The Internationalization of Asian Firms: An Overview and Research Agenda

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As the field of international business has expanded and gathered momentum, it is important to study different problems associated with the internationalization phenomenon. Whenever a company ventures abroad, various decisions have to be made regarding how its business activities in a foreign market should be conducted (Welch, Benito, and Petersen 2008). Traditionally, multinational enterprises from developed countries dominated the research field of international business. However, numerous firms from emerging countries have internationalized their business in recent years by adopting organic and inorganic growth strategies. The successful multinational enterprises from emerging countries use a wide range of entry modes such as exporting, joint ventures and strategic alliances, acquisitions, and greenfield investments. Emerging multinational enterprises dominate many strategically important sectors in the emerging economies such as information technology, automobile, banking, and retailing. At the same time, in some countries, local governments and various local stakeholders have become more critical about the activities and conduct of foreign multinational enterprises in different parts of the world.

The rise of Asia and internationalization of Asian firms

As growth has picked up in emerging markets and slowed down in advanced economies, firms had to rethink their global strategies (Ramamurti 2012). Companies from emerging countries—Asian firms in particular—have increasingly been able to challenge developed country firms (Luo and Tung 2007; Demirbag, Tatoglu, and Glaister 2009). The array of Asian firms going global through foreign direct investment has broadened in the past two decades (Bhasin and Paul 2016). China and India have emerged as the fastest-growing economies in the world (Paul and Mas 2016). Countries such as South Korea and Taiwan have achieved remarkable growth in the past two decades and successfully transitioned from once-emerging to now-developed economies. Looking further back, we acknowledge that Japan’s rise as the
third-largest economy in the world was partially caused by its strong entrepreneurial community, which aided the country’s remarkable economic growth (Paul and Shrivastava 2016).

The Asian region has a total population of about 4 billion people, which is close to 60% of the world’s population. According to the data reported in The Economist, there is a significant increase in the global impact of Asian firms: 24% of the Global Fortune 500 firms were headquartered in Asia in 2006; by 2014, the share had reached 40% (The Economist). Japanese firms pioneered the Asian internationalization phenomenon since 1970, followed by firms from Korea, Taiwan, Singapore, China, India, and so forth. Taking into account these developments, the Wall Street Journal publishes Asia 200, an annual ranking of Asia’s leading companies, as determined by executives and professionals throughout Asia. The Asian late-comers to the global-market scene, however, must overcome a number of obstacles to successful internationalization such as liability of foreignness, scarce organizational resources, often unfavorable business conditions at home, and negative country-of-origin associations by some customers in developed markets.

Research gap and insights from this special issue

The expansion of foreign firms into Asia is well documented. While the research interest in the foreign firm’s perspective in Asia has been waning in recent years, topics such as competitiveness and internationalization of firms originating from the Asian region have gained attention. Emerging multinational enterprises have played a major role as spearheads of internationalization in the Asian region. On the one hand, gaining access to international markets has increased sales opportunities; on the other hand, the Great Recession of 2007–09 has also forced firms to look for new markets beyond their domestic markets. In this context, the competitiveness of Asian firms becomes an important issue. Despite their increasing prominence and the growing media interest, the internationalization strategies of firms from Asia in particular has received scant attention in academia.

Thus, in this special issue, we take stock of what is known about Asian multinationals and identify potential avenues for future research. We aim to not only increase our understanding of these firms but also identify the particular characteristics of their internationalization. We are most pleased with the articles featured in this issue of the Journal of East-West Business. The call for papers produced fourteen submissions. After multiple rounds of revision, we selected five insightful papers on the internationalization of firms from the two most prominent Asian emerging countries.

Precocity is a temporal dimension of early internationalization. Sumati Varma, Rishika Nayyar, and Vishaka Bhansal analyze the factors influencing precocity in the context of technology intensive firms from India. They use a logistic
regression model to examine entrepreneurial, network, and location-specific factors and find that firms led by young entrepreneurs with foreign education and prior work experience in foreign markets are more likely to be precocious.

Born global firms have captured the attention of the researchers worldwide during the past two decades. In this context, Tiia Vissak and Xiaotian Zhang show how guanxi (relationship based on networking and a popular concept in Chinese management) fostered early internationalization of a Chinese born global firm and later, restricted the firm’s decision-making freedom, resulting in partial deinternationalization of the firm. The authors suggest that because of guanxi’s reciprocal nature, owners and managers should use it with caution.

China has recorded a very remarkable average growth rate in exports, imports and outward foreign direct investment in the past two decades, despite their late entry into the World Trade Organization (Paul 2015). In this context, extending the insights from organizational imprinting theory, Hongxin Zhao and Jieqiong Ma found that the institutionally induced pressures motivate Chinese private enterprises to seek legitimacy and knowledge through inward internationalization, and that inward internationalization could help private enterprises achieve better performance. On the basis of 2,565 private enterprises in China, the authors demonstrate that the adverse founding environment prompted private firms to undertake a high degree of inward internationalization, which further enhanced their subsequent performance.

The sustained internationalization of Indian firms has held the attention of academicians and practitioners (Paul and Gupta 2014). In this context, Sundar Parthasarathy, Kirankumar Momaya, and Shishir Jha examine the internationalization phenomenon of two firms from the automobile (e.g., tire manufacturing) industry in India. Findings provide insights that firms initially build a strong market position through delivery capabilities, and thereafter turn to brand building, followed by the quest for input capabilities. Similarly, multinational investment in developing economies is one of the means of securing technology inflows. If local firms have a critical level of capabilities and are able to compete with multinational firms, this might lead to convergence of best practices. In this context, Murali Patibandla, on the basis of a comparative study of two firms from two-wheeler industry in India, finds that the aforementioned process, in turn, helps local firms in a developing economy acquire capabilities for internationalization.

**Future research agenda**

It is worth noting that not all relevant issues of internationalization have successfully been researched in the past due to several constraints and limitations. There are unique opportunities to develop new theories and frameworks, or
extend the available theories that explain the internationalization phenomenon of emerging market firms. For research on Asian firms in particular, taking into account that the Asian region has emerged as the most strategically important region, gives researchers an additional set of opportunities to add valuable insights into the internationalization phenomenon. There are also opportunities to develop separate frameworks to analyze the path of internationalization within the context of specific growth strategy. Dikova and Brouthers (2016), for example, identify a number of issues that future studies need to address: implement changes to the models we use, introduce new theories or combine theories, apply new or better methods, and most importantly link internationalization-related choices to firm performance. Similarly, we need typologies and useful paradigms that help the decision makers from (Asian) emerging countries to better understand the problems of internationalization such as liability of foreignness, resource constraints, and cognitive bias. Furthermore, there is potential for carrying out research studies that address one or more issues/questions subsequently outlined:

i. What motives drive the internationalization of small, medium and large enterprises from emerging economies and what factors play a role in the positive outcomes for these firms?

ii. How do micro and macro environments in both, the home and host country, influence the success or failure of newly internationalized enterprises from emerging Asian economies?

iii. What successful strategies are implemented by Asian firms while going global?

iv. What are the specific problems and challenges faced by firms from emerging countries in Asia while going global?

China has emerged as the fastest growing economy in the world mainly because of its capacity to export all kinds of goods and the capability to attract foreign direct investment from the developed countries (Paul 2016). This provides many local firms with opportunities to carry out internationalization that can be studied using theories such as institutional theory, resource based view, dynamic capability theory of firm, CAGE (Cultural, Administrative, Geographic and Economic Framework, LLL (Linkage, Learning and Leverage) model, and so forth. Comparative studies with firms from other emerging markets would add additional insights and perhaps outline critical limitations of existing theories.

Following Hamilton (2016), we provide methodological and practical suggestions for future research in the area of internationalization of firms, with reference to firms from Asia. One common problem we observed among the fourteen papers submitted to the special issue call is that although they convey new insights, it is not clear how these insights could be useful for managers and decision makers. For instance, few researchers address the question whether their findings have implications for managerial decision making.
Another problem we observed is the difficulty to generalize findings and insights. In nutshell, focusing and combining insights based on findings and generalizing them in the form of propositions offer high potential for knowledge building within the field of international business.

References


