

Chapter 72

Transcontinental Strategies and Strategic Choices

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ABSTRACT

This paper searches for a possible Asian way for internationalization and the theoretical bases behind these transcontinental strategies and strategic choices. In particular, this paper explores the dominant modes of outward foreign direct investment (OFDI) employed by Indian enterprises in the UK. It also assesses their competitive advantages in various industries, and the link between strategic aspirations and post-entry performance. This study employs a mixed methodology using a combination of questionnaires and semi-structured interviews for data collection from 124 companies. Mergers and acquisitions are revealed to be the preferred mode of entry into the UK. However, the study found that not all theoretical predictions are supported. Although from a financial point of view India's OFDI in the UK is not fully justifiable, from a strategic development aspect, it has satisfied the investors.

INTRODUCTION

While transcontinental trade can be traced back more than a millennium, advanced transcontinental strategies or strategic choices are a relatively new phenomena. The theories behind these strategies may be in need of revisiting (Aboutalebi, 2016b) to adjust them to the recent surge in the cross-continental internationalization of Asian multinational enterprises. Late industrialized countries in general and Asian countries in particular tend to follow different paths towards economic development, compare with those

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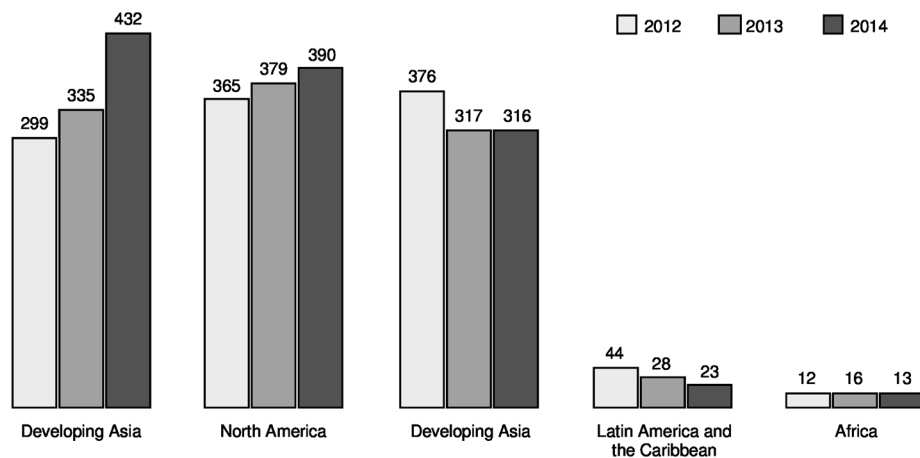
of the early developed ones. This research is an attempt to shed light on the preferred modes, strategies and strategic choices of Indian companies for internationalization and to assess the suitability of current theories to explain these preferences.

Foreign Direct Investment (FDI) as one of the common mode of internationalization refers to “an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor” (International Monetary Fund, 2015). Recently, Outward FDI (OFDI) from Asian countries into the developed countries has fast been gaining momentum. A report by the Organisation for Economic Cooperation and Development (OECD) shows that Asia’s developing countries are the first major source of OFDI (see Figure 1). The recent World Investment Report (2015) by the United Nations Conference on Trade and Development (UNCTAD) indicates that not only is there a growing trend of OFDI from Asian economies, more interestingly, there has been a dramatic increase in the number of enterprises originated from developing economies investing in *developed* host countries. This ‘reverse’ globalization has been termed ‘unconventional’ (Kedia, Gaffney & Clampit, 2012), as it does not follow the conventional internationalization path previously predicted based on the experiences of firms out of developed (primarily Western) economies.

Several Asian economy proponents have argued that the traditional theories fall short in explaining the FDI patterns from Asian economies. The emergence of these new multinational enterprises (MNEs) raises the need for further study and the development of new theories. A few renowned management advisory organizations have published informative reports (BCG, 2015; Price WaterhouseCoopers, 2010) and attempted to predict the possible long-term consequences. The structure of the paper is as follows: after the theoretical frameworks that highlight internationalization theories regarding multinationals from Asian economies, Indian multinationals in the United Kingdom (UK), research methodology and finally discussions and findings are presented.

Figure 1. Sources and trend of OFDI (billions of dollars)

Source: UNCTAD’s World Investment Report (2015).



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