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Unlocking Growth Under Resource-Scarcity: The Secret Sauce for Scaling Business Models in Emerging and Developing Economies

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Over the past decade, we have observed numerous cases of rapidly growing ventures achieving 'Unicorn' status in emerging and developing economies. While some research has suggested that accessing and leveraging external resources is a crucial factor for ventures to scale in resource-rich contexts, relatively we know less about how the embedded ecosystem and the firm's choice to reconfigure their business model can work together to enable scaling in resource-scarce contexts. For example, although we know there are various growth constraints for ventures in the low-income context, such as limited financing opportunities, institutional uncertainty and weak property rights, we lack adequate explanations on how to explain the numerous cases of growth firms that have scaled up successfully in those contexts, as well as for those that outperformed other global entrants from the developed economies. From the uncertain inception to the more mature stage, some ventures had failed and perished, while some have successfully scaled their business by constantly re-configuring and aligning their set of value-creating interconnected activities within their surrounding ecosystem and the specific market needs in a certain time.

We need more understanding on how growth-oriented ventures operating in emerging and developing economies can overcome resource constraints and achieve scalability by reconfiguring their business model. Scaling includes not just the high-growth in terms of firm size (question of 'how much'), such as revenue or the number of employees but encompasses the scalability of the processes, people, and places (question of 'how'). The way venture firms scale in resource-scarce setting would be starkly different from that in a resource-rich context due to different ecosystems they are embedded in, as well as the different speed of industry life cycle.

Previous research often assumed that ventures in resource-scarce contexts can achieve scale by leveraging external resources. One example of existing theories proposes that early-stage venture firms can reach scale by adopting lean approach, focusing on solving a specific market problem with instant product testing, which eventually can lead to securing external financing (i.e., venture capital) for the first-mover advantage and the network effect. However, it remains unclear whether the strategy of mobilizing external resources that were initially developed for high-income markets can be successfully replicated in the low-income contexts, considering the lack of supporting institutions and the limited resources. Therefore, it is likely that these resource-constrained contexts could significantly impact and shape the way firms reconfigure their business model to reach scalability.

Another stream of research suggests ventures in resource-scarce contexts can creatively repurpose local resources at hand to reach scale. For example, bricolage literature finds that ventures in low-resource contexts often rely on mobilizing whatever resources available at hand. Nevertheless, whether this approach of repurposing locally available resources can be broadly scaled outside its contexts remains questionable since the model developed is highly context-specific.

Building from the previous theories, I focus on investigating the ways venture firms reconfigure their business models to tackle challenges over time in the uncertain and resource-scarce contexts. The types of challenges would range from where and how firms get resources to scale (i.e., funding, human resources, technology etc.), as well as to how they are affected by the surrounding stakeholders (i.e., existing entrenched industry actors).

Empirically, this research aims to investigate the global evolution of the ride-hailing business model with a specific emphasis on Southeast Asia. This research aim to understand not only why global entrants such as Uber failed to capture these markets but also why and how local competitors like Grab and Gojek developed an indigenous business model capable of scaling in these environments.

For this qualitative multiple case study, this research draws upon the fieldwork to collect data from the ride-hailing industry in Southeast Asia during the past decade to derive an indigenous model. Throughout the inductive process, the initial findings suggest that local-search oriented resource mobilization may enable ventures to scale in their inceptions, but ventures would need to structure their complementary business model for sustained growth when they reach a certain stage.

In conclusion, to scale-up in emerging and developing markets as homegrown local ventures, it’s not just about how rapidly you can grow in terms of revenue or number of employees; it's about adapting processes, understanding the people, and choosing the right places and timing to scale.

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