Real options and MNE strategies in Asia Pacific

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Published online: 10 November 2007
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Abstract Asia Pacific offers a lot of promising growth opportunities, but it also presents high levels of uncertainty for multinational enterprises (MNEs). In this paper, we introduce real options theory as a theory of investment under uncertainty, and we discuss its implications for MNEs and their strategies with a focus on the emerging economies in Asia Pacific. We suggest that MNEs must recognize the various sources of uncertainty, as well as the various options embedded in their investments, and real options theory can help them structure and design their investments to benefit from uncertainty. In particular, MNEs need to develop the dynamic capabilities of managing real options in their investments to respond to the evolving economic and institutional environment in the region. This paper also provides several implications for policy makers in Asia Pacific to stimulate investment activities in the region and to help their firms venture successfully in the international marketplace.

Keywords Real options theory · Multinational enterprises · Asia Pacific · Emerging economies

Asia Pacific is playing an increasingly important role in the global economy in the 21st century. The stock of inward foreign direct investment (FDI) in Asia Pacific has

The authors contributed equally. We thank APJM's Editor-in-Chief Mike Peng for his guidance on this project.

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