INTERNATIONALIZATION – A LONGITUDINAL STUDY OF MALAYSIAN INTERNATIONAL FIRMS

A.B. Sim
School of Management & Marketing, University of Wollongong, Wollongong, NSW 2522, Australia. absim@uow.edu.au +61 2 4221 3628

ABSTRACT
Empirical research on the internationalization strategies of international firms from emerging countries in Asia is limited. This paper examines and analyzes the internationalization strategies and characteristics of international firms from Malaysia based on a longitudinal study of five case firms. The findings indicate variations and changes in strategies during early and continued internationalization over the 11 year time studied. These findings and their research implications are examined and discussed.

Keywords: Internationalization strategies, longitudinal study.

INTRODUCTION
Much has been written about the multinational enterprises (MNEs) from the newly industrialized and industrializing economies, particularly from Asia. Recently increased attention has been on foreign direct investment (FDI) and MNEs from other large emerging economies, such as the BRIC countries (Brazil, Russia, India and China). For example, considerable attention has been given to FDI from China. However there is a dearth of research interest on internationalization of firms from the other developing countries. Internationalization of firms from other rapidly developing countries may be different and deserves more research attention. While the literature on MNEs from Asia and other emerging countries has grown considerably, full consensus on the theory and explanation of these firms has not emerged. Luo & Tung advocate a springboard perspective to explain the unique features of MNEs from emerging markets, which include using international expansion to quickly acquire strategic resources and to reduce their institutional and market constraints at home. Similarly Buckely et al. point out that the special explanations within the general theory of the MNE are required to explain Chinese overseas FDI. Hennart highlights the need to consider the role of complementary local assets in internationalization theories. Further research, knowledge and data are required to fully understand the behaviour and dynamics of MNEs from Asian and other developing economies. In their paper, Luo & Tung focuses their discussion of the springboard perspective on MNEs from the NIEs, and suggest that research be conducted on other emerging market MNEs. In fact, research on internationalization strategies from MNEs originating from other emerging economies in Asia is limited. Hence further empirical research on MNEs from other Asian countries will be instructive and fulfil an empirical gap. In particular, emphasis on the progress and continued internationalization of firms after their initial efforts seem to be neglected. Liesch et al. and Melen & Nordman points to this research gap in their studies of internationalization of firms.

This paper aims to contribute to this research area by presenting a longitudinal study of the internationalization strategies of five case studies of international firms from Malaysia, a rapidly developing country. This preliminary research paper examines the progress and continued internationalization of these case firms and analyse their strategies and success. A review of the relevant literature is followed by research methodology, findings and discussion. Implications for further research are also discussed.

BRIEF LITERATURE REVIEW
An explanation of the evolutionary and dynamic process of internationalization of a firm is provided by the Uppsala model. This model of gradual incremental steps to international business expansion is based on a series of incremental decisions, whose successive steps of increasingly higher commitments are based on knowledge acquisition and learning.
about the foreign market. Foreign activity starts with export to a country via independent representatives/agents and is followed by the establishment of sales subsidiary and eventually production in the host country. The internationalization of the firm across many foreign markets is related to psychic distance (in terms of differences in language, education, business practices, culture and industrial development). Initial entry is aimed at a foreign market that is closer in terms of psychic distance, followed by subsequent entries into markets with greater psychic distances. In terms of entry mode and level of ownership, the incremental expansion of market commitment means that the initial entry is typically some form of low commitment mode (e.g., minority joint venture (JV)) and followed by progressively higher levels of commitment (e.g., majority JV and wholly owned subsidiary). Learning and knowledge acquisition provides the basis for greater overseas commitment. The learning and knowledge-based Uppsala model has received general support in empirical research [46][6][15] and its largely intuitive nature and evolutionary learning perspective lends itself to being an attractive explanatory model. Recently, Johanson and Vahlne [21] incorporate a network perspective to the model in which internationalization also involves the reduction of the liability of being an outsider in the relevant business networks (e.g., cross-country business networks). In the internationalization area, other researchers have applied or extended the learning perspective to different types of knowledge acquisition (e.g., [1]), accelerated internationalization of firms (e.g., [32][45]) and networks (e.g., [51][11]).

Another popular approach to explain the international expansion of firms is Dunning’s [9][10] eclectic paradigm. It postulates that the extent and pattern of international production is determined by the configuration of ownership or firm-specific advantages (such as proprietary technology, products, expertise and skills), locational advantages of host and home countries, the internalization of these advantages across national boundaries to overcome market imperfections or failures, reduce transaction costs and maximize economic returns [3]. These so labelled OLI variables explain why internationalization (or expansion across national boundaries) occurs but do not explain the dynamic process of internationalization. The international development path, IDP [7][8] provides the eclectic paradigm with a dynamic dimension by relating the net outward investment of a country to its stage of economic development. At a low level of economic development (stage one), there is little inward or outward investments.

Most developing countries are in stage 2 while the NIEs are at stage 3. At stage 4 of the IDP, net outward investment is positive with production being multinationalized. Most developed countries are at this stage. Research on multinationals from emerging countries (including Asian countries) has given general support to the IDP concept (e.g., [8][12][24]). According to Dunning, van Hoesel and Narula [13], the second wave of MNEs encompasses firms mainly from East Asian NIEs. The MNEs from these countries have improved and augmented ownership advantages (e.g., innovatory capabilities) and make more strategic seeking FDI (for technology and marketing) in advanced industrial countries via higher equity and control modes (e.g., through mergers and acquisitions). The authors argue that the second wave is consistent with the IDP explanation (stage 3). The IDP concept remains vague about the precise relationships between the underlying advantages (factors) and the pattern of inward and outward FDI or stage of IDP [43]. The macro nature of IDP studies has contributed to this knowledge gap. Does the IDP contribute to an understanding of the international expansion of firms from a fast developing country, like Malaysia?

The above concepts, while providing understanding and explanation of the internationalization of MNEs, do not provide a complete explanation of MNEs from Asian countries. The Asian MNEs do exhibit characteristics, motivations and internationalization paths that vary from those MNEs from developed countries. Mathews [29][30] postulates that emerging Asian firms can achieve accelerated internationalization via leverage of their contractual linkages with other foreign firms to acquire resources and learn new capabilities. He indicates that this can be an explanation to complement the OLI framework in explaining the rise of such latecomer firms which he dubs as ‘Dragon multinationals’. Mathews and Zander [31] also view the initial stages of rapid internationalization in terms of international entrepreneurial dynamics. Theories on internationalization tend to overlook the active role played by the state and neglect the institutional, contextual and socio-cultural perspectives in the internationalization of Asian firms [48][52][26]. Asian internationalization tends to be organized through social and ethnic networks. Chinese culture and business practices with its own sets of values and beliefs underpin the way Chinese business and cross border operations are conducted (49). Personal relationships and networks (e.g., [17][26]) form the basis of the internationalization of Chinese
and Asian firms. Hence the internationalization of Asian MNEs needs to be seen in its contextual embeddedness (both institutional and cultural). It is imperative to combine these contextual perspectives with the economic perspective normally used to explain the internationalization of MNEs from developing countries. Such differences are being recognized in the literature as reflected in Peng, Wang and Jiang [37] and Luo and Tung [27].

In recent years the phenomenal growth of overseas FDI from large emerging BRIC countries has prompted research into the motivation, behaviour and strategies of MNEs from such emerging countries. Luo and Tung [27] propose a springboard perspective to capture the special characteristics of these MNEs not adequately covered by the eclectic paradigm. These emerging markets MNEs try to overcome the disadvantages of being latecomers through aggressive acquisition of critical strategic assets and opportunities from advanced markets via rapid internationalization. Similar perspectives were provided by Mathews [29][30]. Buckley et al. [4] in their analysis of Chinese outward FDI also indicate that traditional theory can be refined to take account of their special characteristics such as capital market imperfections, special ownership advantages and institutional factors of Chinese outward FDI. While these are recent contributions to the study of MNEs from large emerging markets, there is limited empirical research examining MNEs from other emerging economies, particularly in Asia. Further research is required in order to have a fuller and complete picture of MNEs from emerging economies. This paper presents empirical data on a sample of case firms from Malaysia (a fast developing economy) using a longitudinal study spanning 1999 to 2010. Based on these preliminary findings, research propositions are suggested for more rigorous research investigation and testing.

RESEARCH METHODOLOGY

This study utilizes a longitudinal case study approach. The case study approach is used to collect comprehensive, contextual and holistic data (Yin, 1994; Eisenhardt, 1989; Siggelkow, 2007) from firms that internationalized their operations over time. This will provide data for more extensive subsequent research and testing of propositions. The data is primarily drawn from field interviews with the CEOs or top executives responsible for the international operations of the firms in their home countries. As our focus is on the internationalization and strategies of the parent firms, overseas subsidiaries were not interviewed. In addition, the difficulty of accessing these overseas subsidiaries and financial constraints limited the scope of the study to home countries. Multiple sources of information are used to cross check and validate the information and data collected. In addition to interviews, annual reports, prospectus, presentation to security analysts and bankers, news releases and other publications were requested and collected from the firms visited. Data from other secondary sources, including published materials in business and professional periodicals, journals and internet web sites, were used to supplement the primary material. This use of data from various sources allows us to cross check and verify data and to ensure validity. Case notes were prepared, tabulated and analyzed for each case firm along the lines indicated by Miles and Huberman (1994) for each of the study time frame. Summary tables of the case firms are presented in the Appendix for discussion here. Five case studies are used in this paper to report on their internationalization over a period from 1999 to 2010. These firms were originally interviewed in 1999 ([40]) and again in 2010. Visits to these firms were also made in between these 2 periods. These firms are in the garment, electronics, consumer and diversified sectors. They requested anonymity and confidentiality as a condition of continued participation and are accordingly disguised in the paper. The reluctance of firms to participate in the research was encountered by the researcher and posed a common problem of research in Asian countries.

FINDINGS ON INTERNATIONALIZATION

BACKGROUND OF CASE FIRMS

Our case firms vary in size in terms of sales (2009 data) from MYR16.2 billion to MYR56.1 million with an average size of MYR3.6 billion (the exchange rate of MYR, Malaysian Ringgit is about MYR3.40 to the USD in 2009). The largest firm is a diversified firm (designated as DL), followed by one in consumer product (CP), electronics (ET), garment and property (GP) and another in electronics product (EI). While these firms are much smaller in size compared to MNEs from the developed countries, they are representative of MNEs from Malaysia ([38]). The attempt to internationalize started in the early 1970 for our case firm, DL, with a venture in Indonesia. However vigorous international activities for our firms started only in earnest in the 1990s. In fact, most of our case firms really began rapid internationalization in the mid-1990s. Hence most of our case firms are relatively late comers in internationalization. The Asian currency crisis (AFC) in 1997/98 stopped the frenzy of overseas expansion, with international
expansion proceeding at a much more tampered and considered phase.

Case firm GP is in garment, retailing and property development. Most of its garments were exported, largely on an OEM basis. The search for low cost bases and quota was the main motivation for it to set up plants on a wholly owned basis in Sri Lanka in 1993 to supplement its factories in Malaysia. Expansion followed and four factories were set up in Sri Lanka by 2000. The firm also diversified into property development. After the expiry of the multi-fibre agreement (MFA) in 2004, demand for its garments fell and three factories in Sri Lanka were closed by 2006. By 2009 the remaining overseas factory and all Malaysian factories, except for one, ceased operations as the firm was no longer competitive in the global garment market. During the down turn in its garment business, the firm diversified aggressively into property development and retailing areas. In 2009, the garment business has fallen to only about slightly more than 10% of its turnover. In the electronics sector, the two case firms have different international experience. Firm EI was an entrepreneurial venture set up to produce and adapt electronics products (e.g., display and multimedia systems) to local and overseas markets. The search for technology was a dominant motive for it to seek partners in China and to acquire an Australian firm for its power technology in 1995. However, the Australian venture was disposed off in 1997 and the Chinese operation thereafter, particularly after suffering severe decline during the 1997 Asian financial crisis. With the emergence of Vietnam as an attractive market, the firm set up two wholly owned operations there in late 2006 and 2007. So its progress has been chequered. The other electronics firm, ET, is a disk drive and electronic components manufacturer, supplying to global customers on an OEM basis. With its precision engineering expertise gained through decades of production experience, it grew and internationalized with the global electronics industry. Its internationalization was largely to follow its major customers for marketing opportunities and to use lower cost bases. A 60% joint venture (JV) was set up in China in 1996. This was followed by two wholly owned plants in the Philippines in 1997 and 1999. A factory was set up in Thailand in 1998, followed by another in 2006. In 2003, a Singaporean firm was acquired with 60% ownership. The ownership level was subsequently raised to 75% in 2006 and 100% in 2009. Firm ET was able to successfully weathered the recessions in late 1990s and the global financial crisis (GFC) in 2007, largely due to its prudent financial policy and resilient management.

Firm CP in the food and flour sector has extensive businesses in Malaysia. The expansion into overseas production was basically to seek lower cost bases and to diversify its markets. It set up a subsidiary (100%) in Myanmar in the mid-1990s to manufacture labour intensive packing bags. In 1998 a JV (52.5%) was started in Vietnam to manufacture flour. This JV was converted into a wholly owned subsidiary (WOS) in 2001 after the withdrawal of its two partners. As this firm was a member of a larger regional grouping, some of its businesses were rationalized and sold to other affiliates. A large asset in Malaysia was also disposed off. As a result there was a renewed push to grow via internationalization in the late 2000s. Another packing bag plant (30% JV) was set with a network partner in 2010 in Indonesia. In Thailand there were two JVs, one in flour and one in feed mill. In Malaysia the firm is vigorously pursuing vertical integration moves along its value chain.

Firm DL is the most diversified of the case firms, with interests in retailing, steel, motor vehicles, property and plantations, has grown via diversification and internationalization. While it had gone into Indonesia in 1972 to expand its metal works business, its main overseas focus is in China where it entered in 1993 and build up major businesses in motor vehicles and components, tyres, retailing, brewery, foods and property. It also had computer related operations in the U.S., Germany and Taiwan, but these have been rationalized since. As a result of its rapid expansion, particularly in China, and high gearing, it was severely impacted by the Asian financial crisis in 1997 and had to undergo an enforced group wide restructuring and rationalization scheme in the early 2000s. This involved capital restructuring, re-organization and a divestment plan of MYR4.3 billion worth of non-core assets. With some residual rationalization still in progress, the firm now intends to focus on retailing, steel and property. Its emphasis is on retailing in China (with 44 stores) and in Vietnam (6 stores), which it entered in 2005.

**DISCUSSION AND RESEARCH IMPLICATIONS**

The above findings indicate that our case firms tend to concentrate their overseas operations in the Asian area, particularly in South-east Asia and China. They have limited number of number of overseas production locations, usually in two to four countries. The diversified firm DL has active operations in 5 countries, including the U.S., Mexico, China, Vietnam and Indonesia. Electronics firm ET is in 4 Asian countries. At the
The extent of multinationalization is expected to be greater as a country moves to a higher stage along the investment development path. Our case firms had fewer overseas locations in terms of international spread than MNEs from advanced or newly industrialized countries. The case firms tended to concentrate in the Asian region. Two case firms had begun to move to the developed countries. This is also observed by van Hoessel [43] for his sample firms at stage 3 of the IDP in Asia. It is interesting to observe the early investment in Australia by our electronics firm EI to acquire technology, but this was subsequently divested after two years of trial, probably indicating the lack of international experience at this early stage of internationalization. Case firm DL had investments in the U.S and Europe, but now only the U.S. venture remains. The learning opportunity for more advanced technology did not work out for these 2 firms. It seems that the proposition of Mathews [29][30] and Luo & Tung [27] to seek strategic asset building capabilities for accelerated or springboard internationalization has not worked out for our case firms. Hence our case firms are clearly in stage 2 of the IDP. These firms have to augment their innovatory technological skill base to enhance their ownership advantages to advance further along the IDP. Further research into the lack of technology acquisition by our case firms, as well as other Malaysian firms, can be instructive to provide potential avenues for greater internationalization.

Our case study firms internationalized their operations in the 1990s. The exception is firm DL which started overseas production early in 1972 in Indonesia. Many Malaysian firms, including our case firms, buoyed by economic growth in the late 1980s and early 1990s went overseas aggressively with the active encouragement of the Malaysian government. In the 1990s, firm DL was particularly aggressive in expanding its operations in China in its core businesses and newer businesses such as brewing and foods. Garment firm GP started in Sri Lanka in 1993 and expanded to 4 factories there by the mid-1990s. Similarly, the other 3 case firms internationalize at around the same time. However the AFC in 1997/98 put a halt to the active overseas expansion as many Malaysian firms, including our case firms, have to rationalize and reorganize to overcome the adverse impact of the crisis and the subsequent recessions. Firm DL was severely affected and made losses for several years. It was forced to undertake a group wide restructuring and disposal of assets. The other case firms were not so severely affected. But international expansion was more constrained and measured. In the mid-2000s, garment firm GP was adversely affected by the end of preferential treatment accorded by the MFA and increasing labour cost. It had to close it 4 garment plants overseas. The other 3 case firms internationalize at around the same time. However the AFC in 1997/98 put a halt to the active overseas expansion as many Malaysian firms, including our case firms, have to rationalize and reorganize to overcome the adverse impact of the crisis and the subsequent recessions. Firm DL was severely affected and made losses for several years. It was forced to undertake a group wide restructuring and disposal of assets. The other case firms were not so severely affected. But international expansion was more constrained and measured. In the mid-2000s, garment firm GP was adversely affected by the end of preferential treatment accorded by the MFA and increasing labour cost. It had to close it 4 garment plants overseas. By 2010 its international operation is now confined to a JV in property development in Indonesia. The global financial crisis (GFC) in 2007/08 did not have a severe impact on our case firms. In fact, firm CP expanded operations in Thailand and Indonesia.

In general, our case firms were relative late comers to internationalization. The longitudinal progress of international expansion of our case firms is reflective of MNEs in Asia. Mathews [29][30] argues that late comer firms can be successful in globalization by learning and building technological capabilities quickly and successfully through leverage of their overseas linkages. Luo
and Tung [27] see this as the springboard effect. Gubbi et al. [16] provide some empirical evidence that firms can reap greater value creation through acquisition of strategic assets from firms in advanced countries. However our case firms do not seem to be doing this. Earlier attempts by firm EI and DL going to the advanced countries for technology acquisition have not proved to be fruitful. Their experience in these market and technology fields may have limited their absorptive capacity for learning and knowledge acquisition (15). However, all our case firms have enhanced their knowledge of doing business in their host country markets and performed well. Firm DL is particularly successful in the Chinese market which is reputed to be a difficult market to penetrate. What factors determine the success in one area of knowledge acquisition and not in another for our case firms and other Asian firms is an interesting research question that deserves further investigation and research.

The main motivations for the internationalization of our case firms were market expansion and the search for low cost inputs. This is also true of other Malaysian firms in general. The constraints of the domestic market encouraged Malaysian firms to seek overseas markets. Market expansion was a dominant motive cited by all our case firms. The search for low cost bases was particularly evident in the international expansion of firms GP, CP and ET. These 2 motivations for continued internationalization have not changed for our case firms over the time period studied. For firm GP, market expansion was the main motive for its recent moves to Indonesia and Thailand. This was particularly so as a consequence of the narrowing and rationalization of its business focus in food processing and retailing. Market motivation was the key to the move into Vietnam by firm EI in 2006, by firm DL in 2005 and by firm GP into property development in Indonesia. Similarly firm DL expanded its operation in China and ET in Singapore. Technology acquisition as a motive was only mentioned by firm EI and DL. Firm EI was in China to seek applied R&D collaborative arrangements and in Australia for power related technology. Firm DL’s operations in the U.S. and Germany were to tap technology for its computer based business. As mentioned previously, these ventures did not prove very fruitful. Firm EI ceased its overseas operations and DL exited Germany. Other than these attempts in the mid-1990s at technology acquisition, no specific technology based acquisitions were subsequently attempted by our case firms. This differs from the more progressive MNEs from the more developed Asian countries in stage 3 of the IDP that have augmented their technological and other capabilities suitable and required for global operation ([41][30][27]). Our case firms indicated that their emphasis was to learn how to operate successfully in the host country business environment and that their current technological enhancements were adequate. This apparent lack of foresight and long range planning in terms of technology acquisition and development of ownership advantages required for global competition is intriguing and presents opportunity for research. Is this applicable to other firms from Malaysia and other Asian countries? This is a fertile area for study.

The sources of competitive advantage of our case firms are based on cost competencies and adaptation to host country markets. The cost advantages are generally based on more labour intensive processes, flexible production and appropriate technology. For example, the competitive advantage of garment firm GP is based on a cost and OEM orientation and a reputation for quality and reliability. Its production in Malaysia and Sri Lanka are mainly for export to European and North American markets. To reduce dependence on textiles, it has diversified into retailing, trading and property development. Our electronics firm, EI, relied on its own technical expertise and its ability to design and tailor advance electronics displays to host market requirements at competitive prices. This company is conscious of its need for technology and acquired an Australian firm for its technology (but subsequently divested) and used its China venture and networks to tap technology tailored to the Chinese market. It has a conservative approach to internationalization and expands when its capacity can sustain them. In the consumer product firm in our sample, location-based cost advantages are important. Firm CP has a packaging plant (to make polypropylene bags) in Myanmar, and has gone into joint venture with Australian (17 1/2% equity) and Vietnamese interest (30%) for flour production in Vietnam. These investments are cost driven, though the local market for flour and noodles is also a key determinant for investment in Vietnam. In addition it draws its strength as a member of a Chinese based business group and network in South-east Asia and other parts of Asia. Cross investments and transfers of local expertise takes place within this business network of members. Firm DL, a large conglomerate with businesses in steel, plantations, property, motor vehicles and components, tires, food and beverages, retailing and financial services, has grown via diversification and internationalization. While it has gone to other countries, its main focus is in China, where it entered in 1993 and built up major businesses in motor vehicles and components, tires, retailing, brewery and

The 11th International DSI and the 16th APDSI Joint Meeting, Taipei, Taiwan, July 12 – 16, 2011.
properties. It had computer related operations in the U.S., Germany and Taiwan, but these have since been rationalized. The competitive advantage of firm DL in China is its intimate market knowledge and extensive network built up over years of development in China, particularly by its CEO. This firm stressed the importance of patience, perseverance and a very long term view in developing the China market. Considerable care was also taken in selecting the right partners. Most of its successful businesses in China were also built on competencies developed in the domestic market such as retailing, motor vehicles and components. It also did well initially in the brewery business in which it had no domestic competencies or business, but it brought in required expertise for the China operations. However the brewery business was later disposed off. From a learning perspective, firm DL was successful in exploiting and leveraging its existing knowledge and capabilities, but not so successful in exploring new technology knowledge and businesses ([1]).

Over the period of this longitudinal study, the competitive advantage of our case firms has varied. The cost and preferential access based competitive advantage of garment firm GP have vanished and it had to cease overseas production and curtail domestic capacity. Now it has diversified to focus on property development and retailing. Its only international activity now is a JV with its network partner in Indonesia. Firm EI acquired the technological know how of garment production expertise from a JV with its network partner in Indonesia. Firm EI acquisition of technological know how did not pan out and now it relies on its own expertise to adapt technology to local markets. It has reverted back to rely on the exploitation of its existing capabilities, rather than the exploration of new technological innovations from advanced markets.

Firm ET worked closely with its global electronics customers to enhance and leverage its precision engineering capabilities. This, coupled with its own strong management capabilities, allows it to expand its international operations. Consumer product firm CP utilized its extensive ethnic networks to set up new and recent JVs in Indonesia and Thailand to capitalize its experience and skills in food processing. Firm DL, which was severely affected by the recessions in the late 1990s and early 2000s rationalized its overseas businesses to focus on its core strengths of retailing and intimate knowledge of and networks in the China market. While cost competencies are still important, our case firms have expanded and utilize other sources of competencies to compete and grow.

In the early stages of internationalization, most of our case firms exhibited a preference for JVs. This is similar to other Malaysian and Asian MNEs. For example, DL made extensive use of JVs in China. Over the years, its use of WOS increases, even in China, in order to exert greater control of its overseas operations. In addition ownership restrictions in some Asian countries, including China, have been liberalized over the last 10 years. Firm ET started with a JV in 1996 in China, but subsequently set up WOS in the Philippines and Thailand. By 2010, all its operations in the Philippines, Thailand, and Singapore are wholly owned, while the equity control of its Chinese JV has increased to 90% in 2003. So there is a clear trend towards greater control by firm ET over the time period under study. The experience of firm EI was an initial JV in China followed by an acquisition in Australia. After their disposal, it entered Vietnam on a wholly owned basis. The changes in greater incremental commitment of the above cases reflect the prescription of the Uppsala model. Garment firm GP is the only case firm using WOS in its initial and subsequent garment ventures in Sri Lanka. However these were all closed down after the end of the MFA in the mid-2000s. Its later overseas venture is a JV in Indonesia. Consumer product firm CP used both WOS and JV in its initial years. The JV in Vietnam was converted into a WOS after the withdrawal of its 2 partners. In recent years, its internationalization expansion in Thailand and Indonesia involves JVs with network partners of long standing. This trend towards greater use of strategic partnerships is different from the other case firms. This can be explained by its desire to grow quickly by leveraging its production expertise with the market knowledge of its partners. This inclusion of the utilization of network partners, even at a later stage of internationalization, is reflected in recent addition of network effects to the Uppsala model ([21]). Hence, the longitudinal development of our case firms in terms of equity control varied.

In terms of the management of the overseas subsidiaries or JVs, there is generally central or HQ control and this has not varied over the period of the longitudinal study. In both electronics case firms the management of overseas operations were by top management in the parent companies. In firm ET, control was progressively increased as the equity stakes in the JVs were increased to 90% in the case of China in 2003 and 100% in the case of Singapore in 2009. Key decisions were made by the CEO and COO out of HQ. After the withdrawal from China and Australia, firm EI centralized the management of its Vietnam operations. In CP, our consumer product case firm, the management of the subsidiaries varied by country location. In its wholly-owned operations, including a processing plant in
Vietnam, key management and decision making were made at head office in Malaysia. Top Malaysian managers ran this business, while the production manager and workers were Vietnamese. In its Indonesian joint venture, which was majority owned, the general manager and financial officer were Malaysians, while the local partner headed marketing in which he had expertise. Production personnel were local Indonesians. However, technical expertise was provided by technicians from Malaysia. The labour intensive operation in Myanmar was run out of head office, with local employees doing the production work. In the recent JVs in Indonesia and Thailand, management was shared with its partners utilizing the expertise of the respective parties. In the diversified firm, DL, the management and organization of operations, both in Malaysia and overseas, was by business divisions. The most substantial overseas operations were in the retail business, where the firm operated a large chain of departmental stores, particularly in China, and in motor and tyre sectors, where it had vehicle assembly plants and tyre manufacturing in China. The firm had two China offices in Beijing and in Shanghai where the Chinese managers for these divisions were stationed. The management and control of the overseas subsidiaries in firm DL was tight, with limited decision making authority being delegated. This was due to the Executive Chairman (CEO) of the DL group being a very hands-on CEO. In fact, it was the CEO who initiated and spent considerable time developing and establishing the China businesses and networks. The CEO and his senior executives travelled regularly to China and conducted at least two formal business reviews every year. This was in addition to the monthly operations reviews which are supported by detail monthly reports from the subsidiaries. With constant interaction between head office and the overseas locations, coupled with formal business and financial reports, the Kuala Lumpur head office maintained a very close supervision of all of its international operations. This central control has not changed over the 1999-2010 period studied.

As can be seen from the case studies, management control of overseas operations tends to be increase over time. This seems to be quite different from recent calls for greater decentralization and autonomy in the management of subsidiaries in MNEs ([2],[36],[28]). Such differences in our case firms and in the Malaysian context merit further research.

CONCLUSION

This preliminary study provides new empirical longitudinal research data on the internationalization strategies of emerging Malaysian firms over a period of 11 years. Over the period studied, some aspects of strategies utilized by our case firms have changed while other has not. Our case firms, with the exception of firm DL, are late comers to internationalization and have become regional MNEs. This seems consistent with the Uppsala model. Over the time span studied, the motivations for international activities have remained largely market and cost driven. Two of our case firms indicated technology seeking motive but this motivation was diminished by the lack of success. So in terms of learning, there is limited technology acquisition and less reliance on acquisition of strategic asset-seeking advantages from the advanced countries, as advocated by recent studies [27][30] that such knowledge acquisition can leverage accelerated internationalization for firms from developing economies. But our case firms are acquiring knowledge and skills for operating in the host market environments in China and other parts of Asia. This learning and knowledge of the host country markets is facilitated by the existence and use of the ethnic networks and relationships cultivated by our case firms in the region. Hence the competitive advantages of our case firms are based on cost-based capabilities and other location-based advantages, brought together by an extensive web of networks.

In terms of mode of internationalization, our case firms utilized both joint ventures and WOS over the time period studied. The increase in use of the WOS mode as internationalization progresses is evident in most of our case firms. The increasing use of equity ownership over the time period studied is accompanied by the high management control of subsidiaries from the HQ and reflects a trend towards greater internalization of advantages within our case firms. This is in accord with both the Uppsala and eclectic approaches.

This study reveals some interesting and different aspects on internationalization of our case firms over the 1999-2010 years under study. How will our case firms evolve and will they follow conventional prescriptions of internationalization and growth? Knowledge on this will depends on further research undertaken in areas as indicated in the discussion section of the paper. The above findings are preliminary in nature and the key
limitations of this study should to be noted. The empirical base is small, utilizing a study of five case firms. The use of a case study method here has its shortcomings, such as the limited sample size and the danger of generalizing the findings beyond the cases. Hence the findings are exploratory in nature and form the basis for our research propositions suggested for further empirical study using large scale samples. Research into these areas will provide a better and more comprehensive understanding of Asian MNEs, as well as MNEs in general.

REFERENCES