

Multinational Firms from Emerging Countries: DI at BOP Report of Joint Research

Thanks to the research fellowship and great assistances from faculty of Economics, Wakayama University, we've started this hopeful research area.

There is a critical lack of integration between the literatures on Disruptive Innovation (DI) and the Bottom Of the Pyramid (BOP). China and India, as new economic powers in global competition, can take advantage of disruptive innovations from and for the BOP by challenging global incumbents in the developed economies. Local entrepreneurs often emphasize the low-end market segments either under-served or non-served by global incumbents also with creative new business models, open innovation and modularization.

Local entrepreneurs at BOP tend to grow fast first at home, but they will not stop there. They can and will leverage their learned capabilities at home to aggressively enter other emerging markets, and even the low-end market segments in the developed markets. In other words, local entrepreneurs could become multinational latecomers as formidable challengers to global incumbents at a much faster pace than anybody has anticipated due to the benefit of disruptive innovations. This catch-up strategy by local entrepreneurs with a bottom-up solution bears far-reaching economic, political, and social implications.

Despite the strategic importance of disruptive innovation at BOP, it is surprising that this issue has NOT been well explored in the international business literature. The growing literature on disruptive innovation is largely confined to domestic settings. There is little work on the unique role of local entrepreneurs at BOP. Disruptive innovation at BOP could be the novel "big question" of International Business, especially the unique role of local entrepreneurs who are from and for BOP. This topic also bears a strong practical relevance, so it is perfect for scholars to connect with practitioners. Meanwhile, the historical pattern in which the Japanese firms (e.g., Toyota and Sony) caught up with the incumbents in the West as well as those firms from Asian newly industrializing economies (e.g., South Korea and Taiwan) have been catching up with the Japanese firms also shed lights on this topic. This is the central theme of Asia's catch-up model, and potentially the catch-up model for all emerging economies across the world.