

# Dragon multinational

[Environment](#), [Animals](#)



Select a major Dragon Multinational. Describe the company's features that are consistent with Mathew's Dragon MNC theory and any that are not consistent. Analyse the factors that led the corporation to be successful. Prepare a three year Global Development Strategy for the corporation, taking into account the current business environment. Chosen Company: The Hong Leong Group with specific focus on City Developments Limited.

The primary features that define a Dragon Multinational Corporation in their simplest form are large Multinational Enterprise's that stem from the Asia-Pacific region that have 'successfully internationalized and in some cases become a leading firm in its sector' (Mathews). The Singapore based Hong Leong Group fits this classification almost seamlessly as with its many offshoots it is worth an estimated \$30 billion boasting highly successful projects within property, finance, hospitality and trade and industry (hongleong. com. sg).

Unlike many of the companies Mathew's makes reference to in his theory the Hong Leong Group was not instantly a global success, in fact it was started in 1948 by Kwek Hong Png as a modest shop dealing in construction materials. Later on in the 1960's the group moved into Finance for small local firms and a small amount of property investment. In the 1970's The Hong Leong Group obtained a dominant stake in its most well known venture 'City Developments Limited' which was then a mere 8 employee's and slowly expanded into commercial development.

It was in the late 1980's under the control of Kwek Hong Png's son and future Executive Chairman Kwek Leng Beng that the company made its move into

the hotel industry. This is where we witness what Mathews refers to as the “Gestalt Switch” from domestic to global competitor. The Hong Leong Group is what Mathews classes as a ‘Second Wave MNE’. These corporations are characterised by using ‘pull factors that draw firms into global connections rather than push factors that drove firms as stand alone players in the first wave’.

A classic ‘Gerschenkronian Latecomer’ The Hong Leong Group unsuspectedly enhanced their portfolio through acquisitions and joint ventures namely the obtaining of a controlling interest in City Development Limited before embarking on what the group call a ‘strategic diversification strategy’ leading to the purchase of a hotel which thrust the group onto the world stage and was soon followed by rapid expansion and regionalisation.

In Mathews theory there are 3 principal characteristics of a ‘latecomer’ these are accelerated internationalization, organisational innovation and strategic innovation. Accelerated Internationalization Internationalization is ‘defined as a process of cross-border operations when a business firm headquartered in one country controls and influences the strategic decision making of atleast one affiliate in another country’ (Yeung). Latecomers progress by making use of existing international connections in Hong Leongs case they used mergers and takeovers in a process known as horizontal integration.

They linked with CDL and used the leverage of their financial sector to fund the hotel investments allowing the group to create their hospitality arm the London listed subsidiary Millenium and Copthorne Hotels plc which now

operates over 120 hotels in 18 countries. M&C also signed a global strategic marketing alliance with Maritim Hotels which added another 49 hotels to the portfolio not inclusive of the eight management contracts announced that are to take place between 2009-2011. This clearly shows the rapid expansion that is so characteristic of a Dragon Multinational.

Organizational Innovation Mathews highlights that Dragon Multinationals from an organizational perspective ‘dispensed with conventional “international division” as they had a global perspective from the get go. This is true of Hong Leong Asia which is the trade and industry branch of the group. The roots of the Hong Leong Group from its inception were in the concrete industry and although slightly overshadowed by the property and finance sectors in past years Hong Leong Asia was successfully growing in the background.

The group has companies such as diesel engines companies, packaging companies and building materials companies that have merged via acquisition of stake holdings to create one single major manufacturing and distribution enterprise. This cluster of businesses that are hugely successful evolve in their individual specialities growing the company as a whole into one of the biggest integrated trade and industry groups in Asia.

Strategic Innovation Frequently mentioned in Mathews Theory is the idea of latecomers taking advantage of an already well established global network, tapping into this via alliances and mergers. This is the innovative strategy that is displayed brilliantly by the Hong Leong Group as both CDL and Hong

Leong Asia used this method to propel them through the initial stages of internationalization straight to being globally expansive.

City Developments Limited linked with London's Millennium & Copthorne and New Zealand's Kingsgate and the Philippines Grand Plaza and now own and operate hotels in 18 countries and are currently expanding to The United Arab Emirates. Similarly Hong Leong Asia after acquiring several companies within Asia to become one of the biggest manufacturing companies in Singapore has linked with several subsidiaries on both the New York and Amsterdam Stock Exchange.

This is a prime example of how pioneering latecomer MNE's from the periphery use linkage and leverage to take advantage of vast existing global networking. Factors influencing success of the group – OLI vs LLL Within Mathew's theory one of the main factors that influences whether a company can be classified as a Dragon Multinational is whether it fits Dunning's OLI framework or whether it is better suited to the adapted LLL framework.

The original 'ownership, location and internalization' structure best describes the traditional MNE as it reaches global status by overcoming market malfunction with superior resource bases and overlooks the methods that form the basis of many modern MNE's global success such as innovation and joint ventures etc. With acquisitions and joint ventures being the primary strategy of the Hong Leong Group their global expansion is definitely more in keeping with Mathew's proposed 'linkage, leverage, learning' framework that picks up where the OLI framework left off, based on the international expansion of Dragon MNC's.