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Southeast Asian International Firms and Their Strategies

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Firms from Southeast Asian countries have begun to internationalize and multinationalize their business activities. This can be seen as a later part of the pattern of emerging Asian multinational enterprises (World Bank, 1993). Research interest had begun to focus on these Asian enterprises and their direct investment activities (Yeung, 1994, 1997; Ting, 1985; Pangarkar, 1998; Li, 2003; Mathews 2006). While research on Asian multinational enterprises (MNEs) had grown in recent years, knowledge of the nature, dynamics, organization and operations of Asian MNEs is not comprehensive. Emphasis had focussed on firms from Japan, South Korea, Taiwan and more recently China. Research on international and MNEs from Southeast Asian countries is still in its infancy.

Extant literature on MNEs firms has been largely based on western MNEs. Are the Asian MNEs really different from the western MNEs? Do Southeast Asian international firms share the same attributes as those from other parts of Asia? Are differences in strategic traits of MNEs from different Asian countries due to differences in the levels of development in these countries as postulated by the investment development path (IDP) thesis (Dunning, 1993), Hoesel (1999) and Dunning et al. (1998) contended that the MNEs from the Asian NICs constituted the second wave of FDI which differed from the first wave of the third world multinational enterprises (TWMNEs). Yet the precise nature of the strategic advantages of these firms was not clear and a considerable knowledge gap about them existed (Hoesel, 1999). Since comparative empirical research on MNEs originating from different Asian countries is limited (Luo, 1998; Sim & Pandian, 2003), research comparing MNEs from different Southeast Asian countries at varying levels of development is worthy of attention.

The aim of this paper is to contribute to this research area by presenting some comparative empirical data on the internationalization strategies and characteristics of Southeast Asian international firms from three countries at different levels of development and highlighting some areas for further in-depth research. The countries included in this paper are Malaysia and Thailand, representing rapidly developing countries, and Singapore, which is now a newly industrialized country.

This study draws on primary data from 29 case firms from Singapore (9 firms), Malaysia (12) and Thailand (8). These firms were from textile and apparel (9 firms), electronics and electrical (7), consumer products (4), financial services (2), and diversified (7). Empirical data from these firms are presented and used to analyse and compare their internationalization characteristics and strategies, and to examine their position in relation to the IDP from a firm-level or micro perspective. Findings from this exploratory study are used to develop hypotheses for subsequent research investigation. Our empirical findings are discussed in relation to prior research findings on MNEs from other Asian countries as well as developed countries.

This paper makes an empirical contribution with comparative data on the internationalization strategies of Southeast Asian firms from three countries at different levels of development. The focus is on a geographical area not adequately covered by existing research. The internationalization strategies of our Southeast Asian case firms were largely founded on cost-based competencies and other location-based advantages. Differences between our Singaporean, Malaysian and Thai firms in their internationalization strategies and profile were found and discussed. Some differences by industrial sector were detected as well. In general, the Singaporean firms were more internationalized (at stage 3 of IDP) than the Malaysian and Thai firms (at stage 2 of the IDP). The stage 3 Singaporean firms had more developed and elaborate production capabilities and networks and greater ODM/OBM (own brand manufacturing) participation than the Malaysian and Thai firms. Of these, our Thai case firms were the least internationalized.

According to the IDP thesis, multinationalization would be greater at higher stages of the IDP. Our case firms had fewer overseas locations in terms of international spread than western MNEs. Only three firms in our sample had operations in many parts of the world. The other case firms tended to concentrate in the Asian region with an average of 3-5 country locations. Our case firms while concentrating in the Asian region had begun to move to the developed countries.

The sample firms were generally late comers in internationalization. While a few of our firms (e.g., in textiles) went overseas in the 1960s, most initiated internationalization only in the 1990s. The longitudinal spread of our case firms was reflective of Asian MNEs from developing countries in general, with firms from the NICs ahead of the lesser developed Asian countries, indicating some support for the IDP. The competitive catch-up processes became very important for late comer Southeast Asian MNEs and some might be able to leap frog stages in the internationalization process (Young, Huang & McDermott, 1996). Mathews (2002, 2006) suggested that latecomer MNEs can be successful in globalization by learning and acquiring capabilities quickly.

In general the competitive advantage of our case firms in the three countries was based on cost-based competencies and adaptation to markets. Increasingly, the more advanced firms in our sample, particularly in Singapore, were extending beyond their current competitive advantages to those that capitalized on differentiation benefits, such as technology, innovative product features and value. Our Singaporean case study firms in the electronics sector were particularly active here. The more progressive sample firms were moving outside their Asian bases to North America and Europe. This was to position themselves strategically for new technologies and markets. The Malaysian and Thai case firms were less active in all these areas and indicated a lower level of internationalization and competitiveness. Our Malaysian and Thai firms were occupied with adaptation of technology for Asian markets. The characteristics of our Malaysian and Thai firms were generally consistent with the first wave (stage 2) of the IDP, while the Singaporean firms were reflective of the second wave (stage 3, as described by Dunning, Hoesel, & Narula, 1998).

To become more competitive globally, our more forward looking case firms in stage 3 had moved to the developed countries to seek technology, strategic assets and markets, but their advantages were still different from those of more advanced western MNEs which were largely based on intangible assets (e.g., technological capabilities, organizational skills). Nevertheless they were augmenting their competitive advantages and moving towards resembling more like Western MNEs.

However it also indicated that the conscious move to advanced countries was to seek and acquire additional ownership advantages, rather than to exploit existing ownership advantages as the basis of internationalization as postulated in OLI explanation. Mathews (2006) argued that dragon multinationals had internationalized in order to acquire strategic assets. Will this mechanism work for Southeast Asian firms? How can this process really work for such firms? The above will need further examination and propositions are suggested in the paper to prompt further research. The paper also examines and discusses the institutional and socio-cultural contextual factors in the internationalization of our Southeast Asian sample firms. The active role of the governments of Singapore, Malaysia and Thailand are examined and found to be different from western theories on internationalization which tend to overlook the active role played.