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Global Strategy of Asian Market Enterprises

(*Special Issue Editorial*)

We are honored to be the guest editors of this special issue on 'Global Strategy of Asian Market Enterprises.' All the papers are original contributions and it is our view that they will lead to better understanding of the implications of managing global strategy from a cross section of Asian companies and a richer understanding of the theoretical issues in global strategic management.

Emerging Markets have recently been attracting increasing attention in investors' minds as the post financial meltdown of 2008 and the series of Euro crises have been casting a deep shadow of gloom and uncertainty on the economic performance of the developed economies. IMF forecasts suggest that the share of emerging markets as a proportion of global GDP will climb to approximately 55% in PPP terms and 40% in current dollars by 2020 (source: IMF, Credit Suisse, J P Morgan Global Economic Research). Average annual rates of economic growth for emerging markets for the 10 years ending 2013 have averaged 6.4% versus 1.5% for advanced economies. Further, Goldman Sachs estimates that by 2040, the total market capitalization of emerging markets would hit a high of US$80 trillion while that of developed markets would be around $65 trillion. Different estimates suggest that by this time, emerging economies account for more than 75% of the world's population, and 75% of the number of mobile subscribers, foreign exchange reserves, and steel and copper consumption (source: AT Kearney, Bloomberg, Fortune, IMF, World Steel Association). Importantly, the Fortune 500 list for 2011 show 188 Asian companies while the number of North American based companies share has come down from 215 to 144 (source: Fortune). An increasing share of global outward FDI has been originating from Asian economies and it is expected that this share will keep on demonstrating an upward trend (e.g., Bhagat *et al.,* 2011; Reddy, 2015b; Rugman and Oh, 2008).

Cross-border– trade, investments, joint ventures, acquisitions, and networks are important choices of firm's internationalization process. The extensive strategic management and IB literature suggests that internationalization depends on many factors such as OLI (ownership, location and internalization), institutional norms, asset seeking, market seeking, cultural effect and political relationship, broadly 'firm- and country-specific attributes' (e.g., Reddy, 2014). Specifically, two important issues are associated with the internationalization of Asian market enterprises (AMEs), namely free-flow of investment at ease of exchange norms and the recent global financial crisis. In addition, availability of free-cash-flows and limited expansion of local markets are the other major factors that push many AMEs to choose internationalization as a growth strategy. Hence, AMEs internationalize their core business activities through various market entry choices such as organic strategies: exporting and licensing, and inorganic strategies: acquisitions, alliances, and joint ventures. In fact, there is a significant flow of foreign direct investment from emerging to developed, emerging to emerging, and emerging to developing countries (Tseng and Kuo, 2008). While, Annushkina and Colonel (2013) examine foreign market selection of Russian multinational enterprises and suggest that distance or geographic closeness is one of the key determinants explaining the country's probability of attracting a merger or joint venture by Russian MNEs. They also imply that IB studies should explore the exploration and exploitation of macro- and micro-variables, which influence internationalization process and decisions (p. 78). In light of the South Asian MNEs, Elango and Pattnaik (2011) suggest that Indian firms acquire targets serially to learn and build capabilities.

Taking things forward, a number of views on emerging markets have stimulated this special issue (e.g., Drummond, 2012; Peng, 2012; Ramamurti, 2012; Reddy, 2015a). For instance, Ramamurti (2012) argues that 'do need more research into how much ownership advantage a firm needs to offset the liabilities of foreignness'. In particular, Peng (2012) argues that 'unique aspects of Chinese multinationals will have significant implications for future theory building in global strategy research. All in all, emerging markets present a 'lively and intriguing environment for global strategy research' (Drummond, 2012). As a significantly large proportion of Asian enterprises follow a corporate governance pattern strikingly different than developed economies in terms of family ownership, corporate cross holdings and guarantees and a complex web of related party transactions; therefore, it is necessary to examine if AMEs have a different strategic approach that will enable them to appropriate for themselves an increasingly larger share of the global value chain.

With this backdrop, the special issue welcomed scholars to submit their research work on the aforementioned themes. Following the double-blind review system, we have accepted 5 scholarly articles out of 12 submissions. We believe that the selected papers published in this special issue constitute a significant contribution to our understanding of the global strategy of Asian enterprises across different sectors. Briefly, selected papers cover the banking sector in India, the management of innovation in a Taiwanese biopharmaceutical firm, the adaptive approach of an Asian enterprise in the mobile payment ecospace and an investigation into cross border mergers and acquisitions strategies of Indian multinationals. We hope readers will enjoy reading them. Herewith, we present summary of selected papers.

Dhananjay Bapat, and Deepa Mazumdar in their paper titled, 'Assessment of Business Strategy: Implication for Indian Banks' examine the business strategy orientation in the context of Indian banking sector based on responses received from 330 banking officials. Using factor analysis, they found that respondents have given higher rating for both market share and new product, followed by cost efficiency, competition and service. They also discuss various institutional laws with regard to banking and bank services. The study offers guidance to managers as to frame and assess the banking strategy in a developing economy, which suffers from a lack of sufficient penetration of banking services, as well as need to adopt an inherently indigenous growth strategy due to the partial segmented nature of the Indian capital markets.

Drawing attention to innovation management, Christina Öberg, and Tommy Tsung-Ying Shih in their paper titled, 'Strategy in an Ambiguous Innovation Environment: The Case of a Taiwanese Biopharmaceutical Firm' discuss how a company balances its relationships with others to achieve strategic intentions in an ambiguous environment. Authors have adopted single case method in Taiwanese biopharmaceutical firm- Taiwan Liposome Company for two different product developments: generic and novel drugs. They suggest that ambiguity leads to transactional exchanges on the domestic level, while the focal firm engages in collaborative, relational interaction with international parties to accomplish innovations.

Likewise, Rozeia Mustafa in the paper titled, 'Business Model Innovation: Pervasiveness of Mobile Banking Ecosystem and Activity System – An Illustrative Case of Telenor Easypaisa' reviews and conceptualizes a mobile banking business model innovation in the context of business ecosystem and activity system perspective. The paper proposes that patterns of business model innovation can be explained through business ecosystem and activity system and also through integrated value chain of mobile network operator and its partners in the supply chain of mobile financial services.

Naveen Srivastava in the paper titled, 'Does Governance Structure Have Any Effect on Firm Performance during the Financial Crisis: Evidence from Selected Indian Companies' analyzes the effect of the governance structure of a company on its financial performance around the global financial crisis. To do this, the author has studied 164 non-financial listed firms in a large Asian market- India. He reveals that CEO duality, executive chairperson and proportion of inside directors have positive impact on the firm's financial performance, while independent directors have no influence and non-executive directors have negative impact. The findings suggest that companies with larger board may find it difficult to take quick decisions, which ultimately affect their performance.

Last, but not least, Vanita Tripathi, and Ashu Lamba in their paper titled, 'What Drives Cross-Border Mergers and Acquisitions? A Study of Indian Multinational Enterprises' examine motives of Indian multinational enterprises pursuing cross-border mergers and acquisitions for the period 1998 through 2009. Using the survey approach, the authors suggest five varieties of motives including value creation, improvement in efficiency, market leadership, marketing and strategic gains, and synergistic gains. In essence, the improvement in efficiency was because of reduction in operating costs along with the consequent improvements in financial parameters- increase in liquidity, reduction in the cost of capital, and increase in dividends following foreign acquisitions. The findings would help the prospective Indian acquirer companies to focus on the motives, which help in improving the post merger financial performance.

Nominated Paper from this Special Issue to the Journal Annual Awards

Title: Strategy in an ambiguous innovation environment: The case of a Taiwanese biopharmaceutical firm

Authors: Christina Öberg; Tommy Tsung-Ying Shih

Nominated Reviewers from this Special Issue to the Journal Annual Awards

Frank Butler, Associate Professor, University of Tennessee at Chattanooga

Neelam Rani, Assistant Professor, Indian Institute of Management Shillong

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