
This edited volume comprises fifteen papers presented at the twenty-fifth conference of the U.K. Chapter of the Academy of International Business. After an introductory chapter on current issues in international business research, penned by the editors, the following six chapters pertain to various contemporary themes in international business, including: multinational firms and public policy; internal capital markets in multinational firms; knowledge within multinationals; and new technologies. The latter eight papers focus on the impact of foreign direct investments (FDI) on three regions, including East Asia. One of these papers, by Yukio Takagaki, discusses Japanese ownership strategies in Singapore, Malaysia, and the Philippines, and compares them with the U.S. model of FDI.

In their introductory chapter, the editors identify four areas of international business (IB) research that, in their view, have been relatively neglected by scholars. The first of these is emerging and developing economies, where even the limited IB research in this field “tends to take the perspective of a corporation from a mature economy entering an emerging or developing economy, rather than the perspective of the organizations and institutions in the emerging or developing economy”. The other three areas identified by the editors as being generally neglected by IB research are: financial systems and the allocation of capital by corporations; the nature of ideology and value systems seen as fundamental to successful economies; and the role of geography in business activity, such as production specialization by locality and clusters. Should IB research move towards better understanding such relatively neglected issues as these four, a multitude of disciplinary approaches is likely to be employed. And in some aspects at least, this collected volume offers a “taster” of what may lie ahead for some fields of IB research.

Two of the editors (Chong and Millar) contribute a chapter entitled “Asian Economic Success and Crisis: Knowledge and Financial Capital”. In it, the Asian crisis is examined through the role played by knowledge and financial capital allocation. The authors conclude that “neither systems of external nor internal financial capital allocation had been fully developed” in many Asian emerging markets, and that this was a contributory factor in the Asian crisis. For those who directly experienced the Asian financial crisis, this almost goes without saying. More interestingly, the two authors also posit that with regard to knowledge acquisition, diffusion, and delivery, Asia’s emerging markets suffered from a “knowledge allocation mechanism … [that was] no longer appropriate in today’s global business environment”. More specifically, the authors suggest that the “strength of the collective, relationship- and trust-based national business systems in Asia was based on the diffusion and dissemination of externally created knowledge … However, as the global business environment has become increasingly dependent on creativity, research and development (R&D), technology and the so-called, high-tech industrial milieu, global competitiveness in knowledge resources has become more dependent on acquisition and delivery, rather than diffusion.”

If this is indeed a weakness of the East Asian business systems, then the chapter by Grant, Almeida, and Song — on “Knowledge and the Multinational Enterprise” — suggests that corporate executives (and even policy-makers) in Asia would be ill-advised not to seek some way of overcoming this dilemma. They point out that as forces of globalization in business increase, “advantages arising from traditional sources such as the unique access to capital, labour or markets can be expected to decline. Correspondingly, a company’s ability to develop, access, integrate and deploy knowledge across its worldwide system is likely to grow ever more critical”. Looking around Southeast Asia, this may pose some challenges for a number of countries and their corporate sectors. Takagaki’s examination of the ownership strategies used by Japanese manufacturing
companies in their Malaysia, Philippine, and Singapore operations tends to confirm what was already perceived to be the case for the U.S. and European firms. The author examines ownership strategies of Japanese firms through five possible explanatory factors: R&D, advertising, marketing, capital and labour, and time of market entry. Among his results, Takagaki finds that higher values of R&D and marketing intensity prompt a greater likelihood that Japanese firms will opt to enact wholly-owned operations in these Southeast Asian countries. However, early market entry would be likely to prompt opting for a joint-venture operation. In conclusion, “R&D was found to be the most important ownership advantage [in this sample of Japanese investors in Southeast Asia], just as it is for U.S. and British firms”. And since “the competition in R&D is increasing this suggests that the number of Japanese wholly owned subsidiaries in South East Asian countries may increase.” Trends in global marketing may also support this trend. However, Japanese firms in labour-intensive industries, or with little experience of the local market or management, will still display a propensity to enact joint ventures.

Perhaps the one main weakness in this chapter is the author’s comparison with increasingly dated models of the U.S. and European firms’ ownership strategies, where he cites studies of the latter that originate from the 1970s and 1980s. More recent work — such as the recently published International Production Networks in Asia, edited by Borrus, Ernst, and Haggard — indicates that the U.S. firms’ investment activity in the region has further evolved in the 1990s. Even in high R&D intensity operations, such as relatively advanced electronics, there is a move by the U.S. firms towards a much more “open, competitive supply architecture”, where local Asian companies provide fairly considerable value-added. The example of Cisco can be cited, as a U.S. firm — with a market capitalization of around US$350 billion — that even enacts most of its R&D activity through alliances with key suppliers overseas. These suppliers are not bound to Cisco by anything more than a contractual arrangement, with no equity relationship at all. In this respect, Takagaki’s study of Japanese investment in Southeast Asia is making a comparison with what may be a U.S. model of ownership strategy that pertains less and less, as cross-border production networks become increasingly complex and “open”.

This volume provides some interesting insights into the current state of play of IB research, and contains some illuminating chapters that pertain directly to Southeast Asia. As such, it is a useful addition to the literature on international business activities in the region.