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A Taxonomy of Emerging Markets

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A TAXONOMY OF EMERGING MARKETS

by
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The content and format of the dissertation are appropriate and acceptable for the awarding of the degree of Doctor of Business Administration.

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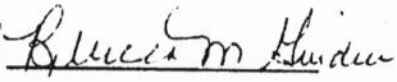
Signature: 

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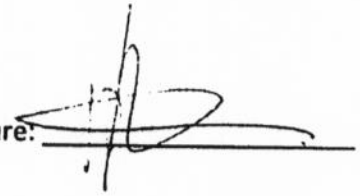
Signature: 

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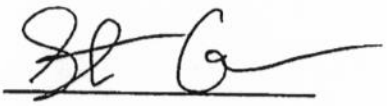
Signature: 

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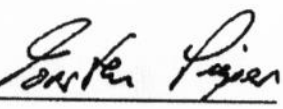
Signature: 

DEDICATION

This work is dedicated to my wife and *bestest* of friends, Nancy, and my children, Christopher and Lucas. You have all had to deal with the bi-polar idiosyncrasies of a scholar to be. I know it is not over yet, knowledge is a lifelong pursuit. However, we are well on our way and I would not be here today if not for your support, enthusiasm and constant pestering (get it done already!...are we there yet?).

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I now know why scholarship is not merely a profession or career but also a vocation. The diligence, effort and support that my committee have provided me over this last year have been nothing short of exemplary. The input from both Dr. Guidice and Dr. Parboteeah have helped to not only guide my research and scholarship but have led me to think carefully not just about the content of the work, but as importantly in how I communicate that content. I feel blessed to have had the opportunity to work with both of these scholars and am very excited to have them as companions, mentors and confidents for the next stage of this amazing journey.

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ABSTRACT

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Focusing on emerging markets is now a significant imperative for business professionals as well as strategy, management, and international business (IB) scholars. However, there are no accepted categorizations of these countries. Furthermore, major international organizations, institutions, scholars, and multinational, all approach classifying these countries from a multitude of different perspectives. Using institutional theory as a framework and drawing on research from multiple disciplines such as IB, sociology, economics, and economic geography, this dissertation proposes a framework by which a more nuanced reclassification of emerging markets into eight subgroups is considered appropriate. The application of this multidimensional and multidisciplinary approach shows how economic, social and cultural dimensions can contribute to the emergent status of a country. Consequently, this dissertation delivers practitioners, policy makers, and academic communities with a tool to illustrate national context more effectively. In doing so, research, policy, and strategy can positively benefit from a new set of contextual and boundary conditions to frame issues of strategic importance.

Keywords: *cluster, emerging markets, taxonomy, institutional theory, polycentric*

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CHAPTER 1: INTRODUCTION

The term emerging markets, is an expression or label that is used indiscriminately in the literature to represent a group of countries that are purportedly developing in a similar fashion, primarily based on gross domestic product (GDP) (Xu & Meyer, 2012). However, emerging markets are far from homogenous and must be examined more closely to better define environments and provide a basis to categorize these countries. Since the original coinage of the term in the 1980s, the nature and definition of what exactly is an emerging market remains incomplete at best (Alvi, 2012), making the need to properly classify these countries of utmost importance (Hoskisson, Wright, Filatotchev, & Peng, 2013). This dissertation fills this gap by proposing a method to more accurately define what an emerging market is and subsequently uses this method to classify emerging markets. In doing so, I make available a tool to more precisely understand *who* emerging markets are and *where* they are positioned in political, social, and economic space.

The main drive behind using a unidimensional measure, as has been the case in previous research, is most likely due to scholars' tendency to borrow a method of classification from finance that has correspondingly, been applied mainly in the field of economics (Ortiz, Decandenas, Martinez, & Ugarte, 2013; Williamson, 2012). However, these classifications are typically developed from the desire to achieve parsimony for

economic application. Subsequently, a myriad of countries are grouped together despite their dissimilar contextual environments.

In management and more specifically, in international business (IB) research, we are interested in organizational processes and strategy formation as a response to contextual environments. These contextual environments are important because they provide the 'who', 'where', and 'when' conditions that set the boundaries of theoretical development and applicability (Whetten, 1989). As a result, there is a strong imperative to define the context, or in the case of this study, country environments, in a rich form. Having borrowed the term emerging markets from the other disciplines without exploring the implications, the field has failed to develop the capability to recognize and tease apart particular processes and sources of variance between or among countries (e.g., different business, political, and/or societal climates that may attract or deter foreign investment). This lack of contextual refinement in describing these emerging markets limits the generalizability of both practical and theoretic contributions aimed at developing theory for these countries as well as for organizations operating within them.

Importantly, there is no general consensus among IB scholars as to what exactly is an emerging market (Xu & Meyer, 2012). As a starting point, I to use the 64 countries Hoskisson, Eden, Lau, and Wright (2000) grouped loosely as emerging markets. However, and in illustration of the loose criteria met to be included therein, this list of countries includes China, which is the largest consumer market and second largest economy in the world, alongside Latvia, a country of modest GDP and with a population not much bigger than a second tier city. Consequently, the list encompasses countries that

are actually heterogeneous on a multitude of dimensions (Berry, Guillen, & Zhou, 2010; Hoskisson et al., 2013) and should therefore be grouped differently. Moreover, in examining alternative and popular emerging market lists from the *International Monetary Fund, Economist, World Bank, United Nations,* and the *Standard & Poors,* very few countries are common amongst these sources. Thus, the application of generic macro-economic indicators as a means of classifying emerging markets is ineffective at truly representing these countries (Williamson, 2012) and not very applicable for the development of theory and strategy with respect to international business (Meyer, Estrin, Bhaumik, & Peng, 2009; Sakarya, Eckman, & Hyllegard, 2006).

Importance of Emerging Markets

Notwithstanding the lack of clarity in defining and grouping emerging markets, they are a significant focus of interest for academics and practitioners alike (Canabal & White, 2008; London & Hart, 2004; Prahalad, 2010; Xu & Meyer, 2012). The substantial growth in economic and political influence experienced in emerging markets is well documented (Sauvant, Maschek, & McAllister, 2010; UNCTAD, 2012). For example, GDP growth in the BRIC countries (Brazil, India, China and Russia) has run between 7-12% for the best part of the last decade, during which time developed markets, particularly the Triad nations (Western Europe, Japan, and US), have experienced single digit growth alongside cycles of recession and industry collapse including systemic failures in the financial sectors.

Moreover, the rise in multinational corporations that hail from emerging markets is of significant strategic focus. The largest bank in the world is now Chinese; the three largest petroleum companies are Saudi, Russian, and Iranian respectively; five of the top ten cement producers are Mexican and Chinese; and some of the largest software firms are Indian (PWC, 2014; Rachovich, 2013; Saunders, 2013). Furthermore, practitioner's literature focuses heavily on changes in emerging markets, reporting considerable variations in outlook for these countries, including economic downturns as well as the subsequent consequences for the wider global economic environment (Kennedy & Mill, 2014).

Research streams on emerging markets encompass strategy (Guillen & Garcia-Canal, 2009; Wright, Filatotchev, Hoskisson, & Peng, 2005), organizational behavior (House, Hanges, Javidan, Dorfman, & Gupta, 2004), location choice (Sakarya et al., 2006), culture (Carlos, 2005; Guillen, 2000), and entry mode (Meyer et al., 2009). However, most of these works examine strategic outcomes in specific countries whilst simultaneously alluding to the generalizability of their findings to other emerging markets (Xu & Meyer, 2012). For this to be an accurate suggestion, an appropriate procedure to differentiate among emerging markets is an imperative.

For multinational corporations, going beyond a simplistic set of indicators to understand complex environments is also critical to the development of effective strategies (Alvi, 2012). For both practitioners and academics, examining the potential host country and the contextual elements therein will influence decisions on the timing of entry, location choice, and entry mode. Using a catchall label like emerging markets,

based on a simple dimension such as national income or GDP, may lead to a loss in richness that could then result in ineffective and/or inappropriate strategy development (Ghemawat, 2001).

Current Categorizations

To date, attempts at better categorizing emerging markets have been sparse. Consequently, scholars' attempts to establish theoretical models with insufficient constructs and poor variable development leads to theory with limited validity as well as one that contains weak relationships and that may be empirically inadequate (Bacharach, 1989). Nonetheless, while sparse, there have been some concrete steps to address this issue for IB. Most recently, Hoskisson, Wright, Filatotchev, and Peng (2013) developed a 2X2 typology of emerging markets that varied along dimensions of institutional and infrastructure/factor market development.

The importance of an adequate classification schema in the domain of emerging markets was also the focus for Alvi and Williamson (2012). These authors proposed a typology of institutional contexts in emerging markets; however, their level of analysis was firms rather than countries. Moreover, their research only examined corporations within the banking sector (Williamson, 2012), thereby limiting the application of the typology beyond that specific context. A more detailed review of these approaches is addressed in the following chapter.

The pursuit of taxonomic and typological solutions to strategic concerns in the wider IB discipline is a well-established norm, ranging from Hofstede's (1980) seminal work on cultural variations between countries to the "Globe" study (House et al., 2004)

and clustering countries on attitudinal dimensions (Ronen & Shenkar, 2013). However, to address issues specific to IB strategy, scholars now recognize that we must incorporate a broad spectrum of dimensions that go beyond culture and that relate to as well as influence strategy development in emerging markets (Hoskisson, Eden, Lau, & Wright, 2000; Meyer et al., 2009; Wright et al., 2005). Building on this trend in clustering countries, I employ an institutional approach in conjunction with economic geography to specifically address the need to better classify these countries.

Theoretical Approach

Combining multiple perspectives on institutional theory, including the economic (McMillan, 2008; North, 1990), sociological (Powell & DiMaggio, 1991; Oliver, 1997; Scott, 2014), and IB perspectives (Kostova, Roth, & Dacin, 2008; Peng, Sunny, Brian, & Hao, 2009) in combination with economic geography, I developed a classification schema that goes beyond the categorizations often used today. Beyond the use of typologies and taxonomies, multidimensional approaches to comparing strategic phenomena in different nations have been used extensively in IB research to, for instance, build country institutional profiles (Kostova, 1997), understand strategic practices (Kostova, 1999; Peng et al., 2009), develop distance measures between countries (Berry et al., 2010; Ghemawat, 2001), and to understand strategy in emerging economies (Meyer et al., 2009; Peng, Wang, & Jiang, 2008; Wright et al., 2005). The institutional perspective in particular, is by nature a multidimensional approach that incorporates the varied elements of the country environment in a holistic framework, and is particularly

valuable in its potential ability to capture the complex contextual environments that exist in emerging markets (Xu & Meyer, 2012).

Empirical Approach

Secondary data through the World Values Survey (WVS), World Bank, United Nations (UN), International Monetary Fund (IMF), and other global monitoring institutions provide information on demographics, cultural values, rule of law, political stability, economic indicators, and risk perceptions as well as innovation initiatives, entrepreneurial activity, and religious and cultural orientations. These data are readily available and have been used extensively in comparative international research (Berry et al., 2010; Parboteeah, Hoegl, & Cullen, 2009; Wright et al., 2005).

The institutional dimensions proposed were chosen through an extensive literature review bridging multiple disciplines, including sociology, IB, economics, ecological economics, and economic geography. With this approach, I integrated the three pillars of institutions from sociology – cognitive, normative, and regulative (Scott, 2014) – with the economic perspective that examines institutions as either formal or informal (North, 1990). Finally, I used an inductive process through the application of cluster analysis as the method for building the taxonomy.

Practitioner and Scholarly Contributions

Contributions of this research include developing a deeper understanding of what it means to be an emerging market. Classifying emerging markets along multiple dimensions is expected to provide practitioners with significantly more richness in

information in the environments that they are currently or wish to do business. Moreover, this approach will highlight both opportunities and threats that are not easily read from a unidimensional approach (Alvi, 2012; Hoskisson et al., 2013). For example, GDP growth does not reflect the level of political risk, corruption, or cultural differences a firm may encounter. Additionally, this taxonomy is expected to be an effective tool for policy makers because it collates country level indicators in an efficient form.

Research suggests that the majority of multinational enterprises (MNEs) are regionally based (Rugman, 2006); inferring that MNEs find that countries closer to them (same regions) are also relatively closer on institutional dimensions, such as cultural, political, and economic (Rugman & Oh, 2013). However, research into corporations originating from emerging markets also suggests that these MNEs realize the unique capabilities they have developed in their home countries, in particular institutional capabilities. Consequently these corporations often prioritize their internationalization strategies to other emerging markets to exploit those advantages (Aulakh, 2007; Berry et al., 2009). This dissertation also provides a framework that can be used to test these propositions.

For academics, an effective classification schema in the IB domain can help define and frame research (Ronen et al., 2013), improve the validity of results beyond the specific instance of the research project, and allow comparisons of different countries and societies (Gupta, Hanges, & Dorfman, 2002) in a more inclusive framework. Complex data can be divided into simplified sets that allow for improved relationship identification as well as differences and similarities that would otherwise remain hidden (Ketchen &

Shook, 1996; Punj & Stewart, 1983). Therefore, by grouping emerging markets into homogenous sets we may be able to guide the development of strategies and theories that are more applicable to IB. The use of cluster analysis for this purpose also provides an empirical contribution and can further advance the utility of clustering as a method to handle a myriad of variables that are of strategic importance in the IB domain.

Contributing to a multi-disciplinary approach, I integrate both the sociological and economic perspectives of institutional theory, in conjunction with a spatial/geographic component. The call for holistic and cross disciplinary approaches to research in the international context is one of the most predominant narratives in the IB field today (Berry et al., 2010; Peng et al., 2009; Tung & Verbeke, 2010; Xu & Hitt, 2012b).

Entrepreneurship is a crucial element for socio-economic development (Williams & McGuire, 2010), and hence, is an important focus for emerging markets. To both compliment and validate the proposed taxonomy, a secondary study was completed after the final cluster solution was attained. The purpose was to examine whether the proposed taxonomy of emerging markets could be used to predict different levels of national entrepreneurial orientations and/or indicators that incubate entrepreneurial activity. This second analysis also served to enrich the utility of institutional theory by providing a model that can help predict national level strategic outcomes. Furthermore, this second study is expected to contribute to our understanding of the complex interplay between socio-economic, political, and spatial components of the institutional environment that impact entrepreneurship.

Finally, I augment research on culture by further integrating an institutional perspective. I achieve this through the inclusion of both religion and education as key components of the socio-cultural context. These two dimensions are both integral and highly related to culture (Hofstede, 2011), yet they fail to appear simultaneously in most analysis of the impact of cultural differences on various outcomes and are often addressed independently (for noted exceptions see Parboteeah & Cullen, 2003 and Ronen et al., 2013). By integrating these two dimensions into the wider socio-cultural context, I am also responding to calls in the literature to complement the examination of culture alongside broader institutional dimensions (Smith, 2006; Tung et al., 2010).

CHAPTER 2: LITERATURE REVIEW

Emerging markets are markets that are prime targets for firm internationalization due to economic liberalization and the expansion of free market policies (Hoskisson et al., 2000). These markets bring to the global economy a promise of increasing market potential for goods and services as well as sources of raw materials and other factor endowments. Interest in emerging markets in both scholarly circles and the international business community has been increasing at a significant rate (Canabal et al., 2008; Hoskisson et al., 2013; Meyer et al., 2009; Wright et al., 2005). Despite recent evidence that emerging markets are experiencing economic woes (Economist, 2014), the relative importance of these markets is becoming more apparent as their share in world output, consumer demand, and general economic activity is projected to continue growing, albeit at changing rates (Ortiz et al., 2013; UNCTAD, 2012).

From an academic perspective, a focus on emerging markets is driving research in some of the most published streams in the international management literature. However, applying extant theories to an international context and in particular, to emerging markets, is in question due to the critical differences that exist in these countries (Khanna, Palepu, & Sinha, 2005; Prahalad & Hamel, 1994; Sakarya et al., 2006; Wright et al., 2005; Xu & Meyer, 2012). For example, the application of cultural distance as a predictor of entry mode is now being re-examined in light of its ascendancy against multinational

corporations that originate from emerging markets (Hoskisson et al., 2013; Luo & Tung, 2007; Meyer et al., 2009). An additional need to revisit theory for the context of emerging markets comes from calls for examining the foundational elements that present frameworks are built on. Such frameworks are often created for developed economies thereby emphasizing the predominance of formal over informal institutions (Xu & Meyer, 2012). However, the contextual environment of emerging markets suggests that informal institutions also play a critical role. As such, a balanced examination of both formal and informal institutions can fundamentally change the rules of the game (North, 1990) not just for economic actors, but also for IB scholars. For instance, the influence of informal institutions such as relationship building over market mechanisms in emerging markets may provide the need to underscore social exchange or networking capabilities as a focus for resource based theory. Similarly, the degree of corruption a firm may experience may need to be emphasized as an integral component in a transaction cost approach.

Antoine Van Agtmael of the World Bank coined the term emerging markets in the 1980's (Authers, 2006) to describe the emergence of stock exchanges around the world. Since that time, the term emerging markets has been adopted in the IB literature to loosely describe a multitude of countries (rather than financial markets) from rapidly developing countries, transition economies, the Asian Tigers to Eastern European economies, and the "Stans" (e.g., Turkmenistan, Kazakhstan, and Pakistan).

The World Bank (*World Development Indicators 2012*, 2012) labels countries as emerging markets based on gross national income (GNI) per capita. The UN uses a more

complex and self-defined system combining geographic status and economic growth; however, they also state that there is no universally accepted designation of developed and underdeveloped status within their system (UNCTAD, 2012). A more recent, and interesting classification by Banco Bilbao Vizcaya Argentaria (BBVA), splits emerging markets into two groups, the Eagles and the Nest; countries whose contributions to global GDP are expected to be larger than that of the G7 (Ortiz et al., 2013). The common theme across publications is that all of these descriptions rely on an approach that is primarily driven by economic growth indicators such as GDP or GNI.

Definitions in the academic literature are similarly non-specific and do not provide a clear schema by which to categorize emerging markets. Most researchers rely on practitioner's interpretations, citing sources such as the World Bank, IMF, or the United Nations Conference on Trade and Development (UNCTAD). Given the extensive research that focuses on emerging markets, it is perhaps surprising that the construct so integral to IB suffers from little contextual richness or development, and that an exhaustive attempt (to date) has not been made to address this issue.

Among academics, the most referenced grouping of emerging markets stems from the work of Hoskisson et al. (2000), who classified 64 countries as emerging markets based on a combination of the International Finance Corporation's (1999) list of rapid growth countries and the European Bank for Reconstruction and Development's (EBRD) list of 13 transition economies (former Soviet bloc countries). However, both of these classification schemas are not only over a decade old, but also they rely heavily on

economic indicators and provide little explanation as to why these countries are considered emerging.

This lack of richness due to simply categorizing a country on one or two dimensions significantly reduces value to researchers. In fact, the use of GDP or GNI as a focal indicator is now seen as a flawed approach because neither indicator differentiates between costs and benefits for a society (Bergh, 2009; Costanza, Hart, Posner, & Talberth, 2009; Kubiszewski et al., 2013). Expenditures such as the increase in government spending on the military, healthcare, and the legal system are all included in calculating GDP; however, these expenditures may actually represent costs that could lead to net losses of welfare to society. For example, costs to the legal system include the development of prisons – a substantial burden in many respects. In short, GDP calculations do not distinguish between expenditures on preventive or positive initiatives and expenditures on corrective ones, such as bad health rates or crime (see Van Den Bergh, 2009 for a thorough examination of the limitations of GDP). Therefore, the use of GDP as an umbrella term to group highly heterogeneous countries, including emerging markets, falsely implies that their contextual elements (e.g., social, political, cultural, and economic) are similar thereby making an assumption, which is far from reality.

The term emerging markets often has strong positive associations. In a qualitative analysis of leading practitioner journals, Alvi (2012) found that the term emerging markets was associated with metaphors such as great opportunities, outperforming, and big profits which imply strong positive connotations, particularly for firms looking to expand overseas. However, these often-used expressions do not effectively represent the

intricate nature of how these economies work. For instance, an emerging market may be highly export-oriented, generating significant economic growth from one sector (e.g., Chile and the copper industry, where the copper industry alone accounts for 20% of the country's GDP and 60% of its exports) (The Economist, 2013), whilst still suffering in other underdeveloped sectors (e.g., education) (Vinas, 2011). In fact, just comparing one institutional element, corruption, with GDP we can see that even countries with high GDP growth may also experience high corruption rates (Transparency, 2011). Information of this nature subsequently places the positive connotation of emerging markets into dispute. Hence, there is a need to create a categorization scheme for emerging markets that includes a more inclusive set of constructs.

The Use and Application of Classification Schemes

Taxonomies and typologies are systematic approaches to the classification of observations for the purpose of detailed analysis. Specifically, typologies and taxonomies are used to group observations from heterogeneous classes into more homogenous cases wherein the predictable results of research can then be applied (Hambrick, 1984; Harzing, 2000). Furthermore, these classification schemes are considered an important contribution to theory (Doty & Glick, 1994) and also provide a foundation to examine the interactions and relationships between strategy and context (Ketchen & Shook, 1996).

In the social sciences, categorization schemas are used as the basis of theory building. "A fundamental element in the development of a scientific body of knowledge is the availability of a widely accepted and usable classification scheme" (McKelvey,

1975, p. 2). By forming classification schemas, not only do researchers provide a parsimonious framework that provides direction to others for the purpose of theory building, but also the classifications themselves signify complex relationships between observations, variables, and constructs. By grouping variables and elements in a process that minimizes within group variance and maximizes between group differences (Aldenderfer & Blashfield, 1984; Ketchen & Shook, 1996) we are able to develop useful categories. However, there are nuanced differences between the two popular methods of categorization.

Typologies provide "archetypes" that suggest which observations *should* fall within certain categories based on theory (Doty et al., 1994). Typologies are constructivist in nature wherein the researcher *theorizes* a framework based on prior notions or conceptual arguments. Results of the proposed typology form an alternative view of reality (Mir & Watson, 2000) and can then be subjected to testing and analysis. For example, the seminal work by Miles and Snow (1978) proposed a typology of firms categorized by their strategic orientations. This influential typology has been extensively tested and used as a springboard for theory development in strategic management.

Taxonomies are reported categorization schemes based on actual empirical observations (Bailey, 1994). Taxonomies are derived from the wealth of knowledge and empirical phenomena that already exist (Mir & Watson, 2000) and are considered a special form of grounded theory development (Miller, 1988). For example, by gathering a list of indicators of an organizational phenomena and then grouping the observations among a set of dimensions, the researcher can create a taxonomy or classification scheme

that allocates observations into categories based on the dimensions used. In short, taxonomies are inductive and derived from empirical evidence whereas typologies are deductive (Hambrick, 1984; Ketchen & Shook, 1996).

From a theoretical perspective, taxonomies are not only rigorous, but also provide a considerable contribution to research on existing phenomena because the data drives the formation of the classification system. Furthermore, beyond mere classifications, taxonomies respond to three of the critical foundations of theory building— the use of identifiable constructs, detection of relationships between those constructs, and falsifiability (Bacharach, 1989; Doty et al., 1994; Whetten, 1989).

Taxonomies of emerging markets are expected to meet all of the above criteria. Constructs such as economic growth, political stability, corruption, and global connectedness are all multidimensional, interrelated, and can be used to form categories of emerging markets. Relationships between the constructs, such as the relationship between corruption, culture, and economic development are well documented (Fagerberg, Srholec, & Verspagen, 2010; Franke, Hofstede, & Bond, 1991; Grossman & Helpman, 1993; Wei, 2000), thereby providing an adequate basis for taxonomy development. Additionally, country level data for these dimensions are readily accessible to test proposed outcomes.

In research examining cross-national differences and the study of international corporate strategy, there are a confounding number of dimensions. Theoretically and empirically classifying phenomena into categories is therefore of utmost importance in the pursuit of parsimony. A taxonomic process in this scenario can also provide a

significant contribution by leading to the fusion of a myriad of variables as well as provide researchers and practitioners with direction (Hambrick, 1984) and/or assist in the building of frameworks that researchers can use as a basis for their own work (Ronen et al., 2013).

The development and application of both typologies and taxonomies are often used in the field of management in general and IB in particular, and have flourished since the publication of Miles and Snow's (1978) typology. In the IB literature some examples of classifications schemes include country groupings based on culture (Hofstede, 1980; House et al., 2004; Ronen & Shenkar, 1985; Ronen et al., 2013; Schwartz, 1999; Trompenaars & Hampden-Turner, 1998), different modes of entry (Pan & Tse, 2000), and work related values, such as motivation and job autonomy (Sirota & Greenwood, 1971).

Due to the availability of data for an extensive list of variables, a deductive approach through the examination of established literature streams is used to provide the primary selection of variables. The second stage incorporates an inductive approach that allowed the cluster process to present different classification solutions, which were then examined for theoretical and practical cohesiveness. Finally, the taxonomy is applied to a theoretical model to test for external validity (Miller, 1988).

Institutional Theory

The combination of economic, social, and political dimensions provides us with both the institutional context (North, 1990; Powell, 1991) and the ability to combine the

multiple perspectives of institutional theory into a single framework. Institutional environments are highly complex and interact with each other (Holmes, Miller, Hitt, & Salmador, 2013). Moreover, they do not change in one specific direction or path, but rather, change in a multitude of ways (Berry et al., 2010). Hence, one aspect or dimension of the institutional context may be emerging while another may be stagnant, if not regressing. This conflict in direction of the differing institutional dimensions may result in a stalling, if not reversal, of any specific economic, political, or social development enjoyed by a country. In addition, these conflicts within the institutional environment may render strategic choices ineffective. A better operationalization and categorization of emerging markets should therefore be based on the consideration of an inclusive and representative set of elements, which can be achieved through the use of a classification scheme.

The institutional approach follows the trend in IB research of applying institutional theory to work previously grounded in alternative perspectives, such as transaction cost economics or resource based theory (Brouthers, 2002; Dunning & Lundan, 2008; Peng et al., 2009). The institutional approach is also exercised in other social sciences, including ecological and evolutionary economics (Kubiszewski et al., 2013) and sociology (Powell et al., 1991; Scott, 2008). Based on this knowledge, I developed a framework that incorporates multiple socio-cultural, political, economic, and spatial (geographic) elements, which I term SPES (see Tables 1 & 2), as well as inform and provide improved direction for both scholars and the business community alike.

To develop this framework I examine dimensions that have commonalities from both sociological (Scott, 1995) and economic (North, 1990) perspectives of institutional theory. Tables 1 and 2 summarize this approach and demonstrate how the SPES model satisfies the inclusion of multiple disciplines in a holistic approach.

Table 1

Integration of the sociological perspective in the SPES framework

		Cognitive	Normative	Regulative/ Administrative
Definition		Reflects cognitive structures and social knowledge	Expectations that are carried and shared throughout society	Laws, regulations and guidance on specific contextual behaviors
Conceptual Dimensions	Socio-cultural	Cultural norms	Social expectations, education	Religion
	Political	Political norms	Political Stability	Legal and regulative environment
	Economic	Dominant economic philosophy	Business norms	Infrastructure, both tangible and intangible
	Spatial/Geographic	Psychic distance	Cultural distance	Openness
Indicator variable examples	Socio-cultural	Cultural dimensions,	Literacy levels and enrollment rates in educational institutions	Religiosity measures
	Political	Levels of corruption	Polycon	Rule of law, IP protection
	Economic	Free markets mechanisms, FDI	Relative power/dominance of business groups	Asset and IP protection
	Spatial Geographic	Cultural dimensions	N/A	Trade barriers

Furthermore, institutions do not exist in a vacuum but are specifically designed to constrain and guide behavior whilst also responding to the external environment (Scott,

2014). Therefore, the inclusion of external variables such as spatial and geographic fulfills a more general institutional environmental and contextually sensitive perspective. Later sections of this review examine appropriate dimensions that represent this SPES framework

Table 2

Integration of the economic perspective in the SPES framework

		Formal	*Informal*
Definition		Formal rules and regulations	Informal constraints and expectations
Conceptual dimension	Socio-cultural	Religious and social rules,	Cultural norms, mores, values
	Political	Legislatures and political environments e.g. democratic institutions/processes	Corruption and state ownership
	Economic	Market infrastructure	Market orientation, business culture
	Spatial Geographic	Physical distance	Cultural distance
Indicator variable examples	Socio-cultural	Religiosity and education	Cultural dimensions
	Political	Legal environment, legislature	Corruption
	Economic	Physical infrastructure, asset protection, access to finance	Business group prevalence, state ownership
	Spatial/Geographic	Distance from equator	Cultural dimensions

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The continuing importance of the institutional perspective across multiple disciplines, and IB in particular, indicates the push to explain more variance in strategy development within the field (Canabal et al., 2008; Kostova et al., 2008). For example, models extending research on entry mode (Meyer et al., 2009; Xu & Hitt, 2012a), internationalization strategies (Peng, 2002), economic growth (Henisz, 2000a), and

country level comparisons (Berry et al., 2010) all now employ an institutional perspective. Likewise, as data, modeling methods, and the technology resources to run multidimensional analysis improve, IB research is benefiting from being able to take a more holistic and inclusive approach to theory development.

The institutional perspective dictates that country level effects, consisting of numerous and varied influential institutions, significantly impact the organization (Kostova, 1997). Institutions are "any form of constraint that human beings devise to shape human interaction…Institutions may be created, as was the United States Constitution; or they may simply evolve over time, cultural norms, religion and common law" (North, 1990, p. 4). In addition, institutions have significant bearing on national development. Some of these are market and administrative institutions, which provide firms with explicit rules and regulations, while others are non-market institutions (e.g., sociological and cultural) that have a more general and implicit influence (DiMaggio et al., 1991; McMillan, 2008; North, 1990). In the business field, these associations to the institutional environment translate into the actions of a firm being enabled, constrained, or adapted to the country context (MacKinnon, Cumbers, Pike, Birch, & McMaster, 2009). Similarly, the growth and development of a country is also seen as a function of these complex sets of institutional arrangements (DiMaggio et al., 1991; Henisz, 2000a; Kubiszewski et al., 2013; North, 1990).

As noted above, market and administrative institutions, both formal and informal, are the rules of the game (North, 1990). Formal institutions include explicit rules, regulations, organizations, and frameworks (e.g., the codified legal structure of the

business environment or political system). Informal institutions are made up of social norms (e.g., grease payments), expectations (e.g., how and where business is conducted), and cultural artifacts (e.g., the influence of business groups and networks as opposed to formal market mechanisms). Countries are a combination of both formal and informal institutions, each with a unique profile (Berry et al., 2010; Kostova, 1997).

Cross-country comparisons are an important stream of research for IB scholars. It is postulated that the greater the differences between country characteristics, the more difficult it is for firms from one of the countries to do business in the other; an idea that has been termed the liability of foreignness (Zaheer, 1995). In particular, these differences can manifest as institutional differences and they can strongly influence the strategies and performance of multinational corporations (Henisz, 2000a; Khanna et al., 2005; Kostova & Zaheer, 1999).

Research targeted at cross-national differences has examined topics such as culture (Hofstede, 1980; Kirkman, Lowe, & Gibson, 2006), political environments (Henisz, 2000b), informal institutions roles (Khanna & Palepu, 2000; Xu & Hitt, 2012b), differences in work values (Parboteeah, Paik, & Cullen, 2009), and leadership norms (House et al., 2004). These contextual variations are critical to understand for organizations and policy makers engaged in overseas activities. Moreover, these differences manifest themselves across the complete set of business-related domains, areas of focus, and business units. For example, complications in international postings of expatriate managers due to cultural differences can result in significant additional human resource expenses (Mendenhall & Oddou, 1985). In marketing, choices on whether to

localize products and service or on what types of channel and advertising medium to use can each bring about a substantial set of considerations (Ferraro, 2002; Hill, Richardson, & McKaig, 2006). Likewise, in supply chain management there can be differences in infrastructure and national environments that considerably influence the development and/or costs of a global sourcing strategy (Christopher, Peck, & Towill, 2006).

Beyond comparing differences between and among countries, there is also a trend in IB research to create classification schemas. However, and as noted earlier, most of these classifications have relied on singular dimensions; the most popular being that of clustering countries based on culture (House et al., 2004; Ronen et al., 1985, 2013). Whilst these classifications are insightful within their specific domains, those data are myopic by nature and provide limited contextual relevance beyond their purview. Each dimension portrays only a specific aspect of the multifaceted contextual environment of a country. Consequently, only partial information as to the true nature of the country in general, and the nature of emerging markets in particular, is accessible. I posit that we must analyze countries as they emerge not only in cultural or economic terms, but also across a spectrum of their other institutional dimensions.

A case in point is the recent turmoil in Turkey. Considered an emerging market by many international economic and policy organizations (World Development Report 2014, 2013), Turkey is also well known for the pervasiveness of highly informal institutions, manifested in business group affiliations and practices uncommon to outside investors (Khanna & Yafeh, 2007). Other illustrations of the importance in examining multiple institutions is found in the shift in some emerging markets from a more

secularized society to one where religion plays a stronger and more formal role in national authority (e.g., the transitions in the Middle East from a secular based government to more conservative political Islam). Without a clear understanding of these changes and differences, labeling a country simply as emerging neither provides a transparent enough depiction of the country's institutional environment nor the possible obstacles and pitfalls it could face. The next section of this chapter explores the institutional and spatial/geographic elements that lay the theoretical groundwork to drive the choice of variables expected to form a taxonomy.

Country Typologies and Taxonomies in IB

In the development of country profiles, authors have recognized and made inroads incorporating multiple institutional dimensions in their analysis of differences and similarities between countries (Kostova, 1997). Most of this work, however, has been driven conceptually by the need to understand differences, manifested as distance, between pairs of countries (Berry et al., 2010). These differences can increase the liability of foreignness (Zaheer, 1995) and influence strategic choices (Kostova et al., 1999). For example, in a seminal piece Ghemawat (2001) introduced the CAGE (culture, administration, geographic, and economic) framework that examined the concept of distance to predict the impact of trade flows. This study found that by adjusting the market potential of a target nation by incorporating multiple dimensions, the relative attractiveness and possibility of failure (or success) for a business dramatically changed from what may have been previously thought of using a singular dimension. Whilst this

approach was a significant step towards a multidimensional approach, the work neglected important factors such as knowledge, politics, and connectedness. Moreover, the work did not specifically address emerging markets - the focus of the current study.

A more recent application of institutional theory has not only built upon both Kostova's (1990) and Ghemawat's (2001) works by examining the dyadic differences between countries, but also included a wider and more inclusive dimension set (Berry et al., 2010). That is, in addition to the dimensions used by the CAGE framework (Ghemawat, 2001), Berry et al. (2010) added political, geographic, and knowledge elements. Whilst this work made a substantive contribution to the IB domain in general, and the application of institutional theory specifically, it was not an attempt to actually classify and group countries into homogeneous sets. Consequently, the work's ability to predict outcomes of strategic importance is constrained to strategy choices made between dyadic pairs of countries. Furthermore, the work did not focus on emerging markets and therefore was not designed to provide insights into the nature and/or emergent status of these countries.

More specifically and in an attempt to move beyond general differences in distance to develop categories of emerging markets, I only found two works to date that focused on emerging markets using a multidimensional approach. In Alvi (2012), the author recognized the distinction between the institutional context of emerging markets and that of developed markets. Using qualitative data and a grounded theory approach, the author proposed a four cluster solution based on the response to regulatory change imposed by global institutions. Specifically, he examined banks' (from emerging

markets) response to the Basil II Accord (Bank for International Settlements 2014). Although this is an interesting and unique approach, the research has some inherent limitations that potentially constrain both its generalizability and applicability beyond the scope of the study. Most important is the restriction of analysis to only 19 emerging markets, potentially due to the research design. Second, both the internal corporate environment along with external institutional factors were combined in the qualitative analysis to impute the different clusters. Although inclusion of both contexts may be specifically applicable and useful in the banking sector, this approach restricts generalizability beyond that industry. Moreover, including firm level variables does not allow researchers to isolate the institutional environment from other factors thereby reducing the ability to associate specific institutional dimensions within a classification scheme.

The second work reviewed moves closer to an institutionally based categorization schema for emerging markets. Hoskisson et al. (2013) proposed that emerging markets vary in their institutional environments based on two dimensions - factor endowments and levels of institutional development. Findings suggested that emerging economies fall into one of four categories based on high and low levels of each dimension. These findings, however, were also limited in a number of ways; primarily by the operationalization of the two dimensions. The level of institutional development was represented using an aggregate measure from the World Economic Forum's *Global Competitiveness Report* and included political, legal, and economic institutions combined into one factor. Their second dimension, the level of factor endowments, was computed

as an average of a variety of infrastructure, macroeconomic, and social variables. Two concerns arise from this approach. First, whereas there is always a need for parsimony in theory development (creating summated and/or second order factors), the combination of factors into only two dimensions, results in a loss of richness that is in fact the cornerstone of the institutional approach. By combining political, legal, and social institutions into one factor, researchers are unable to tease out the specific influences of each of those institutions. Factor development similarly loses predictive capabilities beyond the higher order dimension proposed given the aggregation used.

The second critical limitation of Hoskisson et al's (2013) study is that it failed to address other important institutional dimensions that may influence a more holistic approach, such as corruption, religion, and education. Moreover, culture was not addressed in their model, yet is considered a significant variable in the examination of IB strategies on entry mode strategy (Brouthers, 2002), location choice (Zaheer, 1995), and international leadership (House et al., 2004); three of the most crucial streams in IB research.

Finally, an important contribution to the application of a categorization schema would be to subject as many countries as possible to the analysis. By doing so it may be possible that there are nations not now considered emerging (in both academic and practitioners applications) that actually do fall into an emergent status. Alternatively, there could be nations that have moved either beyond the emerging stage as we know it today, or conversely, do not meet the criteria to be truly classified as emerging.

Choice of Dimensions

Institutional theory provides us with the capability to dig deeper into understanding what an emerging market is by suggesting a broader outlook and by examining the relationships between formal and informal institutions, economic growth, and social prosperity. In doing so, we are able to look closer at countries commonly categorized as emerging to potentially unravel differences and varied development paths. For instance, some countries may emerge by mimicking conventionally developed nation states (e.g., reduced regulation, increased democracy, and reduced state ownership), whilst other countries may take different paths, such as China, which still has a significant percentage of state owned enterprises, or India, which continues to maintain a notoriously bureaucratic and severely unequal social stratification system, known as the caste system.

Economics, sociology, and IB literatures examine a multitude of institutions from a wide array of perspectives (Berry et al., 2010; Kostova, 1997; North, 1990; Powell, 1991); however, for the purpose of this research I am framing the institutional environment based on elements that have been addressed and are common in all three literature streams, coupled with external variables that potentially constrain and provide boundary conditions for institutional effectiveness. Beyond simply constraining human actions, institutions can also endow, enable, and empower individuals, organizations, and society as a whole to progress and develop (Martin, 2004; Scott, 2014).

The aforementioned SPES framework drives the choice of dimensions for this work. In addition, extensive theoretical and empirical research that has applied institutional theory

across multiple disciplines (see Table 3) is also integrated. The dimensions were chosen based on the underpinnings of institutional theory, which states that institutions should meet the following criteria, 1) being able to represent sources of power, identity, and common practices, 2) being enduring, and 3) having been shown to either constrain or facilitate socio-economic factors (Martin, 2004; North, 1990; Scott, 2014). The subsequent sections of this paper discuss a representative collection of these dimensions that meet those, including socio-cultural (e.g., religion, cultural attributes, and education levels), political (e.g., political stability, governance, and corruption), and economic (e.g., informal economic arrangements and market infrastructures) as well as external geographic/spatial elements.

The Socio-Cultural Dimension

The importance of national culture within the management and IB disciplines is beyond dispute. Empirical research shows that culture matters (House et al., 2004; Kirkman et al., 2006). Culture has been used to explain individual level phenomena, such as differences in leadership practices and management norms (Hofstede, 1980; House et al., 2004; Schwartz, 1999). More importantly, national culture is often used as a proxy for a country's informal institutions (Holmes et al., 2013; Kostova, 1997).

Table 3

Institutional Meta-Dimensions

Meta-Dimension	*Definition*	*Institutional component*	*Theoretical contributions*	*Empirical examples*
Social/Culture	Is the mental programming of the mind, manifested at the societal level and promoted through cultural values and social institutions, which drives differences between countries in a wide array of individual, firm, and country level phenomena	Individualism vs. Collectivism Future Orientation Uncertainty Avoidance Power Distance Masculinity Religion Education	(Aghion & Caroli, 1999; Barro & McCleary, 2003; Herbig & Dunphy, 1998; Hofstede, 2001; Kirkman et al., 2006; Ronen et al., 2013)	(Gylfason, 2001; House et al., 2004; Kogut & Singh, 1988; Mueller & Thomas, 2001; Parboteeah, Hoegl, et al., 2009)
Political	Institutions that influence, support, or inhibit economic development through political means	Corruption Political stability Governance mechanisms	(Franke et al., 1991; Henisz, 2000b; Peng et al., 2009; Wei, 2000)	(Kaufmann, Kraay, & Mastruzzi, 2009; Méndez & Sepúlveda, 2006)
Economic	Macroeconomic characteristics and drivers of economic growth	FDI Market infrastructure Informal economic environments	(Fagerberg et al., 2010; Hoskisson et al., 2013; North, 1990; Wright et al., 2005)	(Fagerberg & Srholec, 2008; Khanna et al., 2007; Williams et al., 2010)
Spatial/Geographic	Physical manifestations of distance that impact economic and social activities, including knowledge flow	Communications Physical distance	(Gallup, Sachs, & Mellinger, 1999; Sachs & Warner, 1995)	(Berry et al., 2010; Bloom, Sachs, Collier, & Udry, 1998)

The most referenced frameworks when examining culture include those of Hofstede (1980, 1983) and Schwartz (1999) as well as the GLOBE research project (House et al., 2002). Culture is dissected in these schemes through a multitude of dimensions. For example, Hofstede (1980, 1991) identified six dimensions, Schwartz (1999) found seven, and the GLOBE project (2004) detected nine. By breaking culture down into specific dimensions, scholars aim to operationalize the phenomena beyond that of a meta-institution.

Previous research has used culture at the macro level as a way to cluster countries (Gupta et al., 2002; Ronen et al., 1985, 2013). The current study does not replicate those studies, but rather includes culture as one facet of the multidimensional institutional environment. By selecting cultural dimensions that are closely related to the institutional environment and that are also widely used in the literature, I represent culture effectively whilst remaining relatively parsimonious.

In addition to national culture, I added two other dimensions, religion and education, to more completely represent a wider socio-cultural perspective. Religion is widely addressed in the literature and has been found to relate to work values, innovation, entrepreneurship, and economic growth (Audretsch, Boente, & Tamvada, 2007; Barro et al., 2003; Chan-Serafin, Brief, & George, 2012; Holmes et al., 2013) whereas education has been found to increase productivity, reduce the burden placed on the welfare state, and is one of the primary vehicles for the transfer, development, and assimilation of intellectual resources (Barro & Lee, 2001).

Individualism versus collectivism. Individualism versus collectivism is perhaps the most applied cultural dimension in the IB domain (Kirkman et al., 2006). Furthermore, as a measure of the degree to which focus is on the self rather than the collective (Hofstede, 2001; House et al., 2004) individualism versus collectivism is recognized in the other social sciences as a significant variable that drives differences in behavioral patterns (Greif, 1994).

From a political and regulatory perspective, individualistic societies have been found to develop democratic systems that subsequently lead to more stable political and economic environments (Franke et al., 1991). In contrast, collectivist societies aim to improve overall social welfare by reducing opposition and suppressing the power and opinions of the individual and thus, are less democratic in form (Holmes et al., 2013; Triandis, Bontempo, Villareal, Asai, & Lucca, 1988). Furthermore, collectivist cultures, through the promotion of a socialist inclined dogma, tend to promote close adherence to social and cultural norms that further restrict the individual. This collective orientation can result in unyielding legal and political systems as well as economic conditions that may constrain an efficient business climate. For example, highly protected labor markets can contribute to market distortions in labor pricing (Bobillo, Lopez-Iturriaga, & Gaite, 2011). This is demonstrated in part by governments imposing regulations that attempt to control and direct both individual and organizational behavior, and by governments holding higher stakes in firms (state ownership). Moreover, and as a consequence of collectivist orientated cultures, research suggests that state ownership and government control are strongly correlated with corruption (Ball, 2001).

The level of individualism versus collectivism is also posited to impact both innovation and entrepreneurial orientation, which are both considered important precursors to economic growth and development (Schumpeter, 1934; Tzeng & A., 2009). Since the publication of the protestant work ethic (Weber, 1930), individualism has been seen as a major antecedent to a wide array of institutional contexts that support economic development (Pinillos & Reyes, 2011). For example, research suggests that individualism is correlated with new firm inception (Mueller et al., 2001), whereas collectivism interacts with the formal institutional environment to further depress levels of entrepreneurship. In support, Li and Zahra (2011) found that collectivist countries had reduced levels of venture capital investment, which is highly correlated with entrepreneurship, and subsequent economic growth.

Future orientation. The "time" factor, often called long term orientation (Hofstede, 1983; Hofstede & Minkov, 2010; House et al., 2004), describes a society's focus on long term goals rather than short term demands. It has been formally defined as "the degree to which individuals in organizations or societies engage in future-orientated behaviors such as planning, investing in the future, and delaying individual or collective gratification" (House et al., 2004, p. 12).

Societies that are future orientated give precedence to economic development and future growth (Franke et al., 1991; Holmes et al., 2013). That is, societies that are long-term orientated experience less squandering of resources and increased savings, both of which can be then be allocated to long-term development initiatives (Feldstein, 1982; Holmes et al., 2013). Therefore, the more future orientated the country, the more likely it

is to remain on a course of emergence. Empirical evidence from 93 countries shows that the long term orientation of society is highly correlated with economic growth (Hofstede & Minkov, 2010).

Power distance. Power distance represents the degree to which society follows a flat as opposed to a hierarchal structure. It is "society's endorsement of inequality, and its inverse as (is) the expectation of relative equality in organizations and institutions" (Franke et al., 1991, p. 166). High power distance cultures have a rigid social ladder or hierarchy that segments society and creates barriers to opportunities. Power distance can influence an individual's perception on what they can achieve based on the constraints of society. For example, in a high power distance society like India, individuals born into the lower castes will inevitably perceive and experience significant cultural and social constraints. Consequently, these constraints strongly influence an individual's willingness to be entrepreneurial and their drive to pursue new avenues of opportunity and growth (Mitchell, Smith, Seawright, & Morse, 2000).

Extrapolated to the country level, power distance reflects the constraints on a society's set of intellectual assets by limiting the pool of human resources that are able to contribute to its growth and the competitive intellectual environment. This can further stifle competition, entrepreneurship, and innovation activities. Moreover, high power distance indicates social rigidity, which can also inhibit change (Leung, Bhagat, Buchan, Erez, & Gibson, 2005). Considering the dynamic nature of emerging markets, which are by definition changing, this negative correlation between power distance and change may

create an abrasive social environment that could significantly influence, if not further inhibit, the emergent status of a country.

Uncertainty avoidance. Uncertainty avoidance is the degree to which society accepts "a feeling of discomfort in unstructured or unusual circumstances." (Franke et al., 1991, p. 167). Uncertainty avoidance is reflected in varying social institutions within society, including families, schools, and businesses (Hofstede, 1980). Uncertainty avoidance also affects the development of social norms as well as codified laws and rules used to avoid uncertain situations (Hofstede, 2011). Additionally, yet distinct from power distance, uncertainty avoidance correlates with perceptions towards change (House et al., 2004). The higher the need to avoid uncertainty, the less likely a society will embrace transformation and the more likely its members will have an aversion to risk (Li & Zahra, 2012).

These societal aversions towards risk and change as well as the variation in the need to avoid uncertain situations can have a negative effect on important antecedents to economic growth, including entrepreneurial activity and innovation (Li et al., 2012; Mueller et al., 2001). Through the development of social institutions that reflect an uncertainty avoidance orientation, coupled with the cognitive influence on entrepreneurship and innovation, uncertainty avoidance is posited to have a strong impact on the dynamic nature of the emergent environment of a nation.

Masculinity versus femininity. Also called the tender versus tough dimension and assertive orientation (Javidan, House, Dorfman, Hanges, & De Luque, 2006; Leung et al., 2005), masculinity versus femininity influences the wider social and economic

environments through the adherence to more select values and through larger gaps in gender roles (Hofstede, Hofstede, & Minkov, 2010). Masculine or assertive values include strong role differentiation between genders, a prevalence of work over family, and the dominance of men in positions of power (Hofstede, 2011). This dimension also correlates with the need for achievement as well as the importance placed on pay and promotions (Taras et al., 2012). Alternatively, tender societies have been found to be less assertive, more cooperative, and focus on mutual success (Hofstede, et al., 2010; Steensma, Marino, Weaver, & Dickson, 2000). The differences in this orientation can also manifest at the institutional level, such as gender roles being less differentiated in the more tender environments (i.e., gender equality). For example, Sweden is often cited as an exemplar of a feminine orientated society (Steensma et al., 2000) because it places significantly more emphasis on child rearing through institutional provisions that permit both men and women to take extensive parental leave, as much as 450 days; ("Gender Equality in Sweden"). Countries that score lower on the tender versus tough dimension also tend to be more egalitarian (Bekhouch, Hausmann, Tyson, & Zahidi, 2013) and subsequently provide equal opportunities for women as well as for men.

Antecedents to economic activity and development, such as competition and entrepreneurship, are also seen as more aligned with a masculine orientation. The business world is often characterized by independence, aggressiveness, and a focus on material success; qualities seen as predominantly masculine (Gupta, Turban, Wasti, & Sikdar, 2009; Heilman, 2001). Empirical evidence also suggests that individuals with entrepreneurial intentions share more masculine than feminine characteristics, despite

their actual genders (Gupta et al., 2009). Therefore, the substantial differences demonstrated in comparative cultural studies examining the tender versus tough dimension should provide an integral addition to understanding differences in the cultural dimension of emerging markets.

Religion. Religion is considered a significant force in society. A recent Gallup poll found that over 82% of people from 143 countries considered religion to be important in their lives (Chan-Serafin et al., 2012). Religion has received much attention in economics (Iannaccone, 1998), political science, and psychology (Cohen, 2009). In management, religion has been shown to influence work ethics (Parboteeah, Paik, & Cullen, 2009), entrepreneurship (Audretsch et al., 2007), governance structures, and social movements through militant theology (Iannaccone & Berman, 2006). Religion also plays a role in almost every national government through both formal and informal mechanisms (Chan-Serafin et al., 2012).

Max Weber's (1930) seminal essay, "The Protestant Ethic and the Spirit of Capitalism" related the strong work ethic inscribed in the Calvinistic denomination as a pathway to enlightenment, consequently implying a positive impact on economic activity (Weber, 2009). More recently, works such as that of Barro and McCleary (2003) find that economic growth is positively related to religiousness, but negatively related to church attendance. Notwithstanding the differences in individual aspects of religiousness, religion is cited has having significant impact on a country's development. Furthermore, IB researchers engaged in a cultural approach to cross national differences have included religion as a main determinant of these differences. For example, Ronen et al. (2013)

clustered countries on cultural dimensions using church attendance as one of their three core variables (along with language and geography).

Without doubt, religion is significant. "Religion may be part of culture, constitute culture, include and transcend culture, be influenced by culture, shape culture, or interact with culture in influencing cognitions and emotions" (Ronen & Shenkar, 2013, p. 871). Given that research has focused on the impact of religion at multiple levels of analysis (Audretsch et al., 2007; Barro et al., 2003; Parboteeah et al., 2009), there is a strong case to include and examine religion in the formation of country clusters.

Education. One of the most critical socio-cultural institutions is education. Education represents a socially driven investment in intellectual development, which can strongly influence future generations' ability to be productive and to contribute to the economic and social development within society. Moreover, education has a direct impact on social, political, and economic development. For example, the reduction in social inequality due to gender and class is primarily achieved through education and as a result, often leads to increased economic activity (Aghion et al., 1999) as well as influences entrepreneurship and innovation (Berry et al., 2010; Fagerberg et al., 2008; Nam, Parboteeah, Cullen, & Johnson, 2013).

Education has also been found to have a significant moderating effect on other antecedents to growth, such as natural resource endowments. For example, in a longitudinal study of 65 countries that had abundant oil reserves, less than 10% of those countries were able to achieve consistently high investment rates and relative increases in

gross national product per capita. This has been attributed to those countries' negligence in fostering effective educational institutions (Gylfason, 2001).

Finally, as emerging and underdeveloped markets already suffer from poor educational infrastructures, it is critical that any framework developed to categorize countries and assist in strategy and policy development include education as an integral dimension. As Marshall stated, "there is no extravagance more prejudicial to growth of national wealth than that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work" (Marshall, 2009, p. 176).

The Political Environment

The political environment can impact the development of emerging markets in a multitude of ways, including (as will be detailed below) the stability of government institutions, levels of corruption in government and laws, and regulations that protect intellectual and physical property. The combination of these factors is expected to have a significant impact on how a country is emerging and thus, should be instrumental in the categorization of emerging markets.

Political stability. Political stability reflects changes in the political environment that can increase risk to economic actors, both foreign and domestic. Unstable political environments can result in changes in laws, regulations, tax rates, and market access as well as government appropriation of private assets. For example, recent political changes in South America (e.g., Venezuela and Bolivia) have resulted in governments nationalizing private sector firms ("From tap to socket," 2013), particularly those owned

by foreign investors. Furthermore, a lack of political stability can result in anti-government activity such as demonstrations, assassinations, and even revolutions (see recent upheavals and demonstrations in Ukraine, Brazil, Turkey, Egypt, Thailand, and Libya). All these changes are significantly disruptive and can deter international investment (Busse & Hefeker, 2007; Henisz, 2000b) as well as result in capital flight (Lensink, Hermes, & Murinde, 2000).

Political stability can be examined from a multitude of perspectives; however, the use of levels of democracy and stability can be appropriate to isolate the direct impact of the political environment (Busse et al., 2007). A lack of democracy can result in the consolidation of power into a narrow segment of society or interest group, wherein viable alternatives to leadership do not exist. This situation then leads to a precarious scenario where succession is not adequately planned and a power void could be waiting for any change in government. This has been glaringly apparent from the recent events surrounding the Arab Spring. A consolidation of power can also result in instability, lack of transparency, and a low level of checks and balances (Henisz, 2000a). This subsequently impacts the investment potential and climate of a country as well as has a negative impact on growth and development.

Corruption. Corruption is perhaps one of the most detrimental dimensions to long-term sustained success of a country's economy. Corruption can loosely be defined as the abuse of public power for private gain (Cuervo-Cazurra, 2006). Corruption can be large scale (e.g., bribing of government officials for contracts) or minor (e.g., grease payments to office clerks to speed up bureaucratic processing). Whilst small scale grease

payments may not be obviously abhorrent, they do indicate that even minor illegal practices may be endemic within a society to a level where corruption becomes institutionalized as a societal norm (Parboteeah, Seriki, & Hoegl, 2014; Wei, 2000).

Corruption increases the costs of doing business and significantly inhibits fair access to resources and markets (Habib & Zurawicki, 2002). In addition, corruption is negatively correlated with both foreign direct investment (FDI) and internal investment (Bénassy-Quéré, Coupet, & Mayer, 2007), promotes income disparities, and can lead to significant political and social instability (Li et al., 2012; Wei, 2000). Furthermore, corruption can cloud effective judgment at many levels, from policy making to investment decisions, due to the market distortions it creates. Finally, corruption erodes the positive influence of free market competition and inhibits innovation (Zinnbauer, Dobson, & Despota, 2009).

Recent evidence from large scale social upheaval in the Middle East and South America portrays how countries considered as emerging and often touted as new investment frontiers for multinational corporations have experienced a significant change of direction in terms of development and growth. Corruption has been cited as a significant impetus to these changes since it fuels income disparities and unfair trade practices. These disparities have resulted in social unrest, and in some regions/countries, outright revolution. For example, Egypt once hailed as a new economic tiger in the Middle East, having enjoyed rapid economic growth for the last 20 years, is also widely considered to be one of the most corrupt nations in the world (Transparency, 2011). Consequently, calls for social change (citing endemic corruption as an important factor)

resulted in a revolution. Egypt is now experiencing weak economic growth and the fleeing of international investors (Tarek el-Tablawy, 2013; *World Development Report 2014*, 2013). This evidence provides a succinct example of how a single informal institution can erode the positive influence of other growth factors.

National governance systems. National governance systems are mechanisms that are developed to provide rules, guidelines, and regulations as well as enforce the latter. These systems are instrumental for the confidence of investors and provide the grounding for an environment that can foster economic growth (Henisz, 2000a; North, 1990). Governance systems include the protection of ownership rights (Henisz & Williamson, 1999), the role of government in the market place (through taxation and state ownership), and the mechanisms that can constrain or promote different business behaviors (Kostova, 1997). These systems are also recognized as the administrative (Ghemawat, 2001) or regulatory (Kostova et al., 2008) components of the institutional environment and are grounded in both cultural and political institutions (Berry et al., 2010).

The importance of including these systems as a component of a categorization schema is based on the extensive research comparing differences in national governance systems (Kaufmann et al., 2009). For example, Busenitz, Gomez, and Spencer (2000) found that differences in the regulatory component, operationalized through a multitude of measures (e.g., regulations and policies that support businesses), resulted in markedly different regulatory environments between nations. Other examples have gone further to not only confirm that these differences exist, but also that they impact strategically important factors and that they interrelate closely with other institutions, such as the

economy. For instance, evidence shows that insufficient property rights (a legal outcome of governance) is negatively correlated with FDI (Bénassy-Quéré et al., 2007).

Other elements of state governance in a country include government intervention in the market place (through subsidies, taxes, tariffs, and other administrative trade policies) alongside state ownership in corporations. These components may not only distort markets and increase social losses (Djankov, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2003), but also they can create unfair competitive practices (Kaufmann et al., 2009). Consequently, national governance systems send messages to the wider socio-economic environment about expected practices as well as norms of business behavior. These institutional components may influence important strategic decisions at both the firm and national levels, subsequently impacting national prosperity.

The Economic Environment

The general economic environment remains an important dimension for a taxonomy of emerging markets and cannot be neglected. Despite the central premise of this work that singular economic indicators do not provide adequate information to classify emerging markets, the discussion does not negate the inclusion of these indicators in a more complete categorization schema.

There are a myriad of econometric variables that could be used as indicators for the development of a positive economic environment, including but not limited to FDI and internal investment rates (Alfaro, Chanda, Kalemli-Ozcan, & Sayek, 2004), consumer confidence, currency stability, and factor endowments (Porter, 2011).

However, and in an effort to be parsimonious, the choice of dimensions for the current study were limited to those that are both highly influential in emerging markets and relevant in the IB domain. The dimensions selected also fulfilled the conditions of the SPES framework discussed earlier. Specifically, I examine the use of FDI as well as the prevalence and influence of informal economic arrangements, asset protection, and market infrastructure (Alfaro et al., 2004; Holmes et al., 2013; Maekelburger, Schwens, & Kabst, 2012).

FDI. Though FDI is normally represented as a rate that indicates the amount of foreign (external) investment targeted at a specific country, it can also be representative of the wider institutional environment for investment and is often used as an important indicator of the economic environment (Alfaro et al., 2004). Furthermore, not only do the dollar amounts of FDI carry meaning in terms of representing capital flows that are responding to market mechanisms (Bénassy-Quéré et al., 2007), but also those investment activities are accompanied by technology transfers, new knowledge and skills, employment opportunities, global networking, and productivity boosts (Alfaro et al., 2004).

Emerging markets vie amongst each other for FDI and often develop significant incentives to attract foreign investors (e.g., the development of tax free zones or tax holidays offered to foreign investors). These investment climates meet the general criteria of an institution (i.e., man-made, empowering, and enduring). Moreover, FDI is also contingent on and responds to the wider institutional environment. For example, a country must have the requisite resources or absorptive capacity (e.g., physical or market

infrastructures) to be able to integrate and fully benefit from FDI flows. In the case of emerging markets that have institutional gaps (e.g., high corruption and/or significant informal institutions) the same dollar amounts of FDI may have reduced impact. In addition, FDI can also indicate levels of external confidence in these markets. Therefore, FDI is an important economic component to include.

Informal economic arrangements. The lack of formal institutional arrangements in emerging markets is an often cited phenomena (Holmes et al., 2013; Khanna et al., 2007; Meyer et al., 2009; Meyer, Mudambi, & Narula, 2011; Wright et al., 2005). In particular, informal economic arrangements (as opposed to socio-cultural norms) have a direct impact on the business climate. Evidence suggests that countries with well-developed formal institutional arrangements (e.g., property rights and efficient markets), enjoy relatively higher national prosperity (Rodrik, Subramanian, & Trebbi, 2004). Informal economic arrangements evolve in environments that have significant institutional voids (Khanna et al., 2007; Wright et al., 2005). Therefore, it is important that the degree of institutional informality in the economic environment also be considered as an integral characteristic in developing a categorization schema.

Manifestations of informal economic arrangements include the prevalence and roles of business groups, the magnitude of the informal sector, and the role of trust and favors in the business world. The role of the informal economy in emerging markets is potentially substantial. By some measures, the size of the informal economy in emerging markets is between 40-60% of GDP as opposed to an average of approximately 16% in OECD countries (Schneider, 2002). The effects of the informal economy can reverberate

throughout the economy and impact the wider institutional environment in a multitude of ways. For example, the size of the informal economy can result in a reduction in tax revenues, which then can negatively impact public services and subsequently put additional pressures on the formal sector (Schneider, 2002).

In an environment characterized by large informal sectors, business groups play an important role. Business groups are conglomerations of firms that are able to exist in a large part within their own *econo*-sphere (Khanna et al., 2005). While conceptually business groups in emerging markets appear similar to corporations and strategic alliances in developed countries, they play an additional informal role in emerging markets by providing substitute institutional arrangements (Wright et al., 2005). These arrangements replicate some of the functions of the traditional or more formal economic systems found in developed markets by internalizing the exchange market, providing contractual oversight to business agreements as well as investment and financing opportunities (Guillen, 2000).

There is much debate as to whether or not these groups contribute to national growth and prosperity (Khanna et al., 2007). One school of thought, albeit anecdotal, argues that business groups in emerging markets are detrimental to the economy and distort free market mechanisms through the internalization of market mechanisms and by exercising monopoly power (Khanna, 2000). Alternatively, other streams of research assert that business groups fill in the gaps (Rodrik et al., 2004), particularly in emerging economies, and are necessary in these environments for successful and productive market exchanges.

Finally, a further indication of informal economic arrangements can be characterized by *cronyism*. Exercised by actors that enjoy positions of both economic and political influence, cronyism can take on a multitude of forms, including favors, nepotism, kinship patronage, and political connectedness. Similar to business groups, cronyism provides a mechanism that can substitute for formal business arrangements (Barnett, Yandle, & Naufal, 2013; Hutchings & Weir, 2006). Distinct from corruption (which involves the buying of favors), cronyism involves the exchange of favors within social, family, and economic networks with the expectation of a reciprocal non-financial transaction (Khatri, Tsang, & Begley, 2006). Whilst corruption is sometimes considered a form of cronyism, it has already been addressed in a previous section on political institutions. Cronyism in this section is focused specifically at practices within the economic environment. Cronyism fuels monopolies, raises social costs, and further distorts market mechanisms. An example of this is epitomized in the alleged inappropriate exchanges between families and friends within the banking sectors in Asia, which contributed to the regions last financial collapse (Chiu & Joh, 2004).

Peer cronyism, where favors are shared between actors of equal stature (Khatri et al., 2006), may also promote the isolation of wealth within a narrow segment of society and as a consequence, go beyond simply distorting markets by contributing to enduring social inequality. Due to expectations that emerging markets may also have a high degree of social stratification, it is not unrealistic to expect that peer cronyism is also high in these countries (Khatri et al., 2006). Understanding this phenomenon is therefore

expected to further unravel the idiosyncrasies of informal economic arrangements in emerging markets.

Market infrastructure. Whilst factor endowments (i.e. resources) have long been recognized as instrumental in providing a nation with the foundation for growth as well as a source of comparative advantage (Hoskisson et al., 2013; Porter, 2011; Smith & Garnier, 1845), they do not represent institutional elements. To this end, a more appropriate approach is to investigate the mechanisms that facilitate the exchange of those factor endowments. By considering how the human element relates to and manages physical resources through various forms of infrastructure, research can provide an important addition to analyzing the economic environment and can better help represent the nature of a market infrastructure as an institution element (Scott, 2014).

The first form of market infrastructure considered here is *physical infrastructure.* This infrastructure includes the internet and telecommunications as well as the more traditional features, such as roadways and airports. Physical infrastructure is a critical component that supports industry and economic activity (Esfahani & Ramírez, 2003). Moreover, its existence and efficient operation provides signals to investors (foreign and domestic) of a nation's competitive advantage (Porter, 1990). Whilst high levels of infrastructure development are commonplace in developed countries, emerging markets are renowned for having inconsistent levels of efficient infrastructure (Francois & Manchin, 2007). Hence, different levels of infrastructure can contribute to the representation of a countries commitment to and understanding of the economic environment.

The second component of market infrastructure, *market institutions*, serves to underwrite the general economic environment of a country and can either facilitate or deter competition within. Market institutions provide confidence to economic agents and a free flow of information, both of which are vital to the efficient allocation of resources (McMillan, 2008). Market institutions can be divided into product, labor, and capital markets that include systems to regulate property rights, to access financing, and to enable the development of and access to an efficient labor pool (Khanna & Palepu, 1997). Again, these mechanisms are predicted to be dissimilar in emerging markets and can further indicate the heterogeneity of these countries.

Spatial/Geographic

Physical distance. Ecological and geographic economists have recognized the importance of the physical characteristics of different countries as both sources of competitive advantage and relative disadvantage (Beugelsdijk, McCann, & Mudambi, 2010; Gallup et al., 1999). Recent findings from a meta-analysis of geographic distance effects found that for every 10% increase in distance, commerce between two trading partners fell by 9% (Disdier & Head, 2008). Moreover, geographic conditions (e.g., coast lines and landlocked nations) have been shown to correlate with economic development. For example, coastal and northern-hemisphere economies (e.g., Western Europe and the US) were found to account for 32% of global GDP (Gallup et al., 1999). Extant research also suggests that geographic dimensions closely interact with the wider institutional environment (MacKinnon et al., 2009), particularly political and economic institutions, to

influence economic growth (Gallup et al., 1999), foreign direct investment, and knowledge acquisition (Beugelsdijk et al., 2010; Dau, 2013).

In relation to emerging markets, of which a significant number are posited to be geographically positioned in equatorial and tropical climates, there exist geographic effects that can potentially moderate economic and social development (Rodrik, Subramanian, & Trebbi, 2004). For example, Sachs and Bloom (1998) suggest that climate and the geographic positioning of African nations has a negative impact on specific sectors, such as agriculture. The impact of climate can also significantly burden social institutions through effects such as famine and the prevalence of disease (Sachs & Malaney, 2002). It is therefore vital to revisit and include physical geography as a spatial element for any categorization schema.

Connectivity. Advances in technology have made the world a smaller place and reduced the relative influence of physical location as one element of geographic space (Ghemawat, 2001; Porter, 2000). Literature covering the geographic impact on growth now includes factors beyond the simple dyadic distance between points of focal interest. Scholars applying a geographic perspective are also interested in knowledge flows, shifts in technology and industry centers (Gertler, 2003; Malecki, 2010), the influence on trade (Ghemawat, 2001), and economic growth in general (Beugelsdijk et al., 2010). Moreover, there is now interest in conceptualizing distance between two countries beyond physical distance (Berry et al., 2010).

The rise in internet usage symbolizes both the importance of knowledge in today's economies (Guillén & Suárez, 2005) and its use as a significant communication

conduit. Additionally, the importance of communication is evidenced beyond the exchange of knowledge, through the social exchange of norms and values. For example, communication and knowledge sharing can impact the transfer of cultural artifacts (Ronen & Shenkar, 2013), such as norms of equality or gender roles and expectations. This phenomenon is exemplified by stories and news events that go global, as a new virtual e-culture is developing, and interacting on many different levels. Through limitations on free speech, censorship, and alternative forms of government controls, many emerging markets have suffered from a lack of these freedoms. However, the use of the internet as a technology that is able to circumvent those controls has proved to be a vital conduit to the accessibility of knowledge and transfer of ideas. Moreover, the internet has provided economic and social agents at all levels with the ability to communicate with little or no supervision or restrictions. Take for instance, the recent social upheaval in the Middle East, which was fueled in large part by internet communications (Eltantawy & Wiest, 2011; Khondker, 2011).

In summary, space (both physical and virtual) is an important consideration. Including this component responds to calls that the geographic dimension should be further integrated into IB research (Berry et al., 2010; Beugelsdijk et al., 2010). Moreover, the illustrations above provide an effective indication as to how geographic and spatial elements can moderate institutional effectiveness (Sachs, 2003), particularly in emerging markets, and therefore contribute to classifying those countries.

Test of the Taxonomy

Conceptually, limitations as to the value and contribution of cluster analysis to theory development derive from the subjective nature of the process and the lack of significance tests. Fundamentally, the challenge is not that clusters will appear, but rather that the cluster solution chosen by the researcher has significant meaning and utility for the field or domain that the solution has been developed for (Hair et al., 2010). Following recommendations in the strategic management literature, I test whether the final cluster solution is able to predict an outcome of strategic interest (Ketchen & Shook, 1996; Miller, 1988), thereby providing an empirical test of external validity and significance. External validity in this case is the ability of the cluster solution to not only be theoretically cohesive, but also to provide utility in explaining variables not included in the original analysis (Aldenderfer & Blashfield, 1984). For example, could a potential cluster solution of five categories of emerging markets significantly predict different levels of education attainment, cultural orientation, and/or preferred entry modes of MNCs?

This final step in the analysis allows for the application of ANOVA to provide evidence of external and practical validation (Aldenderfer & Blashfiled, 1984; Hair et al., 2010). The cluster solution or categories developed provide the set of independent variables, whereas the outcome of choice represents the dependent variable in the model. Importantly, the results in this model are then subjected to significance testing. This process contributes further to assessing the validity of the solution and provides evidence of statistical as well as practical significance (Hair et al., 2010).

The outcome variable that is selected for this step in the analysis should be related to, but not included in the original taxonomy (Aldenderfer & Blashfield, 1984; Ketchen & Shook, 1996). My choice of entrepreneurship as the outcome of interest effectively meets this requirement. As Thornton et al. (2011) wrote:

> Because institutions are constituted by culture and social relations, and because human, social and cultural capital are often antecedents to acquiring financial capital and other resources needed to start a business, an institutional approach with its broad meta-theory holds out the promise of developing future entrepreneurship research. (p. 111)

Entrepreneurship is the ability to create something new or to adapt something old in a new way (Schumpeter, 1934). However, that something cannot be created in a vacuum. Hence, and in taking a more integrated and complete perspective, entrepreneurship can be defined as the interaction of the entrepreneur(s) with their environment to "…discover, evaluate, and exploit" opportunities (Shane & Venkataraman, 2000, p. 218), and is a highly coveted quality that can contribute to a country's overall economic activity and social development (Williams et al., 2010). Consequently, entrepreneurship is proposed to be a function of the institutional environment and therefore influenced by a country's emergent status.

Entrepreneurs are supported through the institutional environment in a myriad of ways, some based on public initiatives and others private. These initiatives include small business incubators, government sponsorship programs, and the support of industry specific clusters (Delgado, Porter, & Stern, 2010). Moreover, entrepreneurship is strongly related to innovation and economic development (Fagerberg et al., 2008). For example, in a survey of over 101 countries, Klapper, Amit and Guillen (2010) found that there is a

significant and positive correlation between entrepreneurship (i.e., new business entities) and economic growth.

From a socio-cultural perspective, entrepreneurship has been found to be related to the other dimensions proposed for inclusion in this taxonomic analysis. As noted earlier, during the justification of their inclusion in the taxonomy, religion (Audretsch et al., 2007; Weber, 1930), education, and cultural dimensions (Hofstede, et al., 2010; Pinillos et al., 2011) have each been identified as important to entrepreneurship.

The institutions of the political economy included in this analysis have also been found to relate to entrepreneurship. For example, corruption can stifle the growth of new entrepreneurs who may not be able to incur the costs of bribery (Fogel, 2006). Furthermore, political stability (or instability) may provide opposing forces that could offer opportunities for entrepreneurs through gaps in the market place whilst simultaneously hinder entrepreneurship through ineffective rule of law or lack of formal mechanisms that protect entrepreneurial efforts (e.g., IP protection).

Finally, the influence of geography on entrepreneurship may be manifested through the exchange and accumulation of knowledge. Foremost, knowledge availability is a critical asset for entrepreneurs and has been shown to be impacted by distance. For example, the development of industry clusters (e.g., Silicon Valley) where the physical arrangement is in close proximity of industry stakeholders provides additional impetus for innovation, competition, and growth (Porter, 2000). Virtual space can also impact entrepreneurial effectiveness. An anecdotal, yet powerful example is the new crowd-funding and crowdsourcing capabilities the internet offers. Here, entrepreneurs tap into

virtual angel investor portals to pitch ideas, raise funds, and develop complete products, thereby providing evidence of the importance of virtual as well as physical distance.

From the preceding section it should be evident that an examination of the institutional environment used to create a taxonomy of emerging markets must include a set of dimensions that have predictive ability with outcomes of strategic importance, specifically in this case, entrepreneurship. Hence, in a second study I examine the potential differences in levels of entrepreneurship that can be predicted by the cluster solution. This second study and the relationships between the different emergent country categories is framed in greater detail after the result of the cluster process is discussed.

Literature Review Conclusion

The purpose of this review has been to investigate the institutional environment from economic, political, sociological, and geographical perspectives to select appropriate dimensions to be included in a taxonomy of emerging markets. This review suggests that the aforementioned dimensions can be combined and can significantly contribute to such a schema whilst also representing the institutional environment in a broad, yet parsimonious fashion in a unified framework (SPES).

This review also examined the choice of the taxonomic approach as a special form of theory building that provides researchers with the ability to include a variety of research streams, disciplines, and in particular, constructs and dimensions to represent potentially complex environments. Finally, by testing whether the taxonomy predicts

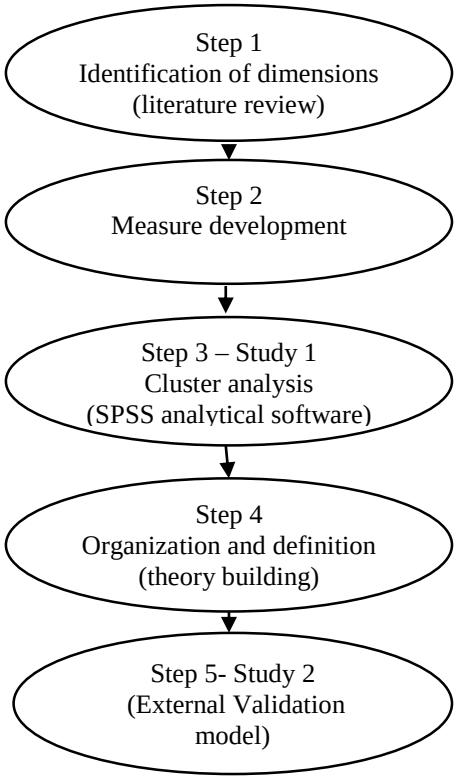
outcomes of strategic importance, I can provide external validation and empirical support to portray the predictive capability of this categorization scheme.

The next chapter outlines the steps that are required to develop a taxonomy as well as discusses the individual component variables that are used to proxy the aforementioned dimensions. Cluster analysis is then examined as the appropriate statistical test to use in the aim of retrieving meaningful categories. A final step in the cluster development is testing the classification model against an outcome of strategic relevance.

CHAPTER 3: METHODS

The analysis and validation of the categorization process was undertaken through two studies. Utilizing the proposed SPES framework, the first study created a taxonomy of emerging markets driven by secondary data on representative institutions and economic geography. I then used cluster analysis and a 5-step approach to create a taxonomy (see Figure 1).

Figure 1. Steps Taken to Develop an Empirical Taxonomy



This procedure was derived from suggestions in the literature, which examine best practices in developing classification schemes (Aldenderfer & Blashfield, 1984; Hair, et al., 2010; Hambrick, 1984). The second study then applied the emerging market categorizations in an ANOVA analysis to predict levels of entrepreneurship.

The initial step identified dimensions and variables (McKelvey, 1975). The second step developed the measurement model, with the goal of specifying the component variables that best represent the chosen dimensions. In the third step, data was submitted to cluster analysis to test for the impact of the dimensions. The objective of this step specifically is to single out homogeneous groups of observations from the overall population by comparing the in-cluster variance to the between-cluster variance (Hair et al., 2010). The fourth step is subjective, applying theory to organize and define the clusters. Finally, I tested the proposed cluster solution against an external outcome variable of strategic interest. This last step aimed to validate the classification scheme and to provide evidence of the practical utility and significance of the cluster solution. The final step also illustrated the unique capabilities of cluster analysis in integrating a myriad of complex and sometimes confounding variables with the goal of achieving a parsimonious solution (Hambrick, 1984).

Dimension Choice

Choosing the variables is the most critical step in cluster analysis (Hair et al., 2010; Ketchen & Shook, 1996; Punj et al., 1983). There are different methods for choosing variables for a quantitative study. These methods include both inductive and

deductive approaches (Ketchen, Thomas, & Snow, 1993). The inductive approach suggests that we use as many variables as possible since we may not be sure which ones are most applicable (McKelvey, 1975). However, this approach can result in variables being chosen that are spurious and of little relevance, resulting in distortion of any proposed cluster solution (Punj et al., 1983).

Alternatively, the deductive approach suggests the choice of dimensions to be grounded in theory. This approach is more likely to result in a cluster solution with higher internal consistency (Ketchen & Shook, 1996). For the purpose of this research, and as detailed in the previous chapter, I chose the deductive method. Through the lens of institutional theory, I examined the literature across multiple disciplines to identify dimensions in the socio-cultural, political, and economic environments alongside variables related to spatial/geographic elements. I then combined them into the proposed SPES framework.

Measurement Model

The use of secondary data for this analysis is based on the availability of extensive country level information that have been used consistently in IB research to compare countries across a multitude of contexts and disciplines (Berry et al., 2010; Ronen et al., 2013). The dimensions measured included socio-cultural, political, economic, and spatial/geographic (see Table 4). This order is not intended to portray any particular level of hierarchy or significance.

Socio – Cultural Indicators

Culture. As previously discussed, culture is a complex and controversial construct to measure. I have therefore elected to evaluate the taxonomy by utilizing the most dominant framework in the IB domain, that by Gert Hofstede. The data for Hofstede's model will be drawn from Hofstede et al. (2010) that provides statistics from the Values Survey Module (VSM). The VSM is a survey instrument derived from Hofstede's original work on cultural dimensions and has been used extensively in the cross cultural and IB literatures. A recent meta-analysis of data sources examining cultural dimensions found that Hofstede's VSM data sets have been the singularly most used to represent cultural dimensions (Taras et al., 2012). For example, the individualism versus collectivism dimension was used in over 30% of research papers analyzed.

Religion. Religion is a multifaceted institution (De Jong, Faulkner, & Warland, 1976). One approach researchers have used to measure religion is to break it down into normative, cognitive, and regulative dimensions (Parboteeah, et al., 2009). The normative dimension examines religion through active participation or the practice of religion through behaviors such as church attendance. The cognitive approach examines an individual's belief in God, whilst the regulative component represents the state's role in religion, such as state sponsored religion (Barro et al., 2003). An alternative method is to differentiate between religiosity and spirituality. Religiosity represents the manifestation

Table 4
Component variables

Meta Dimension	*Indicator dimension(s)*	*Component Variable(s)*	*Source*
Socio-cultural	Individualism vs Co	IND	Hofstede (2010) VSM
	Long term orientation	LTO	
	Masculinity	MSC	
	Power distance	PD	
	Uncertainty avoidance	UA	
	Religion	Church attendance & Religiosity	UNDP
	Education	Educational attainment	WDI
Political	Political stability	POLYCON	Henisz
	Corruption	CPI	Transparency International
	Rule of law	Kaufman index	World Bank
		IP protection	World Bank
	State ownership	Gov. expenditure	World Bank
Economic	FDI	Inward FDI rates	UNCTAD
	Market Infrastructure	IP protection	IPRI
		Infrastructure investments	WDI
	Informal economic institutions	Size of the informal economy	Schneider (2011)
		GINI index	WDI
Geographic/ Spatial	Distance	Distance to the equator	CIPII
	Communications	Internet usage	ITU

of religion within the boundaries of rituals and norms, whereas the spiritual approach is believing in an alternative spiritual reality, yet not necessarily adhering to or being part of any religious institution (Chan-Serafin et al., 2012).

To effectively measure the potential impact of religion in the classification scheme I include the latter two indicators discussed above. I use church attendance and whether or not individuals pray. This responds to convention in the literature that prescribes using multiple measures to represent both private and public aspects of religiosity (Barro et al., 2003; Parboteeah, et al., 2009; Parboteeah, Hoegl, & Cullen, 2008). For the spiritual component, I also use a multifaceted approach (De Jong et al., 1976; Parboteeah et al., 2009) by examining an individual's belief in an omnipotent being, life after death, and heaven and hell. Both of these components of religion can be derived through the WVS questionnaire (*World Values Survey*, 2008). Deriving country level indicators from averages at the micro level is an accepted convention in cross cultural research and has been used extensively in the IB domain (Hofstede, 2001; Parboteeah et al., 2003).

Education. Education can be operationalized using a wide array of variables (see Dahlin, 2002 and Krueger & Lindahl, 2000 for a review). Popular examples include literacy rates and school enrollment. From a micro perspective, education can be gauged by the average number of years of schooling attended per person. From a macro perspective, the use of expenditure on education as a percentage of GDP is widely used in economic indices and reports. In the current study, I use the United Nations Development Program (UNDP) educational attainment score to represent the institutional element of

education. This score has been used previously in the IB domain to represent education as a social institution (Nam et al., 2013; Parboteeah et al., 2003; Salimath, 2006).

Political Indicators

Political stability. There are multiple sources of measurement for the impact of the political environment on country-level outcomes, including the international country risk guide (ICRG) and the CHECKS2a developed by the World Bank. These indicators have been criticized for being subjective and retrospective in nature rather than representing the present and/or the evolving nature of the political environment (Henisz, 2000a). In response to these limitations and to specifically address stability, the POLYCON index (Henisz, 2000b) was developed for and measures risk of political change based on the number of veto points in any particular system. Furthermore, this indicator is specifically related to the number and nature of political bodies rather than other political indicators. In using this measure, I reduce the impact of confounding variables that are included in alternative measures. For instance, the ICRG includes culture and corruption, which are already addressed independently in this research.

The POLYCON index is used extensively in the literature to examine the impact of political institutions on themes of strategic importance, such as corporate risk taking (Boubakri, Mansi, & Saffar, 2013), institutional distance (Berry et al., 2010), corporate ownership and equity stakes (Stulz, 2005), and the co-evolution of institutions (Holmes et al., 2013). The POLYCON data are available for over 200 nations thereby providing an extensive list of data points.

Corruption. Measuring corruption can also be done in a wide array of forms. Perceptions of corruption are often considered good proxies of actual corruption levels. For over 15 years Transparency International has been gathering data on different forms of corruption from public bribery to business-to-business corruption. Data is aggregated into the Corruptions Perceptions Index (CPI) that rates countries on a scale of 0-100, with highly corrupt countries receiving a rating closer to zero and "cleaner" countries rated closer to 100 (Transparency, 2011). Other indexes, such as that of the Economist Intelligence Unit (EIU), also measure corruption as a significant risk factor. However, a recent analysis by Wei (2010) shows that these indices are highly correlated. It is for this reason as well as data availability that I decided to use the CPI to measure corruption.

National governance systems. I use two measures too operationalize national governance systems. The first considers the legal systems within a nation that underpin frameworks for contractual obligations. The second, state ownership, indicates the level of government/political intervention in the economy.

For the first measure, *rule of law*, Kaufmann et al. (2009) combined data sources from a wide range of global development and consulting institutions (e.g., Perceptions Research Services International, PRS, Heritage Foundation, and EIU) to generate a "rule of law" indicator. This measure has been published every year since 1996 in conjunction with the World Bank and now covers over 200 countries. This measure reflects the extent to which economic stakeholders both adhere to and enjoy confidence in the rules of society (Kaufmann et al., 2009). The rule of law indicator has been used extensively in the literature to examine, including for example, the impact of the legal environment on

national growth (Rigobon & Rodrik, 2005), property rights protection on firm growth (Durnev, Errunza, & Molchanov, 2009), and the impact of the rule of law on the financial sector (Qi, Roth, & Wald, 2011).

The second measure of the national governance system, *state ownership*, represents the degree to which government itself is a significant stakeholder and party of influence in economic activities. In classical free market economic theory (Hayek, 2009), state ownership and interference is considered a barrier to economic growth. However, research in the role of the state in emerging economies is not so conclusive. In this context, findings suggest that there is a conflicting relationship between state intervention and growth. On the one hand, the state can negatively influence free market forces through unfair trade practices (e.g., monopoly power). On the other hand, the state can positively influence investor confidence by being a guarantor (Doh, Teegen, & Mudambi, 2004). Due to the lack of data on actual ownership stakes across a wide selection of countries, I elected to use government budget balance as a percentage of GDP. "This balance may be viewed as an indicator of the financial impact of general government activity on the rest of the economy…" (Schwab, 2010, p. 542). I posit that the higher government spending is, the more control/ownership/influence the government exhibits within the economy. These data are also readily available through the World Bank.

Economic Indicators

Foreign direct investment. Often expressed as an absolute value in dollars, FDI rates measure the volume of foreign investment in a country. Two methods are often used

to measure FDI, stock and flow (Hill et al., 2006). Stock measures the amount of FDI in a country at any one point in time whereas flow measures the volume of FDI overtime. In this research I use the stock of FDI since the cluster solution simply provides a snapshot in time. FDI data are readily accessible from a multitude of international organizations and databases such as the IMF and the World Bank. I elected to use UNCTAD, which provides an extensive database with these FDI statistics.

Informal economic arrangements. Capturing the size or impact of informal economic arrangements is a particularly troublesome endeavor. First, collection of data is highly sensitive to self-reporting bias as both individuals and corporations that engage in informal activities are less likely to provide accurate information (Schneider, Buehn, & Montenegro, 2011). Secondly, the subjective interpretation of concepts such as cronyism and nepotism are likely to affect a measure's reliability. Finally, in the case of business groups, whilst it may be possible to determine the number and/or percentage of business group contributions to GDP, this would not accurately represent the actual informal arrangements that may exist between these entities. Furthermore, secondary data representing the contribution to GDP of business groups is not readily available.

Based on the above concerns, I chose two data sources to represent informal economic arrangements. First, I use the size of the informal economy as an umbrella indicator to represent the impact of informal economic activity. My second indicator is the GINI index. As a measure of economic inequality, the GINI index can be used as a proxy to capture the degree to which economic wealth is focused on a narrow segment of society.

Direct and indirect approaches are two distinct methods for measuring the size of the informal economy. One direct approaches is the use of auditing techniques (e.g., analyzing the differences between tax returns and consumption rates); another is to use a survey. However, surveys are a problematic instrument to use in cases of capturing data on informal economic activity, as most actors within an informal economic role will be wary of providing accurate information (Buehn & Schneider, 2012). Alternatively, the indirect approach uses macro level indicators as a proxy for the size of the informal sector. For example, the Kaufman–Kaliberda method (i.e., the macro-electricity method) finds that electricity consumption is the single best indicator of total or actual economic activity. By deducting official GDP levels from potential GDP levels indicated by electric consumption, we arrive at an estimate of the size of the informal economy (Kaufmann & Kaliberda, 1996). Whilst unique and attractive, particularly in research comparing national differences, this approach suffers from a few drawbacks. First, it does not address activity that is independent of electrical consumption, such as some service sector activities. Secondly, it does not take into consideration changes in technology and efficiency that affect power consumption and generation. For a complete discussion on the different approaches used see Schneider (2002).

To address the above issues, I used the DYMIMIC approach that estimates the size of the informal economy as a percentage of GDP**.** This approach differs from the Kaufmann–Kaliberda method and others by incorporating more than one indicator variable. The DYMIMIC method has been used in previous research to estimate the

annual size of informal economies in over 160 countries (Buehn et al., 2012; Schneider et al., 2011).

In a similar fashion, I used an indirect approach to capture the essence of cronyism. To represent this informal economic activity I used the *GINI* index. The GINI index (or coefficient), named after Corrado Gini, an Italian statistician, captures the degree of inequality in an economy, and subsequently represents how income and consumption are dispersed beyond that of a normal distribution (Gini, 1921; *World Development Report 2014*, 2013). The measure varies between 0 and 100, where 0 on the GINI scale represents equality and therefore less cronyism, and 100 inequality and high levels of cronyism. Whilst this measure does not directly represent cronyism, it does provide an indication of how much of a country's wealth is isolated in a marginal segment of society, wherein the wealthiest in society have undue influence and the reciprocal exchange of favors between peers is likely to be highest.

Market infrastructure. To represent market infrastructure, I used two components, property rights and physical infrastructure. Effective *property rights* provide confidence to investors in markets, reduce levels of uncertainty (Henisz et al., 1999; Maekelburger et al., 2012), promote innovation, and have a positive impact on firm performance (Yasar, Paul, & Ward, 2011). To measure this, I use the International Property Rights Index (IPRI), which has been developed using data from both the World Bank and World Economic Forum.

Used in previous research to examine institutional safeguards (Maekelburger et al., 2012), the IPRI measures three aspects of property rights, the legal and political

environment as well as rights pertaining to physical and intellectual assets (Jackson, 2010). However, as the political and legal dimensions in the IPRI primarily constitute political stability and corruption (addressed independently in this research), I only use the physical property rights (PPR) and the intellectual property rights (IPR) components of the index.

The second element of market infrastructure is *physical infrastructure.* Physical infrastructure can fundamentally impact socio-economic development (Esfahani et al., 2003) and the relative attractiveness of one national location over another (Porter, 1990). Physical infrastructure, particularly transportation and communications, are the wheels and cogs of a nation that can facilitate or inhibit trade between economic actors through the impact on costs. For instance, Limao and Venables (2001) provide evidence that poor infrastructure accounts as much as 40-60% of overall transportation costs. Research also suggests that levels of trade and economic growth in developing countries are significantly impacted by the quality of the physical infrastructure (Esfahani et al., 2003; Francois et al., 2007).

Physical infrastructure can be measured using various indicators, such as the number of paved roads, airports, seaports, and rail links. However, and similar to previous literature (Hoskisson et al., 2013), I use the World Economic Forum's *Global Competiveness Report* (GCR) "2nd pillar" that combines all of the above transportation elements alongside electricity and telephony capabilities into one infrastructure index. The index uses a 7-point scale, where 7 represents the best infrastructure systems and 1 represents the worst (Schwab, 2010).

Spatial/Geographic.

In a world driven in part by advances in technology, tangible or physical resources share the spotlight with intangible or knowledge-based resources as sources of competitive advantage. The stock and flow of knowledge is therefore crucial to economic growth (Furman, Porter, & Stern, 2002). I propose that connectedness significantly influences the stock and flow of knowledge, and will further impact a country's level of emergence. Furthermore, connectedness facilitates social exchange that can also effect other aspects of the institutional environment (e.g., cultural and the political). To represent connectedness, I measured physical distance and communications capabilities.

Physical distance. Physical distance has a direct impact on costs and can influence the flow of physical goods. Distance can be measured from a single or common point, such as the equator. Research using distance to the equator suggests that this measure of distance positively correlates with the degree of democracy and rule of law (Rigobon et al., 2005). Research also suggests that countries that have a more temperate geographic environment (more distant from the equator) are relatively more prosperous (Bloom et al., 1998). For a comprehensive review of the geographic implications of equatorial regions (e.g., agricultural constraints and the lack of winter frosts that kill bacteria and result in reduced transmittable diseases) see Bloom et al. (1998).

I use distance from the equator measured by lines of latitude (in degrees) as a proxy for the physical component of geography. This measure has been used in the economic geography literatures to determine the geographic impact on national income (Burnside & Dollar, 2004; Rodrik et al., 2004) and the institutional environment (Dollar

& Kraay, 2003; Isham, Woolcock, Pritchett, & Busby, 2005). These data are available from the Research and Expertise on the World Economy (CEPII) database.

Communications. An integral component of knowledge is transferability (Grant, 1996). To represent communications and the potential of transferability, I include number of internet users. This measure has been used in research comparing institutional distance and more specifically, to partially represent the geographic dimension (Berry et al., 2010). Data was compiled from the International Telecommunication Union (ITU); a specialized agency of the United Nations. The ITU provides data on over 200 countries and is considered the preeminent source of data on internet usage (Guillén et al., 2005).

Population. The number and names of countries used can vary between differing databases. For example, the UN lists 237 entities as countries in their UNCTAD database of population statistics (UNCTAD, 2012), whilst the World Bank list 252 in their data set on literacy rates (*World Development Report 2014*, 2013). These differences refer to the inclusion and exclusion of island nations (e.g., British Virgin Island and the UK), protected territories (e.g., Western Sahara and Morocco), and independently run ex-colonial entities (e.g., Hong Kong and Macau). I elected to work off the UN master list of countries for two reasons. First, UNCTAD is a significant source of data for many of the dimensions in the current study. Second, this list represents the international and diplomatically agreed upon status of individual countries.

As described in the introduction of this dissertation, finding a conclusive master list of emerging markets is troublesome at best, with no universally defined list or definition readily available. However, as a starting point and to create an initial pool of

observations for this research, I deferred to works published in the top rated IB journals that have used a set of 64 countries as emerging (Hoskisson et al., 2000; Hoskisson et al., 2013; Wright et al., 2005). As shown in the Table A1 in the Appendix, these countries include 51 countries characterized as rapid growth countries by the International Finance Corporation, in conjunction with 13 fast followers that are listed separately by the EBRD (Hoskisson et al., 2000). This list also affords the opportunity to have two populations, an "emerging market" population and a "global" population. I compared the two populations to further refine and provide another level of validation to the model. Moreover, this step may assist in the identification of new countries presently not considered emerging; or conversely, to remove a country's membership from the original list.

Cluster Analysis and Data Treatment

Standardization. A critical consideration of cluster analysis is that there can be significant scale differences in the variables that are measured (nonequivalence). For example, one item could be measured on a 7-point Likert scale, whereas another may be measured on a 101-point scale. Other differences include the use of categorical and continuous variables. This is apparent particularly in research using macro data analysis in the international discipline, where secondary data is often used and control of survey design is beyond the influence of the researcher. For variables that are measured on different scales the result is that more weight in the final cluster solution will be allocated to those variables measured on larger scales (Hair et al., 2010; Harrigan, 1985). By standardizing the variables prior to the cluster analysis (i.e., setting the mean to zero and

standard deviation to one) we can eliminate scale bias. Therefore, I standardized the variables to remove any potential scale bias that could impact the final solution.

Multicollinearity. As in most multivariate data research, the issue of multicollinearity is a double-edged sword. Multicollinearity is important in demonstrating that indicator variables are loading on the same construct and can therefore be effectively combined. However, those variables (although closely related to each other) may also provide important theoretical and practical considerations alone. The occurrence of multicollinearity in IB, and particularly with the use of institutional theory, would be expected as illustrated by expectations that dimensions such as informal institutions (e.g., political stability and corruption) can co-vary. Solutions to issues of multicollinearity include 1) using Mahalanobis distance, which both standardizes the variables and corrects for multicollinearity (Berry et al., 2010; Hair et al., 2010) and 2) creating factor scores, summated scores, or second order variables. However, the later approach can lead to a loss of richness in the final result by eliminating important variables that could individually play a critical role in the final solution. Interpretation and more importantly, practical implications, could also be negatively influenced if indicator variables are combined. Therefore I have elected to use Mahalanobis distance.

One stage versus a hierarchal process. There are two forms of algorithms commonly used in cluster analysis, hierarchal and non-hierarchal. Hierarchal cluster analysis proceeds through either an agglomerative or divisive process to reach *n* number of solutions. Nonhierarchical analysis uses a predetermined number of clusters and generates alternative solutions that can fit that set (Milligan & Cooper, 1985). In this

specific instance we have no *a priori* framework to help determine a specific number of clusters; therefore, and in accordance with the literature on cluster analysis, I used the agglomerative approach to define different cluster level possibilities (Hair et al., 2010; Ketchen & Shook, 1996; Milligan et al., 1985; Punj et al., 1983). Notwithstanding the approach chosen to develop the cluster solution, I also used a non-hierarchal, K-Mean approach as a test for internal validity and stability.

Distance. The cluster solution is based on relative distance between and across sets of variables. There are various techniques used to determine how to measure this distance. Nearest neighbor or single linkage looks at the two closest observations between a pair of clusters. Alternatively, furthest neighbor or complete linkage looks at the distance between the farthest observations. Other methods include average linkage, which takes the mean distance between all points in two clusters, and the centroid linkage, which measures the distance between the centroids of each cluster. Finally, Ward's and Mahalanobis methods look closer at the relative correlations and are considered correlation, rather than proximity measures (Hair et al., 2010). Extant literature on cluster analysis proposes multiple applications in exploratory analysis to determine which may in fact recognize distinct groups (Aldenderfer & Blashfield, 1984; Ketchen & Shook, 1996).

Once a method to determine which two points to measure has been determined, the next step is to decide on a measurement approach. The most common approaches are *Euclidean distance*, *squared Euclidean distance*, and *Manhattan* or *City-Block.* Euclidean distance measures the actual distance in space across all variables. Squared Euclidean is

similar, but does not calculate the square root of the squared differences. Manhattan does not calculate the shortest distance between the two observations, but rather measures the distance between each of the variables within the cluster. In a review of literature and the application of cluster analysis in marketing research Punj et al., (1983) suggested that the choice of distance measures should be made based on the type of data used. In that light, I follow Wolfson, Madjd-Sadjadi, and James (2004) who used squared Euclidean distance in their research, clustering countries on macro factors consisting of country level variables, such as political and economic.

Number of clusters. Deciding the cutoff point for a particular number of clusters is a critical step. Popular approaches include the subjective analysis of dendograms, which are visual (graphical) representations of clustering solutions that are similar to decision trees (Ketchen & Shook, 1996). Subjective analysis of these diagrams assists in deciding the appropriate number of clusters based on the density of the branches and comparing a theoretically derived typology to determine *a priori* the number of *k* clusters and then to run the solution using that same *k.* These procedures are also termed stopping rules. For a comprehensive and comparative analysis of 30 stopping rules see Milligan and Cooper (1985). Due to the exploratory nature of the current study, I used the subjective analysis of dendograms to examine potential clusters.

Organization and Definition

In this step, a qualitative definition is provided for each cluster that results from the analysis. This represents a grounded theory approach wherein dominant

characteristics drawn from the date drive the development of the category names and descriptions. Drawing on institutional theory, I describe and name each cluster and interpret why countries fall in each of the specified clusters.

Reliability

An initial test for reliability includes the use of holdout samples or dividing the sample in two and subsequently running and then comparing the two solutions from the different populations (Hair et al., 2010; Hambrick, 1984). For example, a solution including a complete sample of all countries could be compared to that of the set of emerging markets alone. Continuing cluster membership between both samples would provide a substantive inference of reliability to the final cluster solution.

Study 2

A second study was conducted to test for external validity. This study examined whether the final cluster solution could predict an outcome variable. The final variable selected was related to, but not included in the original derivation of the taxonomic solution. This approach responds to the need for research to be useful in both academia and practice. This second study, or validation model, also provides the opportunity to develop testable hypothesis. This is an integral step in theory development, yet lacking in most basic cluster analysis research (Hair et al., 2010). The outcome of interest in this study was entrepreneurship. To this end, ANOVA was used to test cluster groupings,

incorporate significance tests, and provide evidence of practical validity (Aldenderfer & Blashfield, 1984; Hair et al., 2010; Ketchen & Shook, 1996).

Independent variables. The categories that derived from the final taxonomy constitute the independent variables in the model intended to validate the taxonomy. These variables were then used to predict the dependent variable.

Dependent variable. There are a multitude of measures to proxy various forms of entrepreneurship (Global Entrepreneurship Monitor 2013 Global Report, 2014). However, to be able to collect comparable data across multiple countries I followed extant research in entrepreneurship within the IB domain (Klapper et al., 2010) that uses the World Bank's database of limited liability startup companies to measure new business inception.

Data Collection

Probably the most challenging aspect of effectively gathering and organizing macro data for countries is the lack of complete data sets for every observation across the multiple variables included. To address missing data I employed an array of solutions. The following describes in general, the procedures taken. A more detailed log of the steps taken per dimension and variable are included in Appendix 3.

The variables representing the informal aspect of religion (church/service attendance) were dropped. Whilst the WVS provides researchers from many disciplines with an extremely useful dataset to examine social and cultural values, on closer inspection the amount of missing observations for this particular aspect of the socio-cultural element of the SPES framework was too large to address through any form of

missing data substitution; therefore, I elected to drop the religious attendance variable altogether. In consideration that the socio-cultural dimension continued to be represented by six other indicators, the loss of this variable is not expected to have a highly negative impact on the analysis.

To address missing observations for the other cultural dimensions I chose two similar approaches. The first approach utilizes the VSM data set. The VSM does provide data on the African and Arab countries with a derived average for both those regions. I used these scores in place of missing data for countries in those respective areas. Second, for the other countries that had missing data, where the VSM data set itself did not provide any regional estimates, I chose to develop regional averages and/or neighboring averages. For example, to address missing data for Bosnia, Albania and Moldova, I developed an average (mean) score based off of the data from Croatia, Serbia, Bulgaria and Greece (four neighboring states).

Other manipulations to the socio-cultural dimension included creating a majority category for religion for each nation, resulting in the development of 5 dummy variables to represent each of the major religions addressed in the analysis. This was done by selecting the largest represented population (e.g., Christianity for Russia or Muslim for Egypt). For missing data on the educational attainment scale provided by WDI, I also utilized scores provided by the WDI, which similarly measured educational attainment at secondary school levels.

Other noteworthy substitutions for missing data included developing a similar estimate for countries with gaps in the government expenditure indicator. Similar to the

VSM data set, the WDI data set also contained regional estimates that were used. For example, there are scores for "Latin American developing countries" that I used to substitute for missing data on Trinidad and Tobago. Finally, I was also able to fill in missing data for a number of indicators, again from alternative sources, ranging from peer reviewed research papers for example, an estimate of the size of the informal economy in Iraq (Looney, 2005) or other well established secondary data sources such as the CIA World Fact Book (CIA World Fact Book, 2013).

Finally, in the comparative analysis and application of the SPES framework and emerging market categories, I enlisted pre-existing categorizations of the most developed countries (G7) and the least developed countries (LDCs) from reports issued by the IMF and the UN, respectively. A full list of all data treatments can be found in Appendix.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

Reflecting the outline prescribed in chapter 3, the next stages of the analysis included 1) measure development, 2) running the cluster analysis, 3) the organization, description, and definition of the individual clusters, 4) internal validation (stability) and, 5) a second, external validation study. The identification of dimensions and consequently, indicator variables as discussed in chapter 2, resulted in a wide and comprehensive set of variables. Consequently, as an integral part of measure development and in the pursuit of a parsimonious solution, I chose to run factor analysis on the political, economic, and spatial dimensions. The socio-cultural dimension was entered into the analysis individually as is common in cross-cultural comparisons (Taras et al., 2012). I also elected to run a preliminary cluster analysis on the SPES dimensions individually. This was an additional step in the measure development that I believe provides a further degree of confidence that the countries do not follow the same cluster membership through each of the conceptual dimensions.

Factor Analysis

As discussed in chapter 3, each dimension contained between two to five indicator components. Factor analysis is used as both a primary method of grouping variables to examine the potential for dimension reduction and as an additional step to indicate whether or not those indicator variables are in fact measuring unique variance

within the model (Hair et al., 2010). To examine appropriate candidates for factor analysis, the variables must share some underlying theoretical concepts. Hence, I ran an EFA on the indicator variables for each of the dimensions separately. Principal component factor analysis was run using SPSS 22.0 with varimax rotation.

Political Dimension. Initial factoring of all of the indicator variables that made up the political dimension resulted in cross loadings I therefore proceeded by following the norm and removing any indicators that had high cross loadings over a 0.3 threshold (Hair et al., 2010). Consequently, this left political stability, corruption and rule of law. After running factor analysis for this model the results achieved a measure of sampling adequacy (MSA) above 0.5 (Hair et al., 2010), as did each of the components. Bartlett's test of sphericity was significant ($p < 0.01$). I then tested reliability, finding that the three items achieved an adequate reliability (Cronbach Alpha) of 0.732. The three factors (corruption, political stability, and rule of law) satisfactorily collapsed into one component as can be seen in Table 5 below.

Table 5

Exploratory Factor Analysis Political Environment

Variable	*Factor 1*
Political Stability	.492
Corruption	.943
Rule of Law	.951

Hence, the political dimension was successfully reduced to one indicator variable. Based on the items measuring this dimension, I labeled the new variable "Political fairness".

Economic Dimension. For the economic dimension I decided to initially split the formal and informal aspects. The informal indicators were developed using abstract

measures through an indirect approach (Buehn & Schneider, 2012). For example, businesses with activities in the informal economy do not report true, production, accounting, and in particular, revenue data. In contrast, the indicators used to represent the formal economy are collected based on established absolute amounts that are quantified in dollar terms and/or specific institutional regulations (IPRI).

The first iteration of the factor analysis for the informal economic dimension, size of the informal economy and equality, did result in a one-factor solution that explained 70.6% of the variance. The results also had satisfactory MSA and significance ($p < 0.00$).

Table 6

Exploratory Factor Analysis Informal Economic Indicators

Variable	*Factor 1*
Size of the Informal Economy	.833
Equality	.833

As these items combine into a formative scale they are not subject to standard reliability and correlation constraints used for reflective measures (Bollen & Lennox, 1991). Formative measures differ from reflective measures in that they are not gauges of the underlying construct, but combine to produce that construct, each contributing to the total (Guidice & Cullen, 2007). These variables were combined into a new variable named informal economy.

I then ran factor analysis on the remaining "formal" indicators. MSA was an acceptable level of 0.602 as were the individual levels of sampling adequacy. This resulted in a two factor solution (see Table 7). Component 1 included FDI, intellectual property and infrastructure investments. With a Spearman-Brown of 0.744, reliability was considered adequate given the exploratory nature of this research. I named this

component Formal Investment Activity. The second component remained as a single variable component, Government Expenditure.

Table 7

Exploratory Factor Analysis Formal Economic Indicators

Variable	*Factor 1*	*Factor 2*
Government Expenditure		**.943**
Foreign Direct Investment	**.701**	
Intellectual Property (Econ)	**.788**	.307
Infrastructure Investments	**.839**	

Spatial Dimension. The two components of the spatial dimension loaded onto one factor explaining 81.51% of the variance, with a MSA of 0.5. Finally, a Spearman-Brown of 0.773 indicates a high degree of reliability. I subsequently summated these variables and chose to name the single factor solution, "Spatial".

Table 8

Exploratory Factor Analysis Spatial Indicators

Variable	*Factor*
Absolute Distance to the Equator	.897
Internet Usage	.897

Dimension Clusters

The central hypothesis of this dissertation is that categorizing emerging markets along one dimension is myopic in nature and cannot provide us with a detailed description of the nature of what it means to be an emerging market. To provide initial face validation, I ran a cluster analysis along each of the four conceptual dimensions described in step 2 of the taxonomy creation process. Results from the initial iterations of

the analysis, along each of the dimensions, showed that countries did fall into different clusters depending on the focal dimension analyzed. For example, running a cluster analysis along the political dimension resulted in cluster solutions ranging from three to six different groupings, as portrayed in the dendograms shown in Figure 2.

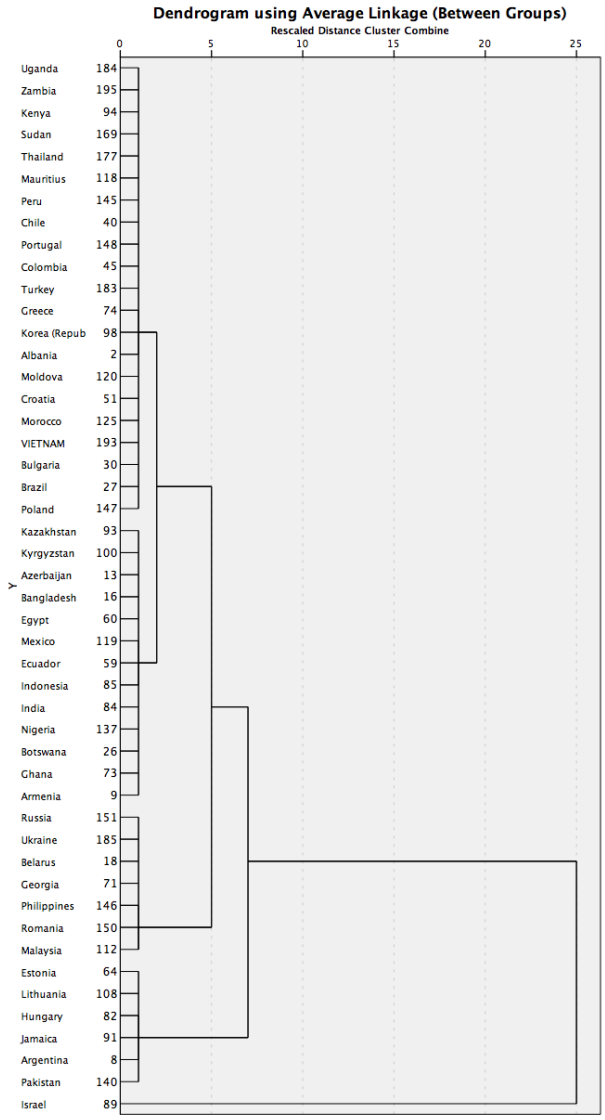
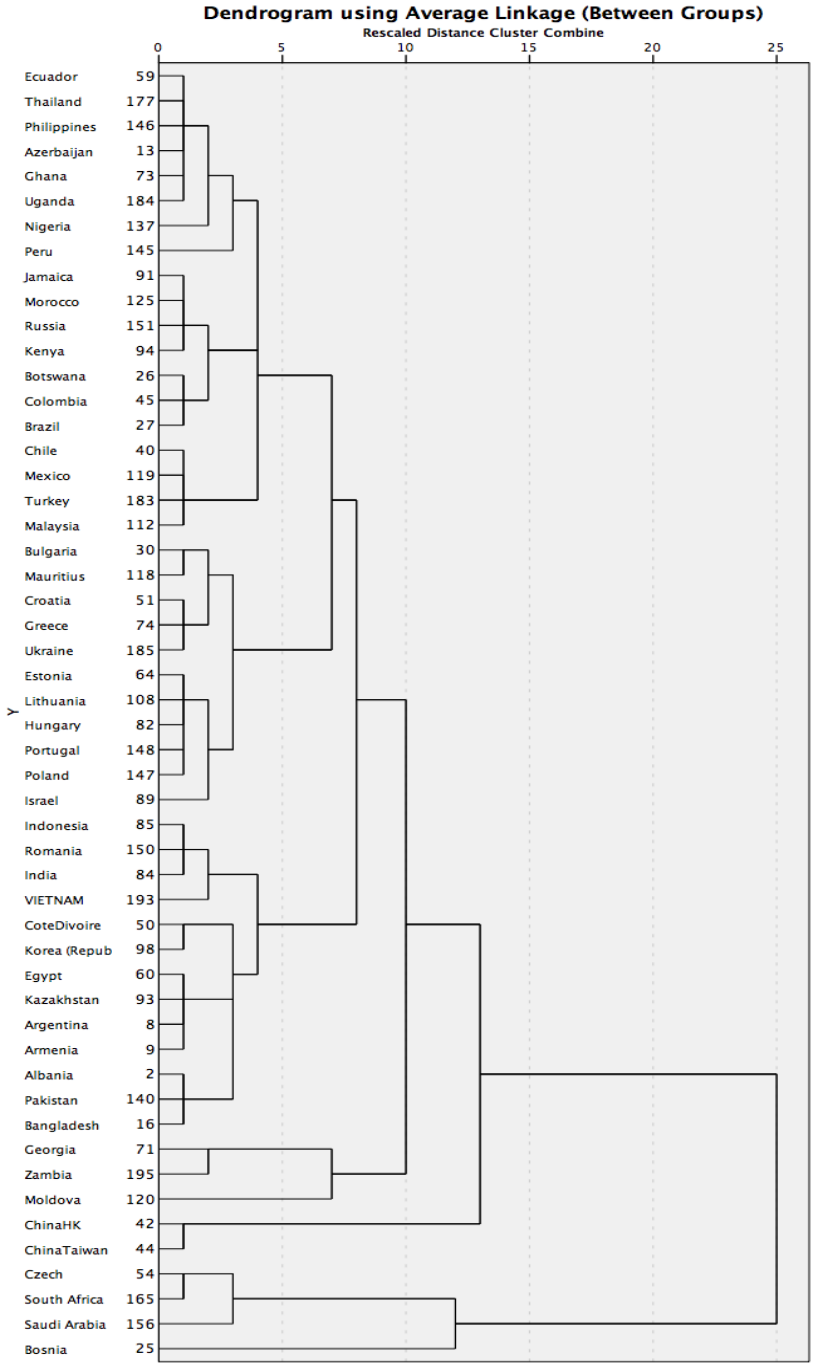


Figure 2. Political Clusters

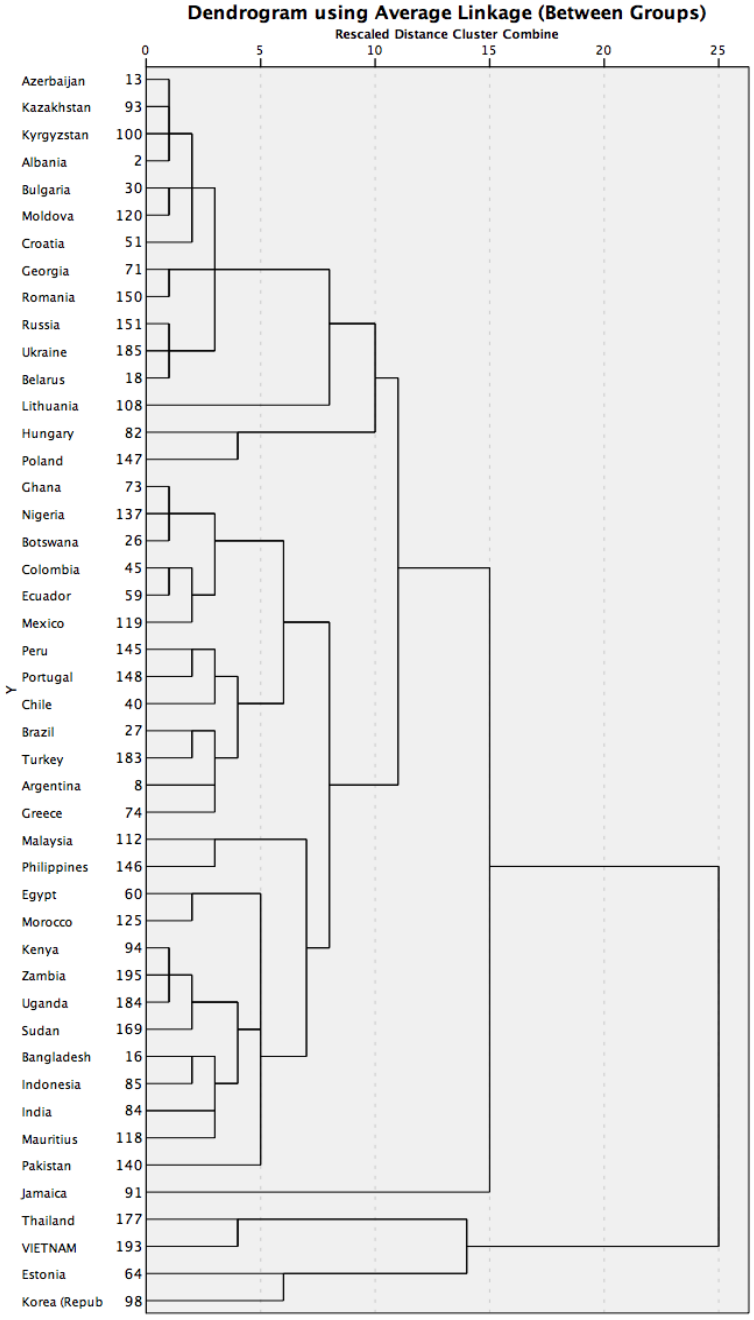
Similarly, running the economic dimension alone also resulted in multiple potential cluster solutions as depicted in Figure 3

Figure 3. Economic Clusters



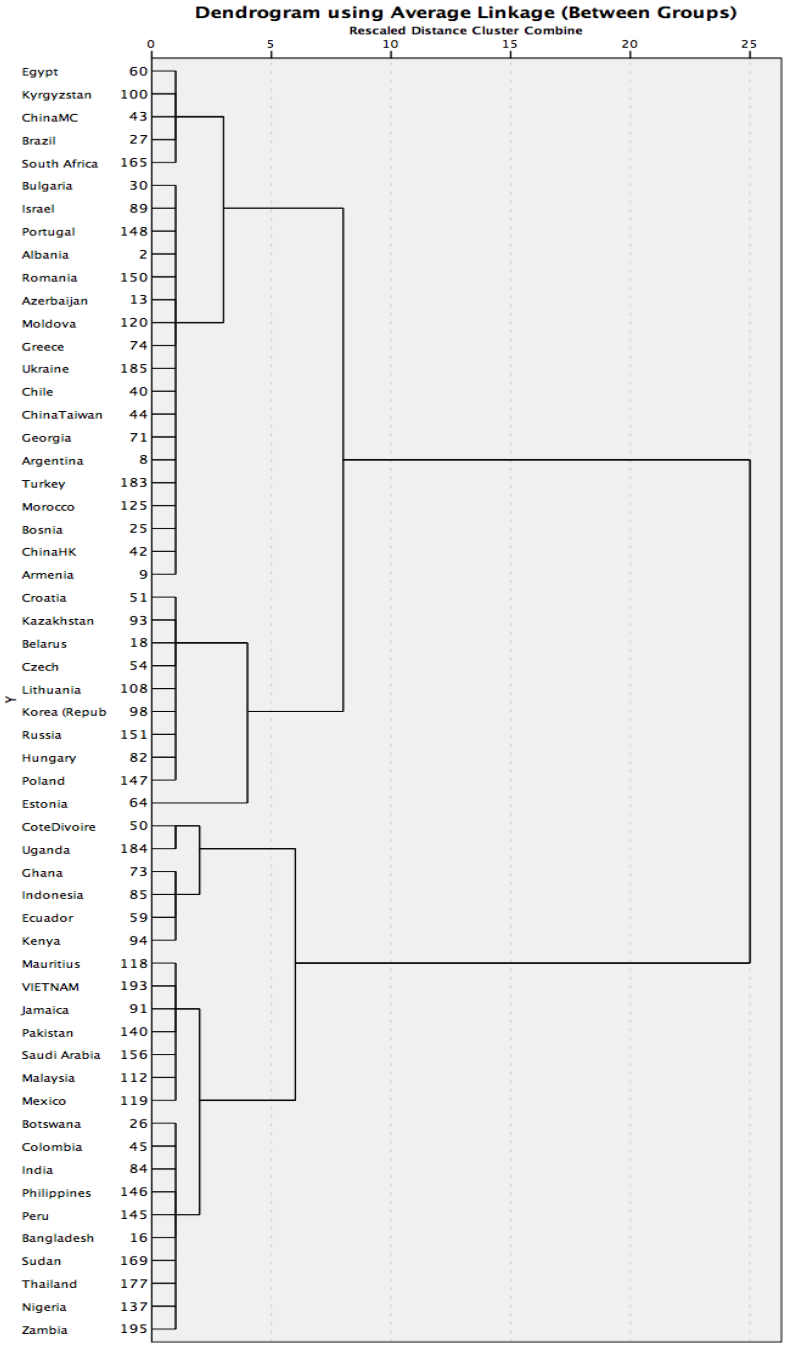
Analyzing culture through the same process resulted in a more complex set of cluster solutions, ranging between three and twelve cluster solutions (see Figure 4).

Figure 4. Cultural Clusters



Finally, and as was expected, the spatial dimension also resulted in a further range of cluster solutions, as can be seen in Figure 5.

Figure 5. Spatial Clusters



Whilst it is beyond the scope of this research to interpret and extract, for continued analysis, each dimension's set of cluster options, these exploratory steps demonstrate that a country's cluster membership is not static across each dimension. Moreover, each dimension of the SPES framework, analyzed independently, results in

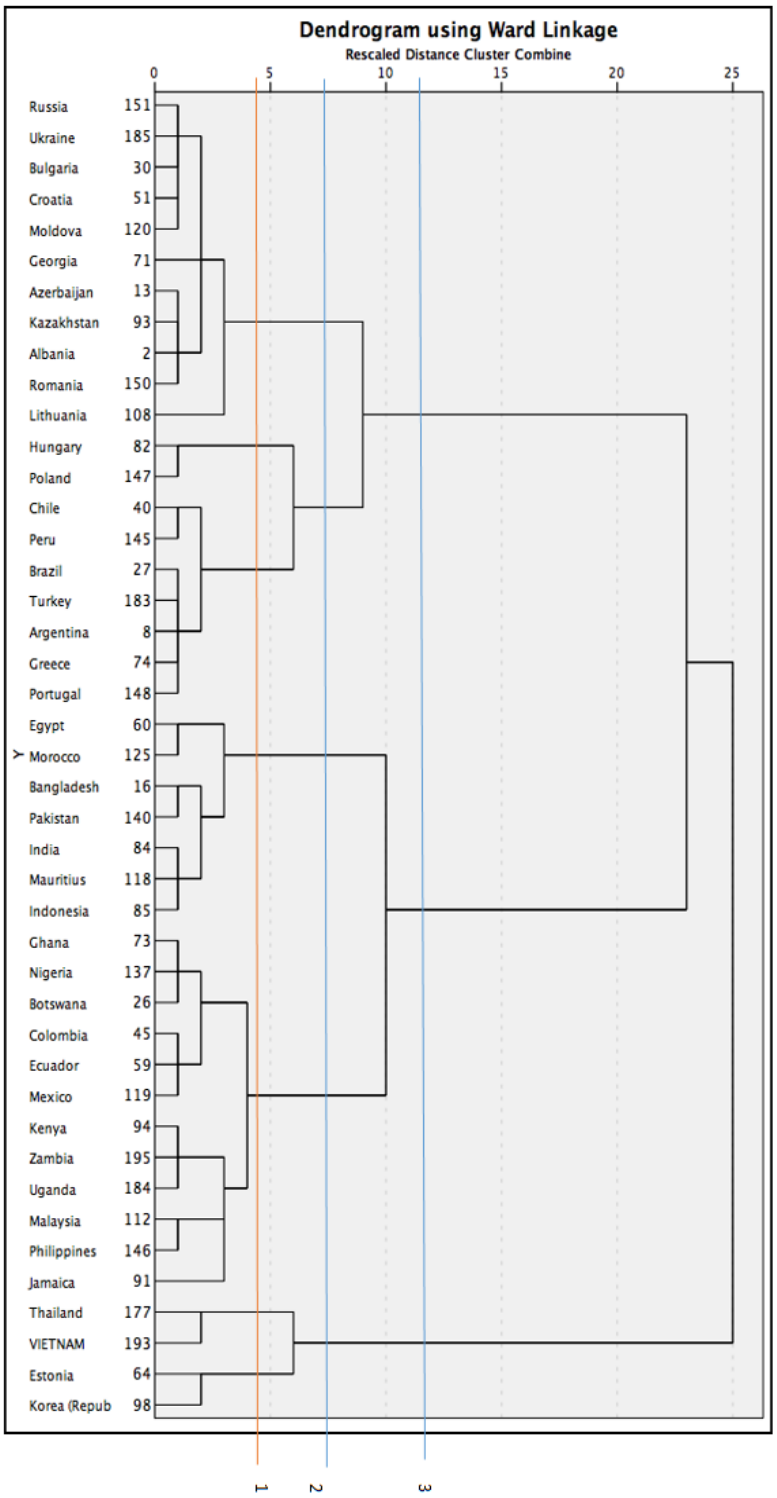
varying sets of potential cluster solutions. Consistent with an institutional perspective, the results support my position that emerging market groupings are more complex than previously thought. This initial step also provides an initial degree of empirical justification for the theoretical position outlined in chapter 2.

Dendogram Analysis of the Institutional Environment

The final dendogram from the hierarchal cluster process is shown below in Figure 6. The next stage is to examine where to break the branches of the dendogram tree, alternatively called stopping rules (Aldenderfer & Blashfield, 1984). Unfortunately, there are no techniques or methods for stopping rules that imply a statistically significant result (Hair et al., 2010). However, as a suggested rule of thumb, the researcher can look at the relative changes in heterogeneity between different cluster solutions. This can be done though the elbow rule (examining the percentage changes in the cluster centroids) or locations on a dendograms where the lengths of the branches are longer than other sections. This change implies that the degree of dissimilarity is increasing (Hair et al., 2010).

It is important to note at this point that from preliminary iterations, China has already been identified as an outlier and is allocated into a singleton cluster. The dendogram (see Figure 6) shows three visually identifiable points where potential cluster options emerge. Drawing break points (lines) at approximately, 4.5, 7.5, and 11 on the

Figure 6 Dendrogram Depicting Three Potential Cluster Solutions



vertical axis results in three cluster solutions. This provides solutions that have 7, 5 and 3 clusters, respectively, excluding China.

In comparing these solutions, one important consideration is the similarity/dissimilarity within and between the observations (countries) in each of the clusters. This distance or dissimilarity is measured along the y-axis of the dendogram. Drawing a line across the Y axis at higher points indicates that the relative distance between countries in the nested clusters is larger than cutting the dendogram at lower pointes on the Y axis. For example, countries in clusters under the cutoff point 3 have higher dissimilarities with each other than countries nested in clusters under point 1. Moreover the relative lengths of the branches of the dendogram represent the relative magnitudes of dissimilarity. This is particularly evident in the 3 cluster solution (cutoff, 3). For this reason, my preliminary decision is to drop the 3 cluster solution as the countries in these clusters have relatively high levels of distance between themselves. The interpretation of which would indicate that grouping these observations together provides little qualitative meaning, and the ability to describe country characteristics in similar terms, across the range of dimensions, is problematic at best.

Based on both the visual depiction of the break points in the dendogram alongside the theoretical underpinnings of the institutional perspective, we can see that both the 7 cluster (cutoff, 1) and 5 cluster (cutoff, 2) solutions are potentially attractive. However, a convenient and distinguishing factor between these two solutions is the 7 cluster option provides us with groupings of countries that are more similar than they are dissimilar.

This is apparent in the lengths of the branches in the 7 cluster solution which are relatively shorter than those in the 5 cluster option

Internal Validation

Before continuing to step 4 (cluster definitions) it is prudent to provide an indication of cluster stability or internal validation (Aldenderfer & Blashfield, 1984). There are a number of methods (previously described in chapter 3) to explore the stability of the solution, including the use of holdout samples, alternative data sources, or varying clustering algorithms. Due to the relatively minimal and absolute size of the data set of emerging markets (54 countries), I felt that splitting the sample into 2 separate groups (or more) would not provide an adequate set of observations to derive a meaningful cluster solution (Ketchen & Shook, 1996). I therefore chose to use the application of multiple algorithms as a test of internal validation and stability.

Moreover, utilizing multiple algorithms also addresses a drawback of hierarchal clustering— that observations cannot be moved from one major stem in the dendogram to another. Observations are *nested* within the same areas across different clustering levels (Ketchen & Shook, 1996). This can be visualized in a dendogram, where newer clusters are built directly upon and include smaller preceding ones. Consequently, the initial cluster solution should be run through an alternative approach, such as K-Means (Hair et al., 2010; Ketchen & Shook, 1996).

The first step in K-Means requires that the researcher choose an initial number of clusters. This is done based on the interpretation of the hierarchal procedure. In the

second step, the researcher *seeds* a K-Means solution using that initial number of clusters and their centroids. The algorithm then assigns, through an iterative process, all observations that best fit each cluster based on those centroid points, with the goal of minimizing within group differences, while maximizing between group differences. This process overcomes the above-mentioned limitation of hierarchical cluster analysis that creates only nested solutions. This two-step approach also allows observations to move into alternative clusters during the iteration process.

Finally, and most critically, internal validity and stability are also inferred if there is little membership change in the cluster solutions, between the two approaches. After running K-Means cluster analysis based on the seeds derived from the 7 cluster hierarchal solution, I found no change in cluster membership. The countries remained in their respective clusters and this two-step process provided the necessary indication of internal stability as well as the impetus to describe and test the solution further.

Cluster Descriptions and Interpretation

> "*Theory building seems to require rich description, the richness that comes from anecdote. We uncover all kinds of relationships in our 'hard' data, but it is only through the use of this 'soft' data that we are able to 'explain' them, and explanation is, of course, the purpose of research*." (Mintzberg, 1979, p. 113)

At this juncture in the research the analysis switched from a primarily quantitative approach to that of a mixed methods approach. This approach is in line with research that needs to interpret multiple, emergent and shifting contexts that can both coexist and/or be

subjective in nature (Creswell, 2014). In other words, interpretation of cluster output is driven in part by the data, but also and as importantly, by the researcher and his/her subjective analysis of output in the from the scree plot and/or dendogram. This has also been referred to as a heuristic or rule of thumb approach (Aldenderfer & Blashfield, 1984; Hair et al., 2010). This approach also implies a high level of qualitative analysis and interpretation that is very much exploratory.

Ideally the solution should both clarify and extend what is already known about the observations by allocating them into meaningful groups such that there is a sufficient level of homogeneity within each group and adequate heterogeneity to distinguish each group from the other. Moreover, the goal of this qualitative step is to undercover similarities and differences within and between clusters, generate new ideas, define new constructs (i.e., cluster names), and evaluate the effectiveness of the measurement model identified in step 2 of our 5-step approach to creating a taxonomy.

The process used to code or name the clusters is similar in form to bottom up coding, wherein concepts (or in this case, category names) emerge from the data. However, rather than examining concepts or definitions that may emerge from a qualitative survey I analyzed the means or cluster centroids to indicate the relative importance of the institutional dimensions for each cluster. I then used the dominant dimension(s) for each cluster to assist in the derivation of the cluster labels and descriptions. A summary of these details are found in table 10.

Table 9

Institutional Levels SPES 8

Cluster Name	*Religion*	*PD*	*Ind vs Col*	*M vs F*	*Uncert*	*ST vs LT*	*IVR*	*EDU*	*Pol Fair*	*Inf Econ*	*FIA*	*Gov Exp*	*Spatial*
Children of Overbearing Parents	Christian	High	Low	Low	High	High	Low	High	Med	Med	Low	Med	High
Teens	Christian	Med	Low	Low	High	Med	Low	Med	Med	Med	Med	Med	High
Struggling Juveniles	Muslim	Med	Low	Med	Low	Low	Low	Low	Low	Low	Low	Low	Low
Independent Adolescents	Christian	Med	Low	Med	Low	Low	High	Low	Low	High	Low	Low	Low
Over Achievers	Unaffiliated	Low	Low	Low	Med	High	Low	High	High	Low	Low	Med	High
Young Entrepreneurs	Christian	Low	High	High	High	Med	Low	High	High	Low	Med	Med	High
Asian Cousins	Folk	Med	Low	Low	Low	Med	Low	Low	Low	Med	Low	Low	Low
China	Folk	High	Low	High	Low	High	Low	Med	Low	Low	Med	Low	Med

As a preliminary step to help derive and explain the clusters we must also examine the clustering variables to see whether or not each variable provides a significant impact to the cluster solution. This can be done through a one-way ANOVA. Results of the ANOVA on the 7 cluster solution can be seen in Table 9. As shown below, most of the indicators do have a significant impact on the 7 cluster solution and in distinguishing one group of countries from another. Nevertheless, one indicator— masculinity vs. femininity— was not statistically significant.

Table 10

ANOVA of SPES Framework Indicators for Cluster Formation

			Error		*F*	*Sig.*
	Mean Square	*df*	*Mean Square*	*df*		
Religion	13.311	6	0.161	36	82.495	0.000
Power Distance	1.629	6	0.305	36	5.333	0.001
Ind vs Col	1.547	6	0.239	36	6.486	0.000
Masculine Vs Fem	0.82	6	0.473	36	1.734	0.141
Uncertainty	3.718	6	0.408	36	9.112	0.000
Sterm vs Lterm	5.535	6	0.378	36	14.65	0.000
Indulgence Vs Restraint	4.716	6	0.409	36	11.541	0.000
Education	3.83	6	0.214	36	17.856	0.000
Political Fairness	0.784	6	0.233	36	3.366	0.010
Informal Econ	1.227	6	0.234	36	5.238	0.001
Formal Econ	0.434	6	0.201	36	2.163	0.070
Government Exp	0.712	6	0.237	36	3.005	0.017
Spatial	3.4	6	0.113	36	30.068	0.000

The 7 Cluster Solution

Cluster 1: Children of Overbearing Parents. The first cluster (see Table 11) can be described in short as high power, command-orientated economies that are wary of

uncertainty and are collective in nature. These countries have above average expenditures on education for emerging markets and are reasonably well-connected to the outside world. This grouping is perhaps not surprising as most if not all of these countries have and are still to a large degree, aligned or heavily influenced by the ex-soviet empire (despite recent turmoil in the region). Membership in this cluster includes Eastern European and ex-Soviet republics almost exclusively.

Table 11

Cluster 1 Children of Overbearing Parents

Country
Albania
Azerbaijan
Bulgaria
Croatia
Georgia
Kazakhstan
Moldova
Romania
Russia
Ukraine

This metaphor seems to fit well with the overwhelming similarities shared between the countries and the heritage of these countries. Over the last 75 years they have been closely aligned—socially, politically, and economically—with the soviet bloc. In analyzing the means of Cluster 1 (Table A2.1), we see that the countries score low on individualism and high on power distance and uncertainty avoidance, which is in congruence with the nature of their orientation towards strong hierarchal governance systems and central control.

Economically, these countries have some of the largest informal economies of all the clusters; with informal economic output estimated at approximately 50% of GDP. This potentially indicates the lack of trust and confidence in the institutional environment and the perceived need of economic agents to work outside of the system. Moreover, higher than average inequality may also reflect a purposeful drive to contain and restrict openness and globalization.

Just as defiant children, a majority of these nations also experienced a phase of rebellion in attempts to move beyond the overbearing influence of their "parents". However, as noted in anecdotal yet important events, such as the velvet revolution in Romania, the war in Ukraine, and uprisings in Georgia, this cluster is still plagued by high levels of corruption and unstable political systems, perhaps endemic of their upbringing. In fact, not only do they have below average political fairness regimes for emerging markets, but also their scores fall well below the global average. It would not be unjustified to suggest that these countries are still to experience significant ebbs and flows in their paths to economic and social development

Cluster 2: The Teens. This eclectic mix of countries are some of the most recognized countries as emerging markets. In general economic terms these countries seem to have performed well. The Teens share a common socio-cultural heritage with Europe; some as members of Europe and some as ex colonies. Although, Turkey may seem to stand alone as unique in this regard, in retracing the roots of its modern society we are able to uncover a significant social movement initiated over 100 years ago that

aligned Turkish economic, political, and social society with that of Europe (Eastham, 1964).

Table 12

Cluster 2 Teens

Country
Argentina
Brazil
Chile
Greece
Portugal
Turkey

This cluster is represented by societies that are collective in nature. Most remarkably however, countries in this cluster are weary of uncertainty, scoring the highest of all emerging markets along this dimension. They also tend to be indulgent and short term orientated, mirrored perhaps in their relatively low investment in education whilst they do trail the developed world in political fairness, they score above average for emerging markets. Moreover, all of these countries have transitioned or are actively transforming to various forms of democracy.

The Teens are some of the highest performing emerging markets from an economic perspective, yet strive to be on top at the expense of other considerations, in context, the lack of focus on institutional quality. In particular the teens have low levels of expenditure on education and government expenditure. Recent evidence portrays some of the pitfalls these countries have faced due to such a narrow focused approach. Examples of the pitfalls include the financial meltdown in Greece, hyperinflation

experienced in Argentina, uncertainty in social change in Turkey, and the burden of the vast and poor population in Brazil. Similarly, with their narrow focus on economic growth, the Teens have lapsed in the development of these supportive institutions, which may subsequently hinder long term sustainable growth.

Cluster 3: The Struggling Juveniles. This third cluster of countries (see Table 13), are predominantly non-Christian countries that span Asia and North Africa. Culturally, these countries share a common background with most of them having been ex-colonial states. While these countries are all non-Christian, they do not share the same religious orientation; among them is Muslim, Hindu, and Buddhist as well as some different Folk religious orientations.

Defining characteristics of Cluster 3 include some of the highest rates of corruption of all the emerging markets (e.g., Egypt, Pakistan, and Bangladesh) and lowest levels of political fairness. Additionally, they have some of the lowest levels of government expenditure and educational achievement.

Table 13

Cluster 3 Struggling Juveniles

Country
Bangladesh
Egypt
India
Indonesia
Mauritius
Morocco
Pakistan

The Struggling Juveniles also experience mediocre rule of law, low levels of political stability, and an adherence to a cultural orientation that focuses on short term goals. These countries (like juveniles) seem to be constantly testing their environment through different, highly variable and inconsistent national economic and political strategies.

The results of these inconsistent paths have resulted in a cluster that seems to have not yet found an effective and sustainable path to development. For instance, Egypt has experienced political turmoil for over 50 years, resulting in two major revolutions and two large scale wars. Pakistan faces a host of struggles including living under military rule, witnessing a significant number of high level assassinations, serving as a haven for religious extremists, and is in a constant state of military alert with her neighbors. Even India, which is often considered one of the four main or significantly important emerging markets (BRICs), is unable to shake the weight of the "permit Raj"(extreme bureaucracy), and struggles with managing an incomparable degree of poverty. Again it is predicted that without a holistic approach to institutional development, social and economic development will also be considerably hindered.

Cluster 4: Independent Adolescents. Like their namesakes, these countries want to blaze their own path. They are generally high power distance, individualistic nations, located relatively close to the equator with low levels of education. This cluster is categorized by countries that span three continents, South America, Africa and Asia. They are predominantly Christian, ex-European colonial entities with common historical and political backgrounds. Even Malaysia, which stands alone as the single Muslim

country in the cluster, is regarded as a country that has built its social and economic institutions in line with their ex-colonial masters (UK). Defining elements of these countries include large informal sectors and low levels of government expenditure.

Table 14

Cluster 4 Independent Adolescents

Country
Botswana
Colombia
Ecuador
Ghana
Jamaica
Kenya
Malaysia
Mexico
Nigeria
Peru
Philippines
Uganda
Zambia

Culturally, these countries have some of the highest levels of individualism and are generally more indulgent than other emerging markets. This corresponds with them being labeled independent adolescents who have broken away from their colonial parents, yet have maintained some specifically western-orientated traits. Today these countries are some of the most dominant and promising economies in their respective regions. However, low levels of political fairness and educational attainment as well as some of the largest informal economies of all the emerging markets, may threaten their overall development. A good example of the juxtaposition of these countries economic strengths

but poor institutional development is Nigeria. Considered the largest and one of the richest economies in Africa, Nigeria has vast potential, yet extreme corruption and social strife continue to threaten their overall ability to develop.

Cluster 5: The Overachievers. As listed in Table 15, Estonia and South Korea are two countries that have been able to outperform most of the emerging markets. Predominantly high power and long term orientated, these countries invest heavily in education and exercise a high degree of political fairness. They are also some of the most electronically (internet) connected of the emerging markets. In fact, these countries are perhaps closest in institutional profiles (based on the SPES framework) to the G7 countries.

Table 15

Cluster 5 Overachievers

Country
Estonia
South Korea

Looking closer at these two countries, we can see that they have both invested highly in infrastructure, education and openness, reflecting a strong understanding of the importance of being highly integrated within the global environment. In fact they are to most extent and purposes almost indistinguishable from developed countries. South Korea, alone is now the 15th largest economy in the world (IMF, 2014). By the same token Estonia, lauded as a model of economic and social development, has income levels

on par with most of Western Europe, adopted the Euro, and enjoys strong growth in highly productive sectors, such as technology and telecommunications (CIA, 2014).

Cluster 6: The Young Entrepreneurs. Similar to the Overachievers, the countries in this cluster are also high performing emerging markets that seem to have similarly recognized the importance of systemic institutional development rather than just a focus on economic growth. These countries also invest relatively heavily in education and have a fair political climate. They are also highly individualistically orientated, with low levels of power distance, small informal economies and recognize the importance of being well connected to the outside world.

However, the differences between the Young Entrepreneurs, the Overachievers and the rest of the emerging markets are primarily characterized by higher levels of government expenditure and levels of economic investments. This recognition of system wide institutional development are allowing these countries to experience more comprehensive social and economic development. It is perhaps the bench mark requirements stressed by European membership that has provided additional impetus for these countries to embrace a wider conceptualization of development. Consequently it is these differences that provide further impetus in the classification process to move these countries out of a generic emerging status and closer to a categorization that recognizes their similarities with the developed world.

Table 16

Cluster 6 Young Entrepreneurs

Country
Hungary
Poland

Cluster 7: The Asian Cousins. As listed in Table 16, this cluster consists of Thailand and Vietnam. Close in many respects to clusters 5 and 6, countries in this cluster are characterized by relatively high power distance, yet are the most collective of all emerging markets. Other important and distinguishing factors are the lack of focus on education and government expenditure. In fact, these countries have lower scores on educational achievement, political fairness, and government expenditure than even those of least developed nations based on the SPES framework (see Table A2.1). Notwithstanding these differences, these countries are perhaps closer in from an economic perspective to the Over Achievers and Young Entrepreneurs.

Table 17

Cluster 7 Asian Cousins

Country
Thailand
Vietnam

The Asian Cousins show much promise and are dynamic and alluring locations that attract significant economic activity. Yet as noted, it is again the systemic institutional development that separates them from the previous two clusters and the rest

of the developed world. Constant political turmoil in Thailand and the heavy and controlling nature of the Vietnamese government reflect significant hurdles that will continue to disrupt and interfere with long-term sustainable social and economic growth.

Although the previous three clusters emerged as independent and unique groups through the cluster analysis process, it is important to note that they all represent the most systemically developed nations of all emerging markets. Overall, the Overachievers, Young Entrepreneurs, and the Asian Cousins share many characteristics with developed countries. From relatively high levels of educational spending, a push towards political fairness, strong connectivity with the outsides world, low levels of power distance and small informal economies. This is a critical finding that although intuitive does correspond, and corroborates the need for system wide institutional development as a precursor to long term social, economic and political evolution. Moreover, these finding suggest an order of importance in individual institutions, portraying the relative importance of education, political fairness and openness or connectedness (spatial).

*Cluster 8: The Loner***.** It is perhaps not surprising that China forms a one-country cluster or singleton. With a population equivalent to almost one quarter of the World's total and recently declared the largest economy (IMF, 2014), there is no country like China. The Loner has a radically unique political and economic context that is already recognized as such. In fact, the identification of China as singularly distinctive is mirrored in the literature by calls from both academic and practitioners to enact research, strategies, and policies specific to its environment.

From the perspective of the SPES framework, China does seem to track a unique middle of the road position along much of the institutional dimensions; a feature that distinguishes it from all the other clusters. For instance, the Loner exercises a highly centralized and collective political apparatus that is simultaneously capitalist and free market orientated. Specifically, the Loner scores around average for emerging markets on political fairness, size of the informal economy, and government expenditure. However, it is markedly collective in nature and wary of uncertainty. The Loner's distinguishing characteristics of high investment in education, long term orientation, and the highest investment activity of all emerging markets are perhaps some of the reasons for its economic resurgence today.

Reflecting on the descriptions of these clusters, it is obvious that emerging markets are different. These countries run the gamut of extremely underdeveloped countries continuously bordering on systemic collapse, compared to countries that are close to highly developed nations, based on the SPES institutional profiles. This further portrays and solidifies the need to distinguish between and compare countries that have been traditionally considered emerging. The next step in this analysis aims to provide evidence and predictable utility of the SPES framework as a tool to analyze and compare these countries.

External Validation

In step 5, the objective was to provide some external validation of the cluster solution by using it to examine an outcome of importance related to the clusters. As

discussed in chapters 2 and 3, entrepreneurship was selected as a variable that is theoretically associated to the SPES framework. It was therefore hypothesized that the different groups (i.e. clusters) have significantly different levels of entrepreneurship. If supported, these differences could then be used to indicate which emerging market environments may better serve as a climate that fosters entrepreneurship.

Results of the ANOVA using the eight cluster solution are shown in Table 18. Analysis indicates that there are no significant differences between the means of entrepreneurship across the clusters. Therefore the hypothesis is not supported.

Notwithstanding the lack of significance in predicting differences in the means of entrepreneurship between the cluster groups, the analysis was also designed to utilize the SPES framework to compare all countries.

Table 18

Comparison of Means between the SPES Emerging Market Clusters

	Sum of Squares	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	2.215	6	0.369	0.250	0.955
Within Groups	41.436	28	1.480		
Total	43.652	34			

Moreover the SPES framework was also developed to examine whether or not other countries not presently classified as emerging in the extant literature, should in fact be classified as such. In a similar manner, it is possible that there are countries presently classified as emerging that in fact, have more in common with other groupings such as the G7 or Least Developed Countries (LDCs).

To explore this issue I utilized three additional classifications beyond the current 7 cluster solution. The first classification includes the G7 countries. The G7 countries are considered the most economically advanced and stable nations (UNCTAD, 2014). The second additional classification employed was LDCs. Countries are considered LDCs if they are low income and have human asset weaknesses, and/or are economically vulnerable (UNCTAD, 2014). In comparing these classifications alongside the SPES 7 cluster solution, only Bangladesh, Uganda, and Zambia had overlapping memberships. As these three countries were considered part of the original emerging market list (see clusters 3 and 4) I kept them in those respective categories. Finally, I utilized the "unclassified" nomenclature for all the other countries that did not fall into any of the SPES categories or the G7 or LDCs classification. This preliminary grouping of can be found in Table A2.3.

I proceeded to code these countries manually in SPSS, utilizing the aforementioned country assignments. I then applied the SPES framework to develop cluster centroids for the new categories. Finally, I ran K-Means cluster analysis using a predetermined number of clusters based on the 10 category centroids (i.e., SPES emerging market 7 plus the 2 additional classifications and China). This allowed for the potential of countries (including the original SPES emerging market set) to move between the categories based on their relative distances to each cluster centroid. The centroids or means of each of the 10 clusters are shown in Table A2.4.

As suggested, there were some interesting changes in cluster membership. First, all uncategorized countries were allotted into one of the ten predefined clusters. Second,

memberships in the original SPES solution that included only emerging markets remained relatively stable with only one country, Poland, shifting membership. This further corroborates a high degree of stability for the initial 7 cluster (SPES) solution due to the resampling inherent in including additional observations (Aldenderfer & Blashfield, 1984; Hair et al., 2010).

Due to the lack of significance in the original ANOVA test with entrepreneurship as the dependent variable, I choose to reexamine external validity by applying the cluster solutions to another strategically important indicator of the institutional environment. For this post-hoc test of external validity I elected to use the Ease of Doing Business (EODB) indicator (Business, 2011). Some added benefits of this indicator over the new business listings (entrepreneurship) include the availability of data for 180 countries and the multi-dimensional components that make up this variable, which are show in Table A3.3. Through a combination of components that represent generally accepted best practices, the EODB is utilized to indicate the quality of institutions needed to establish a business (World Bank, 2011).

Initially I performed an ANOVA utilizing the original emerging market clusters (model 1). The model was found to be significant ($p < 0.05$) as shown in Table 19, indicating that average scores for EODB are different across the clusters. I then proceeded to examine where those differences lay. I removed China (the Loner) as a singleton from the analysis as ANOVA is unable to calculate means for groups with less than 2 members. Table 20 presents the result of a Games-Howell multiple comparison test, which specifies where significant differences between clusters are located.

Table 19

Anova EODB Emerging Market Clusters

	Sum of Squares	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	1046.196	7	149.457	2.378	.042
Within Groups	2262.855	36	62.857		
Total	3309.051	43			

I then proceeded to test the second model (whole world clusters and SPES 10) to examine its external validity and identify where the mean differences in EODB may exist. Once again the SPES framework was able to corroborate the validity of the model (see Table 21) and identify which pairs of clusters have significant differences (see Table 22).

Table 20

Between Group Differences – Emerging Market Clusters

(I) 7 Cluster Solution Hierarchal	*(J) 7 Cluster Solution Hierarchal*	*Mean Difference (I-J)*	*Std. Error*	*Sig.*	*95% Confidence Interval*	
					Lower Bound	*Upper Bound*
Children of Overbearing Parents	Teens	-1.275	3.422	1.000	-13.357	10.807
	Struggling Juveniles	6.860	3.876	0.592	-7.184	20.905
	Independent Adolescents	3.594	3.205	0.914	-6.838	14.027
	Over Achievers	-15.209	3.044	**0.093**	-34.809	4.391
	Young Entrepreneurs	-5.674	4.924	0.865	-78.113	66.765
	Asian Cousins	-3.824	5.723	0.977	-103.912	96.264
Teens	Children of Overbearing Parents	1.275	3.422	1.000	-10.807	13.357
	Struggling Juveniles	8.136	4.371	0.537	-7.244	23.515
	Independent Adolescents	4.870	3.789	0.848	-7.957	17.696
	Over Achievers	-13.934	3.653	0.104	-31.197	3.330
	Young Entrepreneurs	-4.399	5.322	0.957	-55.014	46.217
	Asian Cousins	-2.549	6.070	0.998	-74.516	69.419
Struggling Juveniles	Children of Overbearing Parents	-6.860	3.876	0.592	-20.905	7.184
	Teens	-8.136	4.371	0.537	-23.515	7.244
	Independent Adolescents	-3.266	4.204	0.983	-17.824	11.292
	Over Achievers	-22.069	4.082	**0.019**	-39.670	-4.469
	Young Entrepreneurs	-12.534	5.625	0.491	-55.311	30.242
	Asian Cousins	-10.684	6.337	0.682	-70.856	49.488
Independent Adolescents	Children of Overbearing Parents	-3.594	3.205	0.914	-14.027	6.838
	Teens	-4.870	3.789	0.848	-17.696	7.957
	Struggling Juveniles	3.266	4.204	0.983	-11.292	17.824
	Over Achievers	-18.803	3.451	**0.032**	-35.428	-2.179
	Young Entrepreneurs	-9.268	5.185	0.653	-64.709	46.172

(I) 7 Cluster Solution Hierarchal	*(J) 7 Cluster Solution Hierarchal*	*Mean Difference (I-J)*	*Std. Error*	*Sig.*	*95% Confidence Interval*	
					Lower Bound	*Upper Bound*
	Asian Cousins	-7.418	5.950	0.836	-86.410	71.573
Over Achievers	Children of Overbearing Parents	15.209	3.044	0.093	-4.391	34.809
	Teens	13.934	3.653	0.104	-3.330	31.197
	Struggling Juveniles	22.069	4.082	**0.019**	4.469	39.670
	Independent Adolescents	18.803	3.451	**0.032**	2.179	35.428
	Young Entrepreneurs	9.535	5.088	0.636	-57.382	76.452
	Asian Cousins	11.385	5.865	0.625	-79.365	102.135
Young	Children of Overbearing Parents	5.674	4.924	0.865	-66.765	78.113
Entrepreneurs	Teens	4.399	5.322	0.957	-46.217	55.014
	Struggling Juveniles	12.534	5.625	0.491	-30.242	55.311
	Independent Adolescents	9.268	5.185	0.653	-46.172	64.709
	Over Achievers	-9.535	5.088	0.636	-76.452	57.382
	Asian Cousins	1.850	7.027	1.000	-62.140	65.840
Asian Cousins	Children of Overbearing Parents	3.824	5.723	0.977	-96.264	103.912
	Teens	2.549	6.070	0.998	-69.419	74.516
	Struggling Juveniles	10.684	6.337	0.682	-49.488	70.856
	Independent Adolescents	7.418	5.950	0.836	-71.573	86.410
	Over Achievers	-11.385	5.865	0.625	-102.135	79.365
	Young Entrepreneurs	-1.850	7.027	1.000	-65.840	62.140

Table 21

ANOVA EODB - Whole World

	Sum of Squares	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	5199.231	9	577.692	10.072	.000
Within Groups	3728.212	65	57.357		
Total	8927.443	74			

Findings suggest that there are significant differences between the G7 group, emerging market groups, and LDCs as well as between the emerging market groups themselves. In addition and of equal importance is the lack of significance between the G7 and some of the emerging groups; in particular, the Over Achievers, the Asian Cousins, and China as indicated in the cluster descriptions previously discussed.

Table 22

Between Group Differences – Whole World Clusters

(I) Cluster Number of Case	*(J) Cluster Number of Case*	*Mean Difference (I-J)*	*Std. Error*	*Sig.*	*95% Confidence Interval*	
					Lower Bound	*Upper Bound*
Children of overbearing parents	Teens	0.474	3.179	1.000	-11.747	12.695
	Struggling Juveniles	8.288	3.574	0.441	-5.417	21.993
	Independent Adolescents	4.110	3.584	0.972	-8.784	17.003
	Over Achievers	-12.851	2.999	0.095	-28.231	2.529
	Young Entrepreneurs	-6.828	2.275	0.149	-15.007	1.351
	Asian Cousins	-3.445	5.675	0.995	-123.759	116.869
	Loner	-8.765	13.610	0.992	-440.052	422.523
	G7	-13.449	2.251	**0.000**	-21.456	-5.443
	LDCs	11.733	3.253	0.065	-0.525	23.991
Teens	Children of overbearing parents	-0.474	3.179	1.000	-12.695	11.747
	Struggling Juveniles	7.814	4.044	0.652	-7.411	23.039
	Independent Adolescents	3.636	4.053	0.994	-11.035	18.306
	Over Achievers	-13.325	3.546	0.105	-29.126	2.475
	Young Entrepreneurs	-7.302	2.958	0.385	-19.218	4.614
	Asian Cousins	-3.919	5.982	0.995	-91.338	83.501
	Loner	-9.239	13.741	0.991	-405.883	387.406
	G7	-13.923	2.940	**0.019**	-25.771	-2.075
	LDCs	11.259	3.763	0.173	-2.896	25.414
Struggling Juveniles	Children of overbearing parents	-8.288	3.574	0.441	-21.993	5.417
	Teens	-7.814	4.044	0.652	-23.039	7.411
	Independent Adolescents	-4.178	4.369	0.991	-19.942	11.585
	Over Achievers	-21.139	3.904	**0.012**	-37.524	-4.754

(I) Cluster Number of Case	*(J) Cluster Number of Case*	*Mean Difference (I-J)*	*Std. Error*	*Sig.*	*95% Confidence Interval*	
					Lower Bound	*Upper Bound*
	Young Entrepreneurs	-15.116	3.379	**0.025**	-28.569	-1.663
	Asian Cousins	-11.733	6.201	0.704	-85.294	61.829
	Loner	-17.053	13.838	0.895	-391.003	356.898
	G7	-21.737	3.363	**0.002**	-35.142	-8.332
	LDCs	3.445	4.102	0.996	-11.834	18.724
Independent Adolescents	Children of overbearing parents	-4.110	3.584	0.972	-17.003	8.784
	Teens	-3.636	4.053	0.994	-18.306	11.035
	Struggling Juveniles	4.178	4.369	0.991	-11.585	19.942
	Over Achievers	-16.960	3.913	**0.032**	-32.647	-1.275
	Young Entrepreneurs	-10.938	3.390	0.110	-23.397	1.522
	Asian Cousins	-7.554	6.207	0.910	-80.249	65.140
	Loner	-12.874	13.841	0.960	-386.110	360.362
	G7	-17.559	3.374	**0.003**	-29.955	-5.163
	LDCs	7.623	4.111	0.696	-7.131	22.378
Over Achievers	Children of overbearing parents	12.851	2.999	0.095	-2.529	28.231
	Teens	13.325	3.546	0.105	-2.475	29.126
	Struggling Juveniles	21.139	3.904	**0.012**	4.754	37.524
	Independent Adolescents	16.960	3.913	**0.032**	1.275	32.647
	Young Entrepreneurs	6.023	2.764	0.572	-10.691	22.738
	Asian Cousins	9.407	5.889	0.798	-88.071	106.885
	Loner	4.087	13.701	1.000	-403.079	411.252
	G7	-0.598	2.744	1.000	-17.389	16.193
	LDCs	24.584	3.612	**0.004**	8.907	40.262
Young Entrepreneurs	Children of overbearing parents	6.828	2.275	0.149	-1.351	15.007
	Teens	7.302	2.958	0.385	-4.614	19.218

(I) Cluster Number of Case	*(J) Cluster Number of Case*	*Mean Difference (I-J)*	*Std. Error*	*Sig.*	*95% Confidence Interval*	
					Lower Bound	*Upper Bound*
	Teens	13.923	2.940	**0.019**	2.075	25.771
	Struggling Juveniles	21.737	3.363	**0.002**	8.332	35.142
	Independent Adolescents	17.559	3.374	**0.003**	5.163	29.955
	Over Achievers	0.598	2.744	1.000	-16.193	17.389
	Young Entrepreneurs	6.621	1.926	0.064	-0.242	13.485
	Asian Cousins	10.005	5.545	0.746	-133.452	153.461
	Loner	4.685	13.557	1.000	-442.438	451.807
	LDCs	25.182	3.020	**0.000**	13.354	37.010
LDCs	Children of overbearing parents	-11.733	3.253	0.065	-23.991	0.525
	Teens	-11.259	3.763	0.173	-25.414	2.896
	Struggling Juveniles	-3.445	4.102	0.996	-18.724	11.834
	Independent Adolescents	-7.623	4.111	0.696	-22.378	7.131
	Over Achievers	-24.584	3.612	**0.004**	-40.262	-8.907
	Young Entrepreneurs	-18.560	3.038	**0.002**	-30.458	-6.664
	Asian Cousins	-15.178	6.022	0.545	-99.486	69.131
	Loner	-20.498	13.759	0.829	-412.878	371.883
	G7	-25.182	3.020	**0.000**	-37.010	-13.354

CHAPTER 5: DISCUSSION

Profiling emerging markets based on the SPES framework led to the development of 8 different clusters (7 plus China) in the first model. Countries that shared membership in a cluster showed greater homogeneity within that cluster, rather than between other clusters. These clusters were described based on the comparison of means across the SPES framework. The analysis also provided evidence of internal validity and stability through the application of multiple cluster approaches and external validity through post-hoc tests analyzing the means of "Ease of Doing Business". In addition, a compelling qualitative set of descriptions were developed that facilitated the division of the original list of emerging markets into 8 different clusters. After applying the SPES clustering framework to the complete list of world nations (SPES 10 - model 2) some interesting changes in previously accepted groupings occurred. Countries that had not been previously listed as either emerging, LDCs, or G7 were assigned into one of the new emerging market clusters. This finding also suggested changes be made to the G7 list of developed nations and the original LDC lists. For example, with the G7 list, Italy and Japan were removed and Denmark, Sweden, and New Zealand were added.

Internal validity was tested utilizing alternative clustering methods, algorithms, and sample sizes as is the prescribed procedure for a rigorous application of cluster analysis (Aldenderfer & Blashfield, 1984; Hair et al., 2010). The initial cluster solution was tested on two populations using two different clustering algorithm providing an

adequate set of stability tests. These tests indicated little to no change in the cluster groupings or membership, which also demonstrates strong internal validity and stability in the cluster solution.

A series of additional tests were then performed to provide evidence of external validity and to illustrate utility. Of equal importance, these tests also offered indication of significance in the findings. External validity was addressed through post-hoc analysis on variables related to, but not included in the model(s) derivation. Whilst the initial test examining entrepreneurship was not supported, a second post-hoc analysis utilizing an alternative dependent variable (EODB) did receive support.

The unexpected lack of support for the hypothesized relationship with entrepreneurship is, upon reflection, not surprising for multiple reasons. While well-regarded at the intersection of entrepreneurship and IB, and considered one of the most accepted indicators of entrepreneurial activity (Klapper et al., 2010), the new business listings indicator suffers from an important handicap. By nature, new business listings are only able to measure formal entrepreneurial activity (licensed business registrations). In countries whose economies are characterized by large formal economies this is not a critical consideration. Yet, in the process of this analysis I found many countries in emerging markets are characterized by substantial levels of informal economic activity (predicted to be as much as 50% of GDP). Thus, it stands to reason that a variable that is proxied by a formal indicator is unable to capture a complete picture of the entrepreneurial environment. It is also possible that missing data for a large number of

the observations adversely impacted the potential of the ANOVA to uncover clear results, particularly in the case of clusters with only two members.

Contributions

In analyzing the SPES 8 model, I was able to identify significant differences between the diverse emerging market clusters. As originally hypothesized, emerging markets are more heterogeneous than previously conceptualized. Notably for action orientated research, these differences were found to be significant and were portrayed in a variable that has been derived to specifically indicate the business environment (EODB). Both the significant and non-significant differences between the cluster groups also supported and corroborated the qualitative descriptions previously derived.

In addition, comparison of the clusters within the emerging market groups uncovered differences between three sets of clusters as well as commonalities within those groups. For example, there are significant differences in the means of EODB between the Overachievers and Entrepreneurs (being perhaps the most dynamic and advanced of emerging markets) and the Struggling Juveniles, Independent adolescents, and the Teens (signaling countries that suffer from systemic institutional problems), as can be seen in mean scores for the respective clusters, show in Table 23.

Specifically, the more developed clusters, are characterized by higher levels of expenditure in education, better performance on the political fairness scale, smaller informal economies and higher investment rates (see table 24). The SPES institutional profiles of the more developed clusters are likewise corroborated through similarities in

their higher scores on the EODB scale, with the Over Achievers and Young Entrepreneurs scoring relatively close to the G7 countries (table 23). This is an extremely important finding that truly highlights the effectiveness and utility of the SPES methodology to portray relative homogeneity within clusters and heterogeneity between.

Table 23

Means Score SPES 10 Clusters – Ease of Doing Business

Clusters	*N*	*Mean*
Children of overbearing parents	10	65.666
Independent Adolescents	7	66.941
Struggling Juveniles	7	58.806
Independent Adolescents	13	62.072
Over Achievers	2	80.875
Young Entrepreneurs	2	71.340
Asian Cousins	2	69.490
Loner	1	61.320
G7	7	76.737
LDCs	43	49.404
Global Average	175	66.265

Moreover, these findings correspond with the fundamentals of institutional theory, with its holistic or rather polycentric approach to social and economic development, which recognizes the importance and interaction of a set of institutions, rather than a focus on the development of individual ones (Holmes et al., 2013; North, 1990; Xu et al., 2012).

Table 24

Institutional Levels SPES 10

Cluster Name	*Religion*	*PD*	*Ind vs Col*	*M vs F*	*Uncert*	*ST vs LT*	*IVR*	*EDU*	*Pol Fair*	*Inf Econ*	*FIA*	*Gov Exp*	*Spatial*
Children of Overbearing Parents	Christian	High	Low	Low	High	High	Low	High	Low	Med	Low	Med	High
Teens	Christian	Med	Low	Low	High	Low	Med	Low	Med	Med	Med	Med	Med
Struggling Juveniles	Muslim	Med	Low	Med	Low	Low	Low	Low	Low	Low	Low	Low	Low
Independent Adolescents	Christian	High	Low	Med	Low	Low	High	Med	Low	High	Low	Low	Low
Overachievers	Unaffiliated	Low	Med	Med	Med	High	Low	High	High	Low	Med	Med	High
Young Entrepreneurs	Christian	Low	High	Med	Med	High	Low	High	High	Low	High	Med	High
Asian Cousins	Folk	Med	Low	Low	Low	Med	Low	Low	Low	Med	Low	Low	Low
China	Folk	High	Low	Med	Low	High	Low	Med	Med	Low	High	Low	Med
G7	Christian	Low	High	Low	Low	Low	High	High	High	Low	High	High	High
LDCs	Muslim	Med	Low	Low	Low	Low	Low	Low	Low	High	Low	Low	Low

This identification of heterogeneous clusters can enrich and contribute to the knowledge of scholars, practitioners, and policy makers in the following ways. First, this analysis provides further impetus that profiling countries based on singular dimensions such as economic activity (Bergh, 2009) or cultural profiles are not only myopic in nature, but also can lead to inconsistent results in the application of theory. The over simplification of grouping countries in that way is unable to illustrate context effectively.

Second, the application of the institutional perspective in the realm of the IB domain is today, one of the most widely applied theoretical frameworks used by scholars. While scholars focus on abstract conceptualizations coupled with the operationalization of institutional indicators, the deluge of potential institutions and indicators are often extremely difficult to pick and choose from. Notwithstanding highly influential literature that uncovers differences in institutions between nations (Berry et al., 2010; Kostova, 1997), we have yet to thoroughly examine which institutions really matter and/or have the greatest impact. The framework developed in the current study can facilitate and contribute to highlighting the relative importance of varying institutions and their co-existence. For instance, in looking at the two more advanced clusters and China, we see that investment in education, high levels of political fairness and relatively smaller informal economies, bring countries closer to the boundaries of developed nation status.

In conjunction with the previous finding, this study also contributes to the growing literature that takes a polycentric approach to institutional theory. This approach embraces the dynamic and interacting nature of institutions within conceptual models (Holmes et al., 2013). This approach also stresses that we cannot effectively analyze

institutions independently as they naturally co-exist. Therefore, analysis and research should develop models that aim to integrate institutions (Holmes et al., 2013). For example, in analyzing the profiles suggested by the SPES framework, there is indication that poor performance in one institution (institutional gaps) may be offset by strong performance in another (e.g., the Overachievers and the Young Entrepreneurs have low levels of government expenditure, but high levels of education). Not only does this offer a more realistic depiction of country context, but also it offers scholars and practitioners alternative perspectives for strategy development and implementation.

More specifically, this improved contextual description of emerging markets can provide IB scholars with new opportunities to test theoretical approaches to strategy development by utilizing more accurate boundary conditions (i.e., employing SPES clusters rather than the general population of emerging markets). For example, an important and lucrative stream of research is now examining the role of institutional capabilities in the formation of international strategy, suggesting that MNCs develop a competitive advantage based on their institutional contexts (Demirbag, Tatoglu, & Glaister, 2010; Peng, Sunny, Brian, & Hao, 2009). In particular, a burgeoning sub-stream of this research looks at the IB strategies of emerging market firms as they enter other emerging markets (Aulakh, 2007; Khanna & Palepu, 2010; Meyer, Estrin, Bhaumik, & Peng, 2009). The SPES model can help guide this research by providing scholars with a road map to selecting appropriate countries for contrast and comparison.

Implications for practitioners and policy makers include the ability to utilize the categories developed, that go beyond obvious differences between countries (e.g.,

religion, language, or FDI) for practical strategy development. In doing so, they will be better equipped to design and adapt managerial strategies for specific clusters. For example, strategists and consultants can provide direction to location choice and/or entry mode specifically targeted at the Independent Adolescents, Children of Overbearing Parents or the Overachievers.

Finally, the solution proposed by the SPES framework also challenged some other conventional groupings of emerging markets, such as the BRICs, that were previously grouped together in part, due to the absolute size of their economies and respective populations. As this study suggests, these countries share less in common with each other from an institutional perspective than they do with other nations, thus, calling into question the efficacy and practical utility of grouping these countries together in such a manner. The cluster solution also provided evidence that other commonly accepted country groupings, such as the G7 and LDCs, need to be either redefined and/or readdressed if they are to be used in the IB context. Moreover, countries that were previously listed as unclassified or even ignored in most global comparative economic models are now included and allocated into specific groups.

Limitations

Collecting secondary data at the national level has many inherent limitations ranging from inaccurate reporting to missing data. Although the synthesis of components and indicators from a multitude of disciplines was rigorously exercised in the construction of the SPES framework, there are other proxies and alternative data sources

that could be used as indicators of the institutional environment. However the existence of these limitations also provides impetus for future research. For instance, the lack of support for significant differences in entrepreneurial activity between the clusters, while disappointing on the one hand, is a finding, that suggests there is a need to refine and update the measurement of entrepreneurial activity to investigate and include informal indicators. Stated otherwise, deeper investigation into the true nature and measurement of informal sectors of the economy is obviously a critical issue that needs to be further addressed.

Similarly, the lack of complete coverage across nations on cultural dimensions is problematic, if not deficient. It is perhaps surprising that so much work within the IB domain is focused on and attributed to culture and cultural differences, yet beyond the acclaimed models extensively used in IB and management literatures there has not been any significant attempt to complete the analysis of cultural dimensions beyond the 50-60 countries that presently exist. This is both a significant floor in comparative cultural analysis at the global level and a heavy constraint in research. Yet, it is also a great opportunity for scholars to bridge the divide.

Future Research

Other future research possibilities include applying the SPES framework at alternative levels of analysis such as sub-national or supra-national. For instance, researchers could use the framework to examine regionalism and the rise in global significance of megacities such as New York, Shanghai, Mexico City, and Cairo. With

over 28 megacities in existence today and projected to be over 40 by 2030 (World Urbanization Prospects, 2014), this is a new and exciting avenue for IB scholars that can take research beyond national borders. A particularly interesting proposition, from an institutional perspective, may be that megacities share more in common with each other than with the countries they are found in. In addition, this context-based perspective could also drive practitioners and policy makers to develop strategies that focus on large metropolitan markets rather than nations as a critical locus of interest.

In conjunction with the polycentric approach previously addressed, another important consideration for future research is in determining which institutions, if any, matter more than others. For instance, the relative importance of education, political fairness and connectivity suggested previously, provides the opportunity for the development of propositions to examine a hierarchal approach to institutional development. Methods utilizing the SPES framework may be able to uncover some of these answers. For example, the application of hierarchal linear modeling (HLM) in particular may uncover insights as to the relative importance of individual institutions to economic growth and/or social and political stability.

Finally, it would be a natural extension of this work to track the dynamic nature of institutions and institutional change through a longitudinal application of the framework. Questions that might be explored include whether there is an order to institutional change; whether an improvement in corruption precedes political stability; how institutional change correlates with economic and social development; how and when emerging market profiles/status change; and when we should stop calling a country

emerging and either demote to an underdeveloped country (LDC) or elevate it the status of developed.

Conclusion

This dissertation was designed to be exploratory in nature, to conceptually challenge previous knowledge, and to provide a springboard into creating a more nuanced and contextually driven process to categorizing emerging markets. The true value intrinsic in this work lies in the development of a conceptual model and framework that provides impetus for future research questions, a testing ground to examine new theory as well as subject extant theory to new challenges and boundary conditions. The SPES framework provides such a contribution. The framework not only confronted pre-existing conceptualization of country groupings, but also offered compelling evidence to update and change those groupings. Finally, the SPES framework also served as an agent in integrating multiple disciplines and perspectives into a parsimonious model that simultaneously bows to the individual viewpoints of those disciplines, whilst providing a new tool for scholars, practitioners and policy makers alike.

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APPENDICES

APPENDIX 1

Table A1.

Emerging Markets [1]

Asia	Europe	Middle East/Africa	Latin America
Bangladesh	Albania	Botswana	Argentina
China	Armenia	Cote d'Ivoire	Brazil
India	Azerbaijan	Egypt	Chile
Indonesia	Belarus	Ghana	Colombia
Korea	Bosnia	Israel	Ecuador
Malaysia	Bulgaria	Jordon	Jamaica
Pakistan	Croatia	Kenya	Mexico
Philippines	Czech Republic	Mauritius	Peru
Sri-Lanka	Estonia	Morocco	Trinidad and
Taiwan	Georgia	Nigeria	Tobago
	Greece	Saudi Arabia	Venezuela
	Hungary	South Africa	
	Kazakhstan	Tunisia	
	Kyrgyzstan	Zimbabwe	
	Latvia		
	Lithuania		
	Macedonia		
	Moldova		
	Poland		
	Portugal		
	Romania		
	Russia		
	Slovakia		
	Slovenia		
	Tajikistan		
	Turkey		
	Turkmenistan		
	Ukraine		
	Uzbekistan		

[1] Adapted from Hoskisson et al. (2000)

Table A2.1

Detailed Cluster Groupings and Means by Country

Cluster No.	*Country*	*Religion*	*PD*	*Ind vs Col*	*Mas Vs Fem*	*Uncert*	*Short Term Vs Long Term*	*IVR*	*EDU*	*Political Fairness*	*Informal Econ*	*FIA*	*Gov Exp*	*Spatial*
1	Albania	Muslim	0.435	-0.496	-0.149	1.117	0.728	-1.360	0.917	-0.150	-0.166	-0.817	-1.005	0.714
	Azerbaijan	Muslim	0.793	-0.181	-0.410	0.866	0.871	-0.795	1.308	-1.010	0.665	-0.357	-0.673	0.677
	Bulgaria	Christian	0.325	-0.529	-0.431	0.802	1.064	-1.302	1.304	0.280	-0.442	0.179	-0.052	0.762
	Croatia	Christian	0.472	-0.394	-0.431	0.585	0.594	-0.546	0.301	0.320	-0.289	-0.212	0.401	0.991
	Georgia	Christian	1.452	-0.124	-0.657	1.236	-0.302	-0.604	1.247	0.090	1.366	-0.931	0.51	0.568
	Kazakhstan	Muslim	0.793	-0.181	-0.410	0.866	0.871	-0.795	1.542	-0.940	-0.187	-0.402	-0.681	0.986
	Moldova	Christian	0.435	-0.496	-0.149	1.117	1.154	-1.157	1.329	0.090	0.135	-1.017	0.636	0.69
	Romania	Christian	1.305	-0.529	-0.318	1.019	0.303	-1.128	1.098	0.270	-0.579	-0.037	-1.108	0.727
	Lithuania	Christian	-1.048	0.820	-1.617	-0.067	1.635	-1.312	1.219	0.960	-0.099	0.306	0.379	1.344
	Russia	Christian	1.452	-0.124	-0.657	1.236	1.613	-1.128	1.379	-0.240	0.460	-0.100	0.237	1.123
	Ukraine	Christian	1.452	-0.124	-0.657	1.236	1.837	-1.370	1.336	-0.200	-0.041	-0.411	0.423	0.627
2	Argentina	Christian	-0.705	0.191	0.473	0.846	-1.097	0.694	0.003	-0.550	-0.002	-0.463	-0.204	0.533
	Brazil	Christian	0.275	-0.169	0.077	0.411	-0.056	0.578	-0.229	-0.360	1.006	0.162	0.518	0.096
	Chile	Christian	-0.019	-0.844	-1.109	0.846	-0.627	0.962	0.643	1.070	0.153	0.443	-0.509	0.594
	Greece	Christian	-0.166	-0.304	0.529	1.975	0.012	0.161	0.216	0.260	-0.427	-0.025	0.193	0.637
	Portugal	Christian	-0.019	-0.664	-0.940	1.627	-0.750	-0.546	-0.552	0.970	-0.386	0.654	0.571	0.796
	Turkey	Muslim	0.128	-0.214	-0.149	0.802	0.023	0.142	-0.762	0.290	-0.003	0.218	-0.272	0.541

Cluster No.	Country	Religion	PD	Ind vs Col	Mas Vs Fem	Uncert	Short Term Vs Long Term	IVR	EDU	Political Fairness	Informal Econ	FIA	Gov Exp	Spatial
	Peru	Christian	0.030	-1.159	-0.318	0.889	-0.884	0.016	-0.108	-0.470	1.379	-0.215	-0.832	-0.448
3	Bangladesh	Muslim	0.815	-0.979	0.416	-0.284	0.090	-1.138	-0.741	-0.590	-0.248	-1.119	-1.312	-0.646
	Egypt	Muslim	0.815	-0.169	0.303	0.064	-1.702	-1.806	-0.168	-0.810	-0.329	-0.586	-0.64	0.193
	India	Hindu	0.668	0.281	0.473	-1.152	0.258	-0.856	-0.613	-0.260	-0.640	0.100	-0.609	-0.39
	Indonesia	Muslim	0.717	-1.249	-0.092	-0.805	0.751	-0.352	-0.517	0.130	-0.551	-0.140	-0.878	-1.019
	Mauritius	Hindu	0.030	-0.664	-0.375	-0.631	-0.581	-0.254	-0.246	0.650	-0.369	0.070	-0.321	-0.15
	Morocco	Muslim	0.325	0.191	0.303	0.064	-1.377	-0.886	-0.993	0.360	0.172	-0.132	0.099	0.5
	Pakistan	Muslim	-0.411	-1.249	0.134	0.151	0.213	-1.990	-0.879	-0.670	-0.337	-1.089	-0.738	-0.283
4	Colombia	Christian	0.177	-1.294	0.924	0.585	-1.422	1.615	-0.456	-0.030	1.004	0.069	0.029	-0.487
	Ecuador	Christian	0.717	-1.519	0.868	0.020	-0.917	1.173	-0.687	-0.770	0.495	-0.147	-0.385	-0.857
	Ghana	Christian	0.668	-0.979	-0.092	-0.544	-1.847	1.150	-0.076	0.100	0.478	-0.275	-0.734	-1.006
	Jamaica	Christian	-0.901	-0.124	1.150	-2.325	-0.917	1.173	0.593	-0.030	0.397	-0.104	-0.068	-0.129
	Kenya	Christian	0.030	-0.664	-0.375	-0.631	-0.581	-0.254	-0.499	-0.180	0.446	-0.524	0.108	-0.878
	Malaysia	Muslim	1.991	-0.709	0.134	-1.326	-0.190	0.491	0.479	0.450	0.289	0.793	-0.517	-0.244
	Mexico	Christian	0.864	-0.529	1.207	0.672	-0.929	2.236	-0.072	-0.350	0.303	0.199	-0.57	-0.224
	Nigeria	Christian	0.668	-0.979	-0.092	-0.544	-1.433	1.654	-0.422	-0.370	0.897	-0.800	-0.537	-0.709
	Philippines	Christian	1.501	-0.439	0.924	-0.979	-0.783	-0.168	0.316	-0.170	0.522	0.045	-0.807	-0.406
	Uganda	Christian	0.030	-0.664	-0.375	-0.631	-0.951	0.287	-1.157	-0.180	0.613	-0.532	-0.814	-1.205
	Zambia	Christian	0.030	-0.664	-0.375	-0.631	-0.581	-0.254	-0.744	-0.320	1.442	-0.721	-0.056	-0.771
	Botswana	Christian	0.668	-0.979	-0.092	-0.544	-1.604	1.397	0.696	0.540	1.093	-0.149	0.197	-0.525
5	Estonia	Unaffiliated	-1.146	0.820	-0.996	-0.284	1.647	-1.283	1.372	1.120	-0.206	0.503	0.475	1.675
	S.Korea	Unaffiliated	-0.166	-1.069	-0.488	0.802	2.442	-0.711	1.048	0.830	-0.586	-1.014	-0.171	1.104
6	Hungary	Christian	-0.852	1.720	2.280	0.672	0.583	-0.624	1.382	0.500	-0.694	0.490	0.62	1.197

Cluster No.	*Country*	*Religion*	*PD*	*Ind vs Col*	*Mas Vs Fem*	*Uncert*	*Short Term Vs Long Term*	*IVR*	*EDU*	*Political Fairness*	*Informal Econ*	*FIA*	*Gov Exp*	*Spatial*
	Poland	Christian	0.226	0.820	0.924	1.150	-0.324	-0.721	0.856	0.830	-0.515	0.398	0.263	1.219
7	Thailand	Buddhist	0.030	-0.979	-0.770	-0.110	-0.593	-0.033	-0.844	0.080	0.673	-0.101	-0.431	-0.599
	Vietnam	Folk	0.325	-0.979	-0.431	-1.587	0.538	-0.449	-1.054	-0.650	-0.818	-0.439	-1.24	-0.157
8	China	Unaffiliated	0.815	-0.979	1.037	-1.587	1.882	-0.963	0.241	-0.700	-0.585	0.454	-0.393	0.459

Table A2.2.

SPES Original 8 Clusters + G7 and LDCs

Children of Overbearing Parents	*Teens*	*Struggling Juveniles*	*Independent Adolescents*	*Over Achievers*	*Young Entrepreneurs*	*Asian Cousins*	*The Loner*	*G7*	*LDCs*	
Albania	Argentina	Bangladesh	Botswana	Estonia	Hungary	Thailand	China	Canada	Afghanistan	Liberia
Azerbaijan	Brazil	Egypt	Colombia	South Korea	Poland	Vietnam		France	Angola	Madagascar
Bulgaria	Chile	India	Ecuador					Germany	Benin	Malawi
Croatia	Greece	Indonesia	Ghana					Italy	Bhutan	Maldives
Georgia	Portugal	Mauritius	Jamaica					Japan	Burkina Faso	Mali
Kazakhstan	Turkey	Morocco	Kenya					UK	Burundi	Mauritania
Moldova	Poland	Pakistan	Malaysia					USA	Cambodia	Mozambique
Romania			Mexico						CAR	Myanmar
Russia			Nigeria						Chad	Nepal
Ukraine			Peru						Comoros	Niger
			Philippines						Congo DR	Rwanda
			Uganda						Djibouti	Samoa
			Zambia						Equatorial G	Sao Tome and
									Eritrea	Senegal
									Ethiopia	Sierra Leone
									Gambia	Somalia
									Guinea	Sudan
									Guinea-Bissa	Tanzania
									Haiti	Timor-Leste
									Kiribati	Togo
									LAOS	Vanuatu
									Lesotho	Yemen

Table A2.3

Unclassified Countries

Unclassified				
Algeria	ChinaHK	Iraq	New Caledonia	Swaziland
Andorra	ChinaMC	Ireland	New Zealand	Sweden
Anguilla	ChinaTaiwan	Israel	Nicaragua	Switzerland
Antigua	Congo	Korea	Norway	Syria
Armenia	Costa Rica	North Korea	Oman	Tajikistan
Aruba	Cote D'Ivoire	Kuwait	Palestine	Tonga
Australia	Cuba	Kyrgyzstan	Panama	Trinidad and
Austria	Cyprus	Latvia	Papua NG	Tunisia
Bahamas	Czech	Lebanon	Paraguay	United Arab
Bahrain	Denmark	Libya	Qatar	Uruguay
Barbados	Dominica	Liechtenstein	San Marino	Uzbekistan
Belarus	Dominican Re	Luxembourg	Saudi Arabia	Venezuela
Belgium	El Salvador	Malta	Serbia	Zimbabwe
Belize	Fiji	Marshall Is.	Seychelles	
Bermuda	Finland	Monaco	Singapore	
Bolivia	Gabon	Mongolia	Slovakia	
Bosnia	Grenada	Montenegro	Slovenia	
British Virgin	Guatemala	Montserrat	South Africa	
Brunei	Guyana	Namibia	South Africa	
Cameroon	Honduras	Nauru	Spain	
Cape Verde	Iceland	Netherlands	Sri Lanka	
Cayman Is.	Iran	Netherlands Antilles	Suriname	

Table A2.4

SPES 10 Cluster Centers

Clusters	*Religion*	*PD*	*Ind vs Col*	*Mas Vs Fem*	*Uncert*	*ST vs LT*	*IVR*	*EDU*	*Pol Fairness*	*Inf Econ*	*FIA*	*Gov Exp*	*Spatial*
Children of Overbearing Parents	Christian	0.844	-0.349	-0.535	1.001	0.808	-0.919	1.197	-0.101	0.027	-0.358	-0.076	0.817
Teens	Christian	-0.089	-0.324	-0.238	1.137	-0.476	0.331	-0.128	0.392	0.187	0.120	-0.019	0.532
Struggling Juveniles	Muslim	0.472	-0.501	0.183	-0.316	-0.400	-0.983	-0.661	-0.117	-0.312	-0.469	-0.542	-0.237
Independent Adolescents	Christian	0.615	-0.923	0.468	-0.208	-1.114	1.246	-0.043	-0.198	0.675	-0.194	-0.463	-0.504
Overachievers	Unaffiliated	-0.590	-0.019	0.397	0.541	1.998	-0.724	1.105	1.094	-0.764	0.394	0.219	1.247
Young Entrepreneurs	Christian	-0.264	1.175	0.592	0.363	1.023	-0.581	1.130	0.905	-0.666	0.727	0.481	1.318
Asian Cousins	Folk	0.177	-0.979	-0.601	-0.848	-0.028	-0.241	-0.949	-0.285	-0.072	-0.270	-0.836	-0.378
China	Folk	0.668	-0.979	0.529	-2.065	1.529	-0.488	0.460	0.144	-0.571	1.089	-0.558	0.152
G7	Christian	-1.591	1.481	-0.236	-0.825	-0.147	0.894	1.267	1.478	-1.058	1.557	0.614	1.553
LDCs	Muslim	0.190	-0.743	-0.304	-0.610	-0.876	-0.381	-1.175	-0.218	0.761	-0.579	-0.136	-1.004

Table A2.5

SPES 10 Anova

			Error		*F*	*Sig.*
	Mean Square	*df*	*Mean Square*	*df*		
Religion	15.468	9	0.145	65	106.330	0.000
PD	5.552	9	0.343	65	16.190	0.000
Ind. vs Col	7.055	9	0.187	65	37.751	0.000
Mas Vs Fem	1.423	9	1.069	65	1.331	0.238
Uncertainty	5.018	9	0.404	65	12.420	0.000
ST vs LT	6.377	9	0.364	65	17.531	0.000
IVR	5.909	9	0.305	65	19.363	0.000
EDU	6.629	9	0.178	65	37.173	0.000
Political Fairness	3.559	9	0.228	65	15.636	0.000
Informal Econ	3.414	9	0.203	65	16.814	0.000
FIA	4.705	9	0.242	65	19.422	0.000
Gov Expenditure	1.582	9	0.214	65	7.405	0.000
Spatial	6.574	9	0.084	65	77.976	0.000

APPENDIX 3

Table A3.1

Data Substitutions

Country	*Section/Data Component*	*Alternative Source*
Libya	ITU	Source - WDI
British Virgin islands, used US Virgin Islands	ITU	Source - ITU
Macao, used Hong Kong	Culture	Source - VSM
Armenia	Culture	Source - Research Paper**
Bahrain, Kuwait, Lebanon, Libya, Oman, Qatar, Tunisia, UAE, Yemen	Culture - Arab data	Source VSM
Burundi, Kenya, Mauritania, Mauritius, Zambia	Culture - east Africa data	Source VSM
Benin, Botswana, Cameron, Cape Verde, Central African Republic, Chad, Congo, Cote D'Ivoire, Gabon, Gambia, Guinea, Lesotho, Namibia, Niger, Senegal, Sierra Leon, Togo	Culture - west Africa data	Source VSM
Bahamas, Barbados, Bolivia, Dominica, Dominican Republic, Guyana, Haiti, Honduras, Nicaragua, Paraguay	Culture-Assouad-AM	Source – Means*
Bhutan, Brunei, Cambodia, Fiji, Laos, Maldives, Nepal, Papua New Guinea, Srilanka	Culture-Assouad-AP	Source – Means*
Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan	Culture-Assouad-EE	Source – Means*
Iceland	Culture-Assouad-EU	Source – Means*
Taiwan, Fiji	Gov Exp - South Asia	Source - WDI
Maldives	Gov Exp - East and Pacific Developing	Source - WDI
Seychelles	Gov Exp - East Asia Developing	Source - WDI

Country	*Section/Data Component*	*Alternative Source*
Haiti, Suriname, Trinidad and Tobago	Gov Exp - Latin American Developing	Source - WDI
Gabon	Gov Exp - Least Developed Nations	Source - WDI
Libya, Palestine, Syria	Gov Exp - Middle East and North Africa	Source - WDI
Iran	Gov Exp - Middle Income	Source - WDI
Cote d' Ivoire	Gov Exp - Subsaharan Africa Developing	Source - WDI
Syria	FDI - Estimate	Source - Institute of Int Finance
Libya	FDI - Estimate	Source - KPMG
Montenegro - Used Serbia's Distance	CIPII	Source - CITII
Montenegro and Serbia - Used Bosnia	informal economy	Source - CITII
Dominica	informal economy	Source - Peer reviewed research**
Iraq	informal economy	Source - Peer reviewed research**
Angola, Belarus, Ethiopia, Macedonia, Madagascar, Nigeria, Chad	Education	Source - WDI Indicators
HK and Macao, Used China	GINI INDEX	Source - GINI
Cyrpus, Iceland, Malta, Mauritius	GINI INDEX	Source - CIA
Kuwait, Lebanon, Libya, Oman, UAE	GINI INDEX	Source - GPI GINI
Macoa - Used Hong Kong	Kaufman	Source - Kaufman Indicators

* refers to derivation of regional averages as discussed in chapter 3

** references provided in-line, chapter 3

Table A3.2

Data Transformations

Data Manipulations	*Section / Dimension*
Created absolute values for distance to equator	CIPII
Standardized Variables using Z-Scores	General
Allocated China as a singleton	General
Created a religious majority indicator	Religion
Adopted G7 from IMF categorization	General
Adopted LDCs from IMF categorization	General

Table A3.3

Ease of Doing Business Components

Component
Starting a Business
Dealing with Construction Permits
Getting Electricity
Registering Property
Getting Credit
Protecting Investors
Protecting Minority Investors
Paying Taxes
Trading Across Borders
Enforcing Contracts
Resolving Insolvency