

more ambitious: to enhance the parent's capability base with an eye on global market leadership. This strategy requires the transfer and integration of knowledge and capabilities from the acquired firm to the new parent. This intention is, however, challenging to implement. For example, how can a technological laggard identify the sources of a leader's superior performance? How can knowledge that is embedded in organizational processes, or even the education system, be communicated to recipients in another country? How can capabilities be replicated in a parent organization (the acquirer) with very different organizational structures

and culture, say authoritarian leadership in China versus flat hierarchies in Northern Europe? Early indications suggest that both *Tata* and *Geely* found this reverse knowledge transfer quite challenging.

Sources: (1) V. Bajaj, 2012, 'Tata Motors finds success in Jaguar Land Rover', *New York Times*, August 30; (2) N. Shirouzu, 2013, 'Geely, Volvo differ over future China look', *Reuters*, September 10; (3) R. Gibben 2015, 'Jaguar Land Rover: £1.3bn Tata gamble pays off as big cat punts at last', *The Telegraph*, February 15; (4) A. Sharmar, 2015, 'Volvo drives Geely to record sales', *Financial Times*, February 27; (5) Meyer, K.E., 2015, 'What is strategic asset seeking FDI?' *MBR*, 23(1): 57–66.

These four strategic goals, while analytically distinct, are not mutually exclusive. Thus investors may pursue several objectives when establishing a particular subsidiary. However, it is important to have a fairly clear idea of 'what' you want to achieve, before you consider 'how' to achieve it – in designing foreign entry strategies (as well as your own career, for example). A natural resource-seeker needs to specify the resources sought, and a market-seeker needs to identify the target customers, and so on. Having established the objectives of a foreign entry, we can discuss how a firm can achieve them.

WHERE TO ENTER?

Like real estate, the motto for international business is 'Location, location, location'. In fact, such a spatial perspective (that is, geography beyond one's home country) is a defining feature of international business.³ Location decisions involve (at least) two levels: first the country (say, UK), and second the site (say, Abingdon Business Park, near Oxford). The considerations for these between-country and within-country location decisions tend to be similar. Favourable locations in certain countries may give firms operating there access to **location-specific advantages**, that is, advantages that can be exploited by those present at a location. We may regard the continuous expansion of international business as a continuous search for locational advantages. As we discussed in Chapter 6, locational advantages relate in particular to markets, resource endowments, agglomeration and institutions. Prospective foreign investors access these advantages of possible host countries and – critically – match them with their own needs. Thus the importance of different advantages varies for firms with different objectives (Table 12.1).

The quality and costs of local resources are a prime concern of natural resource-seeking and efficiency-enhancing investors. Their key decision parameters are the specific local resources that they require for their operations. For example, oil majors like *Shell* and *BP* seek accessible oil deposits, software developers like *SAP* seek trained software engineers, and manufacturers seek reliable workers and suppliers of intermediate goods. Some of these resources are available only at a limited number of locations, which takes certain industries to far off locations, such as oil exploration in the Middle East, Russia and Venezuela. The costs and productivity of the local labour force are prime considerations for efficiency-enhancing investors. Numerous MNEs have entered China with efficiency-enhancing motives. China manufactures two-thirds of the world's photocopiers, shoes,

LEARNING OBJECTIVE

2 Identify relevant

location-specific advantages that attract foreign investors (where to enter)

location-specific advantages

Advantages that can be exploited by those present at a location.