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UNDERSTANDING OUTWARD FDI STRATEGIES FROM INDONESIAN MULTINATIONAL ENTERPRISES: A MULTI INDUSTRY PERSPECTIVE

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Abstract

This study explores the Foreign Direct Investment (FDI) strategies of three leading Indonesian multinational enterprises (MNEs)—Indofood, Adaro, and Kalbe—from the food and beverage, mining, and pharmaceutical industries. Using a thematic analysis, the research identifies three key themes shaping their internationalization strategies: Strategic Global Expansion, Operational Integration and Synergy, and Institutional and External Market Dynamics. The findings highlight how these firms leverage global expansion to diversify markets and enhance competitiveness, employ operational integration to achieve synergies and control, and adapt to institutional and regulatory challenges to mitigate risks and maintain resilience. Classical theories such as the OLI Paradigm, Internalization Theory, and Resource-Based View (RBV) provide a foundation for understanding these strategies, while contemporary frameworks like the Linkage-Leverage-Learning (LLL) Framework and Springboard Theory offer nuanced insights into the unique dynamics of emerging market multinationals (EMNEs). This study underscores the critical role of institutional alignment, regulatory compliance, and market adaptability in ensuring successful FDI outcomes. It contributes to the literature by advancing theoretical frameworks to better capture the complexities of FDI from emerging economies and offers practical recommendations for policymakers and practitioners aiming to enhance the global competitiveness of EMNEs.

Keywords: Foreign Direct Investment (FDI), Emerging Market Multinational Enterprises (EMNEs), Indonesian Multinational Companies.

Introduction

Foreign direct investment (FDI) is a crucial driver of economic growth and global integration. Traditionally dominated by multinational enterprises (MNEs) from developed economies, FDI patterns have shifted significantly over the past two decades with the rise of emerging market multinational enterprises (EMNEs). These firms leverage outward foreign direct investment (OFDI) to overcome domestic limitations, access new markets, and acquire strategic resources (Tang & Buckley, 2022).

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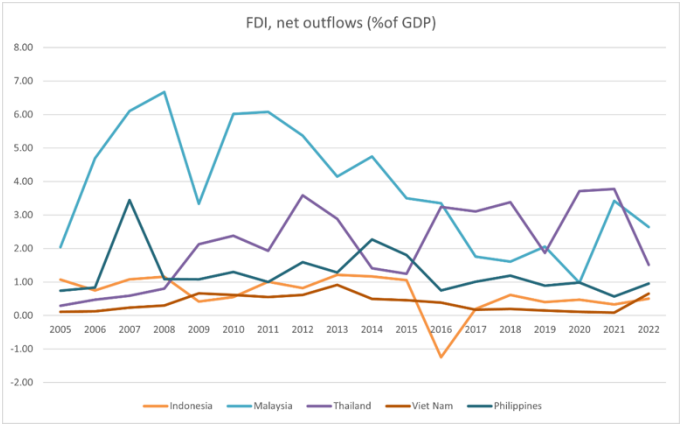


Figure 1. Indonesia FDI Flows (UNCTAD, 2024)

Emerging economies such as China, India, Brazil, and Indonesia, all members of the G20, have become significant players in the global FDI landscape. In 2023, G20 countries contributed 30% of annual outbound FDI projects (Irwin-Hunt, 2024). Indonesia, the largest economy in ASEAN, attracted $21.6 billion in inward FDI (IFDI) but recorded only $7.07 billion in OFDI during the same year (UNCTAD, 2024). Despite its economic potential and ambitious vision of "Golden Indonesia 2045," which aims to escape the middle-income trap and achieve developed country status, Indonesia's OFDI performance lags behind its ASEAN peers, such as Malaysia and Thailand.

Existing literature on FDI has extensively examined the internationalization strategies of firms from developed economies and major emerging markets like China and India (Buckley et al., 2010; Gao, 2023). However, research on Indonesian OFDI remains sparse, with limited studies addressing the unique challenges faced by Indonesian firms in global markets (Carney & Dieleman, 2011; Sambodo, 2017).

Indonesian firms encounter institutional voids, resource constraints, and perceptions of OFDI as unpatriotic, which hinder their global expansion (Gondo et al., 2021). While traditional frameworks like the eclectic paradigm (Dunning, 1988), Institutional Theory (DiMaggio & Powell, 1983), Resource based views (Barney, 1991; Wernerfelt, 1984) and contemporary models like the LLL framework (Matthews, 2006) and Springboard (Luo & Tung, 2007) provide valuable insights into internationalization, their application to Indonesian firms is limited (Buckley, 2023).

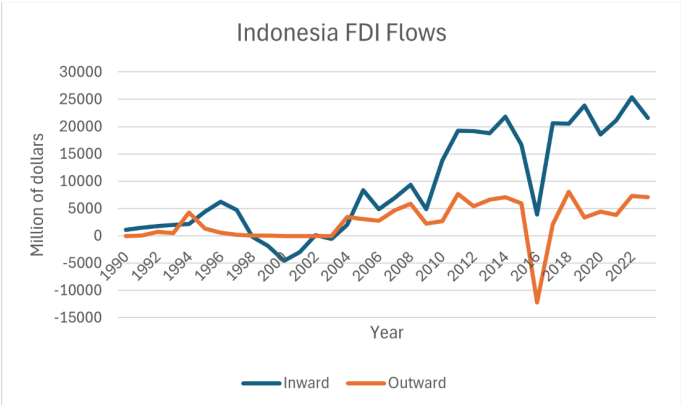


Figure 2. OFDI Comparison with ASEAN Countries (UNCTAD, 2024)

Additionally, existing research by Carney and Dieleman (2011) often overlooks the role of emerging Indonesian conglomerates such as Salim Group and Lippo Group, which account for nearly 70% of Indonesia's OFDI activities.

This study addresses the gap in the literature by integrating traditional theories such as the eclectic paradigm with contemporary frameworks like the LLL model and springboard theory to analyse Indonesia's OFDI dynamics (Paul & Feliciano-Cestero, 2021). It provides new insights into the factors driving OFDI decisions, the role of economic diplomacy and institutional frameworks, and the challenges faced by Indonesian firms in navigating global markets. By examining case studies of prominent Indonesian firms, this study offers a nuanced understanding of how Indonesia can leverage OFDI to achieve its "Indonesia Emas 2045" vision.

This study focuses on three prominent Indonesian firms—PT. Indofood CBP Sukses Makmur Tbk (Indofood), PT. Kalbe Farma Tbk (Kalbe), and PT. Adaro Energy Indonesia Tbk (Adaro)—each representing different sectors of the economy: food and beverage, pharmaceuticals, and mining, respectively. By examining the internationalization strategies of these firms, this study aims to shed light on how Indonesian firms navigate the complexities of global expansion and what factors drive their FDI decisions.

Despite Indonesia's growing economic significance, its OFDI remains under-researched, raising critical questions about the drivers and implications of its global investment activities. Overall, this study will look to identify the FDI activities conducted by Indonesian firms which explained in the following research objectives: (1) To identify and analyse the key themes that emerge from the FDI activities of Indonesian firms across different industries. (2) To examine how these identified themes manifest within the specific contexts of the mining, food and beverage, and pharmaceutical industries. (3) To assess the implications of these FDI strategies for the long-term growth and global competitiveness of Indonesian companies.

Research Methods

This study adopts a qualitative methodology grounded in an interpretivist paradigm and an inductive approach (Heale and Twycross, 2018). This approach is well-suited for exploring the complexities and contextual factors influencing outward foreign direct investment (OFDI) activities of Indonesian multinational enterprises (Cui et. al., 2022). By focusing on subjective experiences and motivations, the qualitative method allows for a deep understanding of the internationalization strategies of selected firms.

Research Strategy: Case Studies

To ensure a comprehensive analysis, multiple case studies will be examined, allowing for cross-case comparison, enhancing the robustness of findings, and identifying patterns or consistencies across different cases (Saunders et al., 2019; Yin, 2018). The findings will be compared with existing theoretical frameworks of FDI, offering new perspectives on OFDI conducted by firms from emerging markets.

Data Collection

To achieve a comprehensive analysis of the outward foreign direct investment (OFDI) activities of Indonesian firms, this research will gather data from various secondary sources. Data were collected from various sources to ensure accuracy and relevance as shown in table 1 below.

Table 1. Data Sources

Source of Data	Brief Description
Firms Annual Reports	Presenting detailed financial information, strategic insights, and operational highlights of the selected firms.
Refinitiv Eikon – Deal Tear Sheet	Supplying detailed information on financial transactions, including mergers and acquisitions (M&A)
Scientific Journals and News Articles	Providing theoretical perspectives and empirical findings related to OFDI.

The data collection process will be detailed and methodical to ensure the accuracy and relevance of the information obtained. Moreover, the sample in this research is chosen by purposive sampling. It involves selecting entities based on specific criteria relevant to the research objectives (Easterby-Smith et. al., 2021). There are three prominent Indonesia MNEs that selected for this study. The samples are shown in table 2 below.

Table 2. Sample Cases

Type of FDI	Brief Description
Indofood CBP	Acquisition of Pinehill Corpora in 2020
Adaro Energy	Acquisition of 80% Rio Tinto's ownership of Kestrel Mine, Australia
Kalbe Farma	Joint Venture in ASEAN

These firms have been selected due to their significant contributions to Indonesia's economic growth and their notable FDI activities.

Data Analysis

Secondary data analysis presents challenges such as maintaining research rigor. Thematic analysis (TA) will be used to address challenges in secondary data analysis. TA is a qualitative method used to develop, analyse, and interpret patterns that emerge from a dataset (Braun & Clarke, 2022). This analysis highlights the flexibility and depth of TA, making it suitable for exploring diverse topics in FDI of Indonesian multinational enterprises. The reflexive analysis aligns with an inductive approach driven by the collected data.

Table 3. Six Stage Framework of Thematic Analysis (Braun and Clarke, 2022)

Phases	Description
Data Familiarisation	Reading and re-reading data, making notes to understand the dataset.
Coding	Generating concise labels (codes) that identify important features of the data relevant to the research question.
Generating Initial Themes	Collating codes into potential themes, gathering all data relevant to each potential theme.
Developing and Reviewing Themes	Assess the initial fit of provisional themes. Considering relationship between themes and existing knowledge.
Defining, and Naming Themes	Ensuring the boundaries for each established theme. Writing a brief synopsis of each theme.

Phases	Description
Producing the Report	The analysis is being presented to provide deeper insight to identified themes and compared with existing literature.

This structured approach ensures thorough, systematic analysis, generating meaningful insights from secondary data and understanding the complexities and contextual factors influencing FDI activities of Indonesian multinational enterprises.

Results and Discussion

Thematic Analysis Overview

The thematic analysis identifies three primary themes that capture the strategic decisions and challenges faced by Indonesian firms in their OFDI efforts. Each theme connects to theoretical frameworks, as can bee seen in the table below. Classic theory provides a broad foundation while specific frameworks like LLL and Springboard offer nuanced insights into the strategies employed by Indonesian firms.

Table 4. Thematic Analysis Overview

Theme	Sub-Theme	Description	Theoretical Framework
Strategic Global Expansion	Strategic Market Expansion Local Production and Strategic Partnerships Strategic Investments in Innovation and R&D Collaboration	Focus on diversifying markets, expanding consumer bases, and enhancing global competitiveness for sustainable growth.	OLI Paradigm Institutional Theory Springboard Theory
Synergy and Operational Integration	Global Manufacturing and Distribution Synergies Operational Efficiency and Knowledge Transfer Collaborative and Strategic Synergies	Explores how companies integrate international acquisitions and achieve synergies within their operations.	Internalisation Theory Springboard Theory
Institutional and External Market Dynamics	Institutional and Policy Dynamics Institutional and Market Risks Regulatory Changes and Compliance	Examines how firms address external factors and navigate institutional distance, overcoming regulatory challenges and adapting to market conditions.	Institutional Theory Springboard Theory

These themes illustrate the motivations and strategies driving Indonesian firms' OFDI activities. For example, while all firms aim to strengthen their global market positions, Kalbe Farma places a unique emphasis on acquiring resources and capabilities through partnerships.

The subsequent sections provide explanation of each case studies of Indofood, Adaro, and Kalbe, illustrating how each firm embodies these themes in its internationalization strategies.

Case Study and Thematic. Analysis

1) Case 1: Indofood FDI Activities

Indofood CBP Sukses Makmur, a subsidiary of Indofood Sukses Makmur (INDF), has actively engaged in foreign direct investment (FDI) to expand its global presence, particularly through affiliated partnerships and establishing manufacturing facilities in key regions such as the Middle East, Africa, and Southeastern Europe. The company

leverages its flagship brand “Indomie” to facilitate these expansions, offering comprehensive support packages including ingredients and technical support to local manufacturers.

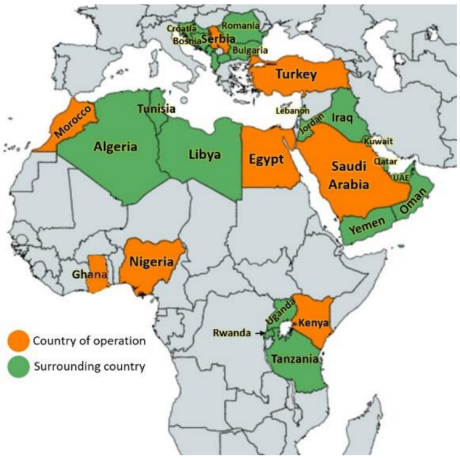


Figure 3. Pinehill Company Limited Operational Area (Indofood CBP, 2020)

Since the first international venture in 1990, Indofood has strategically used joint ventures, notably with Pinehill Company Limited, to strengthen its market position in these regions. Figures 1 and 2 illustrate the operational areas and the ownership structure pre- and post-acquisition, underscoring the control exerted by Anthoni Salim and his family over these strategic decisions.

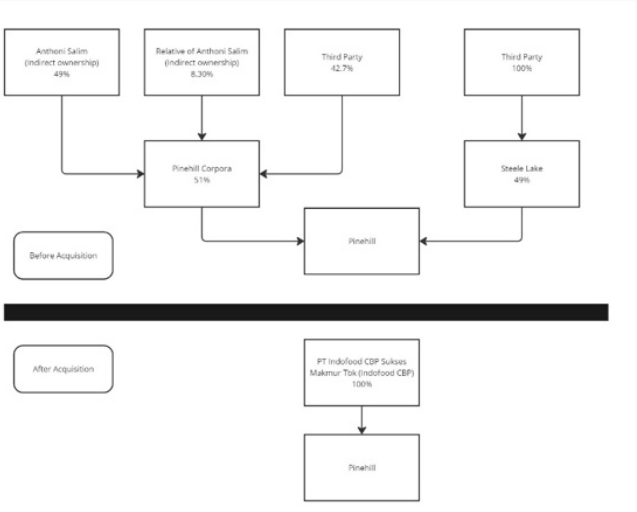


Figure 4. Ownership Structure of Pinehill Before and After Acquisition (First Pacific, 2020)

The acquisition of Pinehill notably enhanced Indofood CBP's global footprint, allowing it to tap into significantly larger markets compared to its domestic base. This strategic move resulted in a considerable increase in its international sales, which rose from 11% of total sales in 2019 to 30% in 2023, with notable growth in the Middle East and Africa as detailed in Table 4. This expansion not only fortified Indofood's position as a global noodle player but also demonstrated effective internalization of its operations in these new markets.

Table 5. Indofood Net S ales 2019-2023 (Indofood CBP, 2023)

Net Sales	2019	2020	2021	2022	2023
Indonesia	37,714,609	38,275,273	47,622,817	46,268,198	47,622,817
Middle East and Africa	2,777,796	6,142,783	16,156,888	14,944,306	16,156,888
Other Asia	821,583	951,739	1,585,734	1,263,851	1,585,734
Others	982,715	1,271,253	2,544,462	2,321,161	2,544,462
*In millions of Rupiah					

2) Case 2: Adaro Acquisition on Kestrel Coal Mine in Australia

PT. Adaro Energy Indonesia Tbk. (Adaro), a leading Indonesian mining firm, significantly advanced its global strategy through the strategic acquisition of an 80% stake in the Kestrel Coal Mine in Australia. This critical move, facilitated through joint venture of Adaro Capital Limited (ACL) and EMR Capital, marks a strategic pivot to diversify into the metallurgical coal sector, essential for steel production and less impacted by energy market volatility.

The acquisition serves Adaro's long-term strategy to reduce its reliance on thermal coal by entering new, stable markets. The choice of EMR Capital as a partner leverages their mining expertise and financial strength, enhancing Adaro's operational capabilities and financial robustness, positioning it more competitively in the global coal market.

Table 10 illustrates how Adaro has leveraged this acquisition to enhance its presence in international markets, with notable increases in revenue streams from key regions post-acquisition.

Table 6. Adaro Geographical Revenue Segmentation 2019-2023 (Adaro, 2024)

Region	2019	2020	2021	2022	2023
Domestic	908,446	734,108	863,796	1,157,249	1,235,334
China	345,795	270,028	972,921	900,917	1,273,430
Malaysia	446,924	349,432	566,231	1,185,034	997,234
India	408,230	255,985	391,157	1,121,041	700,486
Japan	328,374	263,197	348,100	933,120	660,601
South Korea	340,616	191,490	217,442	609,506	545,127
Philippines	0	0	217,501	591,781	468,655
Hong Kong	0	0	154,148	574,513	241,181
Taiwan	0	0	96,653	694,834	212,882
Thailand	0	0	0	114,866	122,313
Others	678,769	470,602	470,602	219,538	60,314
*in thousands of US Dollars					

3) Case 3: Kalbe International Expansion

PT Kalbe Farma Tbk (Kalbe), recognized as Indonesia's and ASEAN's largest pharmaceutical company, exemplifies a sophisticated approach to internationalization among emerging market multinationals. Kalbe has implemented a combination of organic growth, strategic partnerships, and targeted acquisitions to enhance its global presence and capitalize on its strengths in research and development (R&D) and brand management.

Kalbe's strategy focuses on extending its market reach beyond Indonesian borders to diversify revenue streams and reinforce its R&D capabilities. The firm's initial international ventures involved exporting and licensing within ASEAN, with expansions into the Middle East and Africa. The significant leap in Kalbe's international strategy occurred in 2004 with the establishment of Innogene Kalbiotech Pte. Ltd. in Singapore, marking its first direct foreign investment aimed at developing biotechnology products.

Following the action, Kalbe set up Kalbe International Pte. Ltd. in 2007 to oversee its expanding international operations. Despite these efforts, international sales have remained stagnant at approximately 5% of total sales over the past five years, as illustrated in Table 12, emphasizing the challenges faced in scaling these operations globally.

Table 7. Kalbe Sales 2019-2023 (Kalbe, 2024)

Kalbe	2019	2020	2021	2022	2023
Domestic	21,445,808	22,000,272	27,242,789	25,013,466	28,559,990
International	1,187,667	1,112,382	1,690,713	1,247,728	1,889,143

Theme 1: Strategic Global Expansion

Strategic global expansion represents a critical pathway for emerging market multinationals (EMNEs) to mitigate domestic market constraints, stabilize revenues, and compete on a global scale. For firms like Indofood, Adaro, and Kalbe, such strategies not only enhance competitiveness but also reflect broader trends in EMNEs leveraging FDI to address home market saturation, diversify revenue streams, and exploit global opportunities (Völgyi & Peragovics, 2020). The examples of result from theme 1 is presented in table below.

Table 8. Strategic Global Expansion

Company	Sub-Theme	Evidence
Indofood	Local production and strategic partnerships	"The acquisition of PCL increases ICBP's consumer base by approximately 885 million people across PCL Group's markets — a base that is significantly larger than Indonesia's population of 270 million. It would allow us to develop and expand our core business as a global instant noodles player, and to create stronger value for our shareholders."
Adaro	Strategic Market Expansion	"The acquisition of Kestrel is a significant milestone in the Adaro Group's strategic expansion of metallurgical coal portfolio. Kestrel produces high volatile, high fluidity coking coal sought after by customers in the seaborne market"
Kalbe	Strategic investment in innovation and R&D	"PT Kalbe Farma Tbk (KLBF), a pharmaceutical company, has made an investment worth USD 10 million in Progen Co. Ltd. to enhance the collaboration of research and development (R&D) in biological drugs."

Sources: Adaro (2018); Indofood (2021); Kalbe (2023); IDN Financialas (2023)

Indofood's strategy highlights the importance of localized production and strategic partnerships in the food industry, where responsiveness to consumer preferences

and supply chain efficiency are essential. This aligns with the OLI Paradigm, emphasizing location-specific advantages such as proximity to consumers and lower production costs (Dunning, 2000).

The Pinehill acquisition illustrates a shift from partnerships to wholly owned subsidiaries, enabling Indofood to scale operations and expand its consumer base by 885 million people (Indofood, 2023). This transition supports findings by Li et al. (2018), who argue that EMNEs often use joint ventures as transitional mechanisms to ownership. The LLL Framework further underscores Indofood's ability to learn from partnerships, reflecting a strategy commonly observed in Brazilian multinationals entering culturally proximate markets (Gammeltoft & Cuervo-Cazurra, 2021; Forte, 2023).

Adaro's acquisition of the Kestrel Coal Mine reflects its resource-seeking strategy to diversify into metallurgical coal and reduce reliance on thermal coal. This aligns with the RBV, which emphasizes acquiring unique resources to enhance competitive advantage (Barney, 1991). The Bowen Basin location provides logistical benefits and access to high-quality coal, reinforcing Meyer and Peng's (2016) findings on resource-seeking EMNEs targeting developed markets.

The Springboard Theory explains how Adaro uses FDI to "spring" into high-value sectors, compensating for domestic constraints and mitigating risk (Luo & Tung, 2007). Adaro's developed-market focus contrasts with Indofood and Kalbe, demonstrating the flexibility of EMNE strategies to adapt to industry-specific needs.

Kalbe's investment in R&D collaborations, such as its partnership with Progen Co., highlights its use of linkages to access local knowledge and enhance technological capabilities. This aligns with the LLL Framework, where EMNEs adapt and learn from partnerships to refine their strategies (Handoyo, 2020).

The Springboard Theory (Luo & Tung, 2007) further supports Kalbe's FDI approach of overcoming domestic resource constraints by leveraging foreign collaborations. Tang and Buckley (2022) note that EMNEs often invest in countries with institutional similarities, which explains Kalbe's focus on emerging markets in ASEAN and Africa.

The strategic expansions of Indofood, Adaro, and Kalbe demonstrate the adaptability and diversity of EMNE strategies. While Indofood and Kalbe focus on leveraging institutional familiarity in emerging markets, Adaro's resource-seeking approach in developed markets highlights the flexibility of EMNEs to navigate global opportunities. Together, these firms exemplify how emerging markets contribute to reshaping global value chains and competing with developed-market multinationals (Buckley et al., 2018).

Theme 2: Operational Integration and Synergy

Operational integration and synergy are critical strategies for emerging market multinationals (EMNEs) to optimize performance, minimize risks, and enhance competitive advantage in international markets (da Silva-Oliveira, 2021). For firms like Indofood, Adaro, and Kalbe, these strategies involve internalizing operations, leveraging partnerships, and integrating supply chains to maximize value creation post-FDI (Nazzal et. al., 2023). This approach reflects broader trends in EMNEs using operational integration to streamline processes, safeguard proprietary knowledge, and build resilience (Buckley & Casson, 1976; Barney, 1991). The examples of results from Theme 2 are summarized in the table below:

Table 9. Operational Integration and Synergy

Company	Sub-Theme	Evidence
Indofood	Global manufacturing and distribution synergies	"One of the keys to Indomie's success in Nigeria has been its business model. The company started building all the infrastructure needed in the country to keep the costs low while introducing Indomie noodles in 1988 through export. This enabled them to develop a strong distribution network that reaches even the most remote areas of the country."
Adaro	Operational efficiency and knowledge transfer	"… the Kestrel acquisition would also provide Adaro with expertise in underground mining that it could potentially apply in Indonesia, where underground mining is still uncommon."
Kalbe	Collaborative and strategic synergies	"To further secure supplies of raw material from China, a new joint venture company, Global Stairway Synergy Co (GSS) was established in 2022. Amidst disruptions in global supply chain, this joint venture is expected to strategically strengthen Kalbe's capabilities, given the country's high dependence on imports of raw materials."

Sources: Suzuki and Tavsan (2016); Adaro (2018); Kalbe (2023)

As detailed in the table above, Indofood's strategy to build infrastructure in Nigeria underscores the significance of global manufacturing and distribution synergies for achieving both cost-efficiency and expansive market reach. A prime illustration is the Pinehill acquisition, through which Indofood internalized its production processes and expanded its capacity to 36 billion packs annually solidifying its status as the world's largest instant noodle producer (Indofood, 2021). By consolidating supply chains and capitalizing on economies of scale, Indofood effectively dominates price-sensitive segments while maintaining robust quality control.

Adaro's acquisition of the Kestrel Coal Mine illustrates a similarly integrative approach, albeit focused on operational efficiency and knowledge transfer in mining. Through internalizing Kestrel's operations, Adaro bolstered its expertise in underground mining—an underdeveloped capability in Indonesia—while diversifying its portfolio to include metallurgical coal, a critical input for steelmaking (Munthe, 2018; Tani, 2018). This integration not only enabled Adaro to tap premium markets such as Japan but also enhanced its competitive positioning in the global coal industry.

By contrast, Kalbe's operational integration strategy centers on collaborative partnerships and supply chain integration. Its joint venture with Global Stairway Synergy (GSS) in China, for example, ensures a steady supply of raw materials and mitigates exposure to global supply chain disruptions (Völgyi & Peragovics, 2020). The firm's establishment of R&D hubs like Innogene Kalbiotech in Singapore underscores a commitment to continual innovation and market adaptation. Additionally, Kalbe's integration of CRM systems across its ASEAN operations ensures uniform customer service and operational consistency, thereby strengthening its competitive advantage in international markets.

Collectively, these approaches align with Internalization Theory (Buckley & Casson, 1976) and the Resource-Based View (RBV) (Barney, 1991), both of which underscore the strategic imperative to reduce transaction costs and maintain control over key operations. Indofood exemplifies these principles by leveraging an extensive

Nigerian network to dominate cost-sensitive markets while safeguarding quality, particularly after the 2022 product safety incident in Egypt (Suzuki & Tavsan, 2016; Food Safety Africa, 2022; Kuah, 2023; Bailey & Adebayo, 2024). Adaro similarly employed internalization through its Kestrel acquisition, gaining direct operational control to protect proprietary knowledge and streamline mining processes. Kalbe focused on improving supply chain resilience via partnerships with local entities, ensuring steady access to raw materials amidst global uncertainties. Beamish and Chakravarty (2021) further advocate applying RBV to develop subsidiary autonomy, which could optimize the operational processes of foreign subsidiaries.

The Linkage-Leverage-Learning (LLL) framework (Thite, 2016) offers additional insight into how emerging-market multinationals adapt to regional needs and glean learning advantages from partnerships. Indofood, for instance, refined its global integration strategy by transitioning from joint ventures to wholly owned subsidiaries. Kalbe leveraged its collaboration with Ecossential in the Philippines to acquire deeper market knowledge and tailor its operations to local consumer preferences—while retaining efficiency across ASEAN markets.

Despite adopting different tactics, these firms share theoretical convergences in their emphasis on operational integration. The strategy allowing the firms to access newer technologies, improving operational capabilities, and leveraging network opportunities globally (Benoy & Morley, 2020). Indofood and Adaro favour greater internalization to secure direct control and proprietary know-how, whereas Kalbe relies on cooperative alliances to harness external expertise and mitigate supply chain disruptions.

These variations mirror the particular dynamics of their respective industries: Indofood emphasizes price-sensitive consumer goods, Adaro prioritizes specialized resource extraction, and Kalbe navigates regulatory intricacies and supply chain vulnerabilities in pharmaceuticals.

Contemporary theoretical extensions, such as Intermediation Theory (Casson, 2022), shed light on how multinational enterprises balance market entry strategies alongside internal organizational structures. Indofood's region-focused integration stands in contrast to Kalbe's market-specific adjustments, exemplifying the role of intermediation in shaping both geographic segmentation and overall operational performance.

Theme 3: External Market Dynamics

Institutional and external market dynamics exert significant influence on how emerging market multinationals (EMNEs) formulate and execute their internationalization strategies. In particular, companies like Indofood, Kalbe, and Adaro exhibit strategic agility in navigating regulatory frameworks, mitigating institutional challenges, and managing market volatility. Drawing on Institutional Theory (DiMaggio and Powell, 1983; Scott, 1995) and the eclectic OLI Paradigm, this section examines how these firms leverage government support, adapt to regulatory regimes, and diversify operations to minimize risk in global markets. The examples of results for Theme 3 are summarized in the table below:

Table 10. External Market Dynamics

Company	Sub-Theme	Evidence
Indofood	Institutional and policy dynamics	"Penetrate the non-traditional European market with Halal products, supported by the Indonesian embassy in Belgrade. The factory was established in Inđija, covering 5 hectares with an investment of 11 million Euro."
Adaro	Institutional and market risks	"By increasing its coking coal operations, Adaro hopes to offset the consequences of the government cap."
Kalbe	Regulatory changes and compliance	"In 2019, Kalbe International has built its first manufacturing plant in Myanmar …. to minimize constraints from the local government's protectionism policies against imported goods."

Sources: Watanabe (2014); Just Food (2016); Adaro (2019); Asmarini and Jensen (2018); Kalbe (2023)

Several examples underscore the importance of formal institutional backing and bilateral agreements for EMNEs. Indofood's factory in Inđija, Serbia, a project spanning five hectares and costing €11, benefited from the Indonesian government's support in penetrating European halal markets (Watanabe, 2014; The Embassy of the Republic of Indonesia in Belgrade, 2024).

Through this institutional alliance, Indofood not only minimized market-entry barriers but also gained a competitive edge by catering to growing halal-food demand in Europe. Likewise, Kalbe navigated stringent local regulations in Myanmar by building a manufacturing facility, thereby alleviating the impact of protectionist policies. Taken together, these cases align with Gammeltoft (2021), who argues that government relations can mitigate risk and expedite the foreign direct investment (FDI) process.

EMNEs from emerging economies must also respond proactively to shifting regulatory environments to maintain competitiveness (Tang & Buckley, 2022). Kalbe's new plant in Nigeria exemplifies this approach: local production requirements for pharmaceutical products prompted the firm to form a collaboration with Orange Drugs Ltd., ensuring compliance with local regulations. Similarly, Kalbe prepared for ASEAN Free Trade Area (AFTA) and Pharmaceutical Inspection Cooperation Scheme (PICS) standards, enabling seamless distribution within Southeast Asia. This underscores how institutional compliance not only mitigates legal and regulatory risks but can also unlock new market opportunities.

Adaro's coal-price-cap scenario in Indonesia further illustrates how EMNEs adapt to institutional pressures. By expanding coking coal operations abroad—particularly through ownership of the Kestrel Coal Mine in Australia—Adaro offsets domestic regulatory constraints (e.g., the government-imposed coal price cap) and secures premium markets such as Japan. This diversification lessens dependence on the Indonesian market and strengthens Adaro's overall resilience against regulatory risks (Adaro, 2019; Munthe, 2018; Tani, 2018).

Market volatility is another external factor that EMNEs navigate through diversification strategies (Tang & Buckley, 2022). Adaro's diversified operations—spanning Indonesia, Australia, and markets in Europe and Japan—allow the company to mitigate regional risks and revenue fluctuations. For instance, declines in Chinese coal imports or geopolitical tensions in one region can be offset by stronger demand in another. Springboard Theory (Luo & Tung, 2007) applies here, with Adaro using its Australian

assets to "spring" into higher-value global segments, buffering against domestic and regional instabilities.

Kalbe likewise mitigates institutional voids and political risks by localizing production. This approach proved effective in Myanmar, where establishing an on-the-ground manufacturing facility neutralized the impact of protectionist barriers. Brink (2015) emphasizes that such proactive strategies can be particularly vital for EMNEs, as they often face a patchwork of regulatory regimes and market uncertainties worldwide.

Research further highlights how external institutional environments shape FDI from different emerging markets. For instance, Buckley (2018) and Brink (2015) note that Chinese firms benefit from extensive policy support under the Belt and Road Initiative, leveraging government-backed strategies like the "Go Out" policy. Indian multinationals similarly leverage state-backed technology acquisition strategies (Buckley, 2018). By contrast, Indonesian EMNEs such as Indofood, Kalbe, and Adaro may face more pronounced institutional voids and resource constraints (Volgyi & Peragovics, 2021). However, bilateral agreements—such as those between Indonesia and Serbia—highlight that Indonesian firms can still capture institutional advantages under the right conditions.

Nayyar et al. (2022) observe that normative institutional distance profoundly affects Indian EMNEs, an insight that resonates with how Kalbe and Indofood navigate cultural alignment and partner with local entities to ease institutional frictions abroad. As Liu et al. (2023) point out, both Chinese and Indonesian OFDI share drivers related to energy, logistics, and infrastructure. Adaro's search for energy assets abroad and Indofood's or Kalbe's focus on production and logistics expansions exemplify these parallels.

Conclusion

This study highlights the strategic approaches of Indonesian multinationals Indofood, Adaro, and Kalbe in navigating international markets through Foreign Direct Investment (FDI). The research underscores three key themes: Strategic Global Expansion, Operational Integration and Synergy, and Institutional and External Market Dynamics. The findings reveal that these firms employ diverse strategies, such as joint ventures, acquisitions, and international diversification, to stabilize revenues, enhance global presence, and mitigate regulatory risks. Additionally, operational integration through strengthened supply chains, local expertise, and knowledge transfer plays a vital role in maximizing the benefits of FDI. These strategies illustrate how emerging market multinationals (EMNEs) adapt to the complexities of international markets to achieve global competitiveness.

The study further integrates classical and contemporary FDI theories to provide a nuanced understanding of EMNE strategies. While traditional frameworks like the OLI Paradigm and Resource-Based View explain ownership advantages and operational efficiencies, newer theories such as the Linkage-Leverage-Learning Framework and Springboard Theory address challenges unique to EMNEs, such as leveraging partnerships and learning from foreign markets. The findings emphasize the importance of aligning FDI strategies with cultural and institutional contexts while highlighting the need for supportive policies to foster international collaborations. By offering actionable insights for practitioners and policymakers, this research contributes to the growing body of literature on EMNEs and sets a foundation for future studies on their evolving strategies in global markets.

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