_2 emission estimates	000 metric tons and metric tons per capita	2006	UN	352,268/1.8	1,563,531/11.1	1,509,253/1.3	6,099,054/4.6
2. Institutional environment							
Political stability	0–5	2008	WB	2.38	1.88	1.51	2.18
Government effectiveness	0–5	2008	WB	2.49	2.18	2.47	2.74
Regulatory quality	0–5	2008	WB	2.69	1.94	2.29	2.28
Rule of law	0–5	2008	WB	2.20	1.59	2.62	2.17
Control of corruption	0–5	2008	WB	2.47	1.52	2.13	2.06
3. Social-cultural environment							
Poorest 10% share of income or expenditure	%	1992–2007		1.1	2.6	3.6	2.4
Richest 10% share of income or expenditure	%	1992–2007		43.0	28.4	31.1	31.4
Richest 10% to poorest 10% ratio		1992–2007		40.6	11.0	8.6	13.2
Gini index		2009		56.7	42.3	36.8	41.5
Geert Hofstede's cultural dimensions							
• Power distance		2003	Geert Hofstede	69	95	77	80
• Individualism		2003		38	50	48	20
• Masculinity		2003		49	40	56	66
• Uncertainty avoidance		2003		76	90	40	40
• Long-term orientation		2003		65	10	61	118
4. Technological environment							
Adult literacy rate	% of population aged 15 years and over	2007	UN	90.0	99.0	66.0	93.3
Education index		2007	UN	0.89	0.93	0.64	0.85
Combined gross enrollment ratio	% of the population of the theoretical age group for education	2007	UN	87.2	81.9	61.0	68.7
High-technology exports	% of manufactured exports	2007	WB	12	17	5	30
Patent grants	NO.	2007	WIPO	319	19,009	1025	33,409
Telephone subscribers,	Total per 100 inhabitants	2008	UN	99.9	163.9	32.6	68.7
Internet users	Per 100 inhabitants	2008	UN	33.8	32.1	7.0	22.3
5. Demographic environment							
Population in 2008	Estimated, 000	2008	UN	191,972	141,394	1,181,412	1,337,411
Population density in 2008	Per square kilometer	2008	UN	22.6	8.3	359.4	139.4
Population growth rate	Avg. annual%	2005–2010	UN	1.0	−0.4	2.4	0.6
Urban population growth rate	Avg. annual%	2005–2010	UN	1.8	−0.6	1.1	2.7
Rural population growth rate	Avg. annual%	2005–2010	UN	−1.9	−0.4	29.20	−1.0
Sex ratio	Men per 100 women	2009	UN	97.00	85.90	106.90	107.90
Life expectancy at birth	Women and men, years	2005–2010	UN	76.0/68.7	73.1/60.3	65.0/62.1	74.8/71.3
Fertility rate, total	Live births per woman	2005–2010	UN	1.90	1.40	2.80	1.80
Net migration	NO.	2005	WB	−229,000	964,424	−1,540,000	−2,058,276

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