by profits are Chinese: Gree Electric Appliances, Midea Group, and Qingdao Haier, with combined revenues of $60 billion and profits of $4.5 billion. So are the three largest banks: Industrial and Commercial Bank of China, China Construction Bank, and Agricultural Bank of China. The Indian telecommunications firm Bharti Airtel has about 310 million subscribers worldwide—more than the populations of France, Germany, the United Kingdom, and Spain combined.

The growth of these players has been supported by their ownership models. Major U.S. and European companies' broad public ownership, board structure, and stock exchange listings typically enforce a sharp focus on near-term profitability and cost control. But many emerging-market firms are state- or family-owned and so have different operating philosophies and tactics. (See the exhibit "A Different Breed of Owner.") Many of the new competitors take a longer-term view, focusing on top-line growth and investment rather than quarterly earnings. Growth can be more important than maximizing returns on invested capital: Chinese firms, for example, have grown at a blistering pace—four to five times as fast as Western firms over the past decade, particularly in capital-intensive industries such as steel and chemicals.

Aggressive mergers and acquisitions are often the means to achieving growth. In 2013 Chinese firms completed 198 overseas deals worth $59 billion—one-third the total value of their acquisitions that year. Over the past four years, Chinese firms' share of global deal value has exceeded their share of global revenue by almost 30%. But China is not alone. India's Sun Pharmaceutical Industries, for example, has made a stream of acquisitions since the 1990s to become one of the world's largest generics companies. The Tata Group, based in Mumbai, encompasses 19 companies with more than 50,000 workers in the United Kingdom alone, making it one of that country's largest private-sector employers. Brazil's JBS has become the world's biggest meat producer through a series of acquisitions, including U.S.-based Swift & Company and Pilgrim's Pride.

What's striking is that size doesn't necessarily lead to a loss of speed and agility. Indeed, a few of the most globally competitive emerging-market giants have managed to stay lean. Some of the newer competitors, even in durable goods manufacturing, operate with greater capital efficiency and higher asset turnover than industry incumbents in advanced economies. For example, Hyundai, founded in the late 1960s, has a larger average plant size and fewer legacy factories—and produces more vehicles per worker—than longer-established companies such as Volkswagen and Toyota.

Some of the new players focus on responding rapidly to the market, recombining technologies, and squeezing out costs. Others are adept at capturing new growth opportunities or reaching underserved markets with low cost structures and no-frills products. And all of them have the tenacity to operate in other fast-growing emerging markets. South Africa's MTN and Kenya's Safaricom, for example, provide mobile financial services to millions of customers who have no bank accounts, credit card histories, or identification numbers. Indonesia's Indofood has successfully introduced its Indomie noodles across Africa, becoming the most popular brand in the huge Nigerian market.

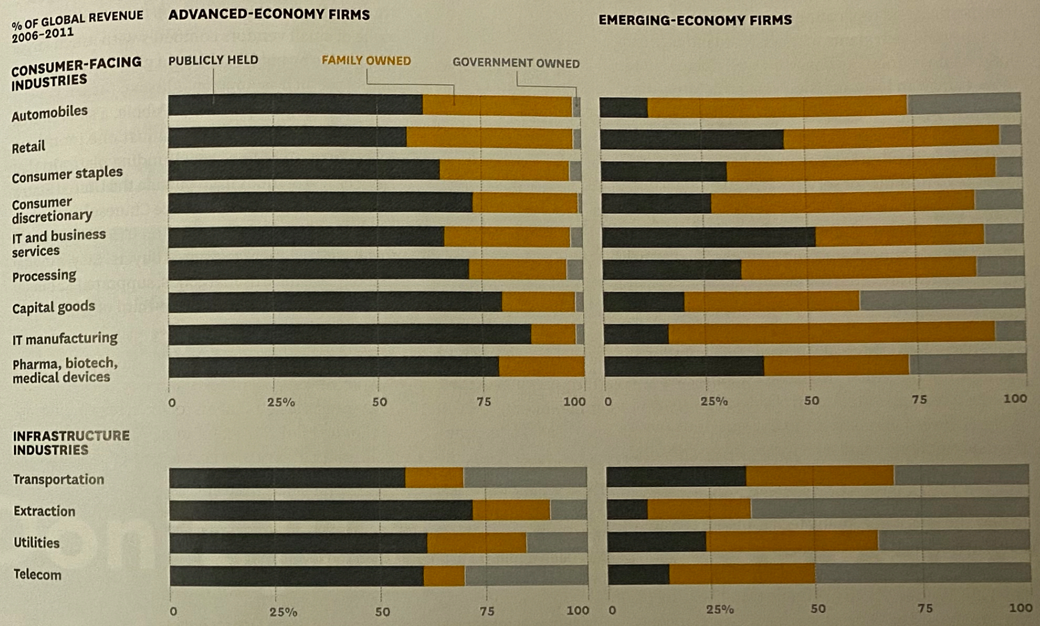
The scale equation has clearly shifted in favor of the new players. In 1990 Chinese companies represented only 4% of the global production of aluminum, and the marginal cost throughout the industry (averaged across producers in 2014 U.S. dollars) was approximately $2,500 a ton. By 2014 Chinese smelters represented 52% of global production and had lowered the average marginal cost in the industry to less than $1,900 a ton—driving out more than half the Western producers that were active in 1990.

Of course, it would be a mistake to think of emerging-market companies as a monolithic group, since they tend to reflect their home countries' business climate, market structure, corporate culture, and endowments. Understanding such differences is crucial to understanding how these firms compete.

HYUNDAI, FOUNDED IN THE 1960S, HAS A LARGER AVERAGE PLANT SIZE AND PRODUCES MORE VEHICLES PER WORKER than longer-established companies such as Volkswagen and Toyota.

A DIFFERENT BREED OF OWNER

State- and family-owned firms are much more prevalent in emerging economies than in developed economies. Companies in consumer-facing industries (such as retail and IT) are usually family owned, while those focusing on infrastructure (such as transportation) tend to be government owned.



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In our research, we have found some clear regional patterns. Asian companies, for instance, have been the most aggressive in expanding abroad, while Latin American firms tend to focus on their home markets. The industry mix in China resembles that in Japan and Korea, reflecting a similar legacy of using massive investments to drive growth; for instance, four of the five most profitable iron and steel companies in the world are from those three countries. Even the overall corporate performance of firms from those countries is similar; the margins of Chinese firms appear to be falling toward the 3% to 4% range of their Northeast Asian counterparts in most industries, compared with about 8% for Western companies.

THERE'S AN INTERNET OF THREATS

Technology has created another source of competition for Western incumbents. The total revenue of the tech sector has grown from $600 billion to more than $6 trillion over the past three decades, spawning a new generation of firms, some of which have rapidly attained unprecedented scale in terms of revenues, assets, customers, and profits. Vast digital platforms or networks give these new players massive reach. Every minute, 300 hours of video are uploaded to YouTube. In November 2014 Alibaba processed more than $9 billion in sales in a single