

Emerging Markets

Levänen Jarkko, Mikkilä Mirja, Koistinen Katariina, Kuokkanen Anna, Linnanen Lassi

This is a Author's accepted manuscript (AAM) version of a publication
published by Springer

in In: Idowu, S., Schmidpeter, R., Capaldi, N., Zu, L., Del Baldo, M., Abreu, R. (eds)
Encyclopedia of Sustainable Management

DOI: 10.1007/978-3-030-02006-4_436-1

Copyright of the original publication: © Springer Nature

Please cite the publication as follows:

Levänen, J., Mikkilä, M., Koistinen, K., Kuokkanen, A., Linnanen, L. (2020). Emerging Markets.
In: Idowu, S., Schmidpeter, R., Capaldi, N., Zu, L., Del Baldo, M., Abreu, R. (eds) Encyclopedia
of Sustainable Management. Springer, Cham. DOI: 10.1007/978-3-030-02006-4_436-1

**This is a parallel published version of an original publication.
This version can differ from the original published article.**

Emerging Markets

Jarkko Levänen¹, Mirja Mikkilä¹, Katariina Koistinen^{1,2}, Anna Kuokkanen¹ and Lassi Linnanen¹

(1) Sustainability Science, LUT University, Lappeenranta, Finland

(2) Management and Organization, University of Turku, Turku, Finland

Jarkko Levänen

Email: jarkko.levanen@lut.fi

Mirja Mikkilä (Corresponding author)

Email: mirja.mikkila@lut.fi

Katariina Koistinen

Email: katariina.koistinen@utu.fi

Anna Kuokkanen

Email: anna.kuokkanen@ec.europa.eu

Lassi Linnanen

Email: lassi.linnanen@lut.fi

Introduction

Emerging markets differ structurally from modern economies. As Khanna and Palepu ([2010](#), p. 6) note: “emerging markets reflect those transactional arenas where buyers and sellers are not easily or efficiently able to come together.” Differences between emerging and more developed markets can be found, for example, from markets’ capacity to tolerate external shocks and to provide stable enough operational environment for market actors to operate. Differences can also be found from the capacity of public institutions to support entrepreneurial activities, to provide financial opportunities for market actors, and to generate long-term predictability to the markets (Khanna and Palepu [1997](#)). Due to these differences, modern markets have traditionally attracted more investments than emerging markets. This development, however, is changing, and during the past few decades, emerging markets have become significantly stronger players in the global economy (Kose and Prasad [2010](#)).

A specific definition for the concept of the emerging markets is challenging to construct, and its development leads to diverse directions among scholars and practitioners. Some authors highlight the diverse opportunities and the overall socioeconomic potential of emerging markets (Agarwal et al. [2018](#); Ernst et al. [2014](#)), whereas others adopt a more critical perspective arguing that the concept of emerging market carries the burden of colonialism and aims to extend Western version of capitalism into sociocultural contexts where it does not naturally belong (Akbar [2006](#)). Regardless of the perspective, it must be emphasized that emerging markets are heterogenous group of economies

and societies that are in different stages on their way from closed and controlled economy to more open markets. It is also important to understand that emerging market is a strategically oriented concept that can be used to drive diverse agenda in different situations.

Key Sustainability-Related Issues in Emerging Markets

Sustainability change materializes in different ways in different parts of the world (Sachs [2015](#)). While developed economies, especially in Europe and North America, are increasingly facing the negative side effects of their overconsumption, large emerging areas are continuing to increase consuming opportunities for their growing population to reach the northern living standard. As emerging market countries are, by definition, in the path of becoming more affluent, people in these countries are expected to have more purchasing power in the future. At the same time, in many emerging market countries, the economic growth is fast. Regardless of the relatively low basic level, economically more affluent middle class is enlarging and having more political power than before. Due to large number of people having more opportunities to consume, the major sustainability challenge is to decrease the negative environmental impacts of consumption.

It is important to consider the diversity of emerging market countries in sustainability management. The ecological carrying capacity of the globe cannot cope with increased consumption, especially if consumption stays material and energy intense as it has been since Industrial Revolution. To reduce the negative implications of increased consumption opportunities, businesses in emerging markets will need to shift toward utilization of sustainable and circular business models, which is very challenging task if the operational environment does not support such development (Levänen et al. [2018](#)). This shift must be facilitated in different ways in different emerging market countries. Countries where institutions of environmental management are weak or not existing will need external support to build up well-functioning operational environment that supports sustainable development. Countries where institutions start to be in place will need support for companies to develop their business models toward increased sustainability.

Global sustainability challenges, such as climate change, biodiversity loss, and unsustainable use of natural resources, are serious threats at emerging markets, but challenges also vary between the countries. Many emerging market countries especially in the Global South are struggling with uncontrolled urbanization and large structural poverty, both of which bring in other problems including lack of basic services such as proper health care, energy, food, and safe drinking water. If urbanization happens rapidly and without planning, it may increase social and geographical segregation and accelerate sustainability challenges. At the same time, other emerging market countries, such as Brazil and Russia, suffer from other types of environmental and social hazards including forest fires and violations of human rights of indigenous peoples. Management of these diverse challenges requires different approaches and strategies in different contexts.

The sustainable systemic transition (see “[Systemic Transition](#)” in the chapter by Koistinen et al., this volume) is urgently required in solving the sustainability challenges and supporting the equal development in the emerging markets.

Summary

To avoid speaking about the “third world countries,” which contains a negative connotation, World Bank’s economist Antoine van Agtmael introduced term “emerging market” in 1981. Generally,

emerging market refers to low-income level economies with limited functions. At the same time, these countries are in the process of development toward more affluent and more efficiently functioning modern economies. Majority of the emerging markets locate in Asia, Eastern Europe, Africa, and South America, the four largest, so-called BRIC countries, being Brazil, Russia, India, and China. Recently, more and more previously stagnant and poor economies join in the group of emerging markets. Currently, some of these countries are among the fastest growing markets in the world.

References

- Agarwal, N., Brem, A., & Grottke, M. (2018). Towards a higher socio-economic impact through shared understanding of product requirements in emerging markets: The case of the Indian healthcare innovations. *Technological Forecasting and Social Change*, 135, 91–98.
- Akbar, Y. (2006). A research agenda. *International Journal of Emerging Markets*, 1(1). <https://doi.org/10.1108/ijoem.2006.30101aaa.001>
- Ernst, H., Kahle, H. N., Dubiel, A., Prabhu, J., & Subramaniam, M. (2014). The antecedents and consequences of affordable value innovations for emerging markets. *The Journal of Product Innovation Management*, 32(1), 65–79.
- Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75(4), 41–43.
- Khanna, T., & Palepu, K. (2010). *Winning in emerging markets: A road map for strategy and execution*. Boston: Harvard Business Press.
- Kose, M. A., & Prasad, E. S. (2010). *Emerging markets: Resilience and growth amid global turmoil*. Washington, DC: The Brookings Institution Press.
- Levänen, J., Lyytinen, T., & Gatica, S. (2018). Modelling the interplay between institutions and circular economy business models: A case study of battery recycling in Finland and Chile. *Ecological Economics*, 154, 373–382.
- Sachs, J. (2015). *The age of sustainable development*. New York: Columbia University Press.