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Exploring Firm-Level Antecedents that Drive Motives of Internationalization: A Study of Knowledge Intensive Indian Firms

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ABSTRACT We study firm level antecedents that drive different motives of internationalization of emerging economy firms. Based on firm's resource based considerations of asset exploitation versus asset augmentation and locational advantages of host countries, we provide a framework to classify the motives of internationalization of emerging economy firms belonging to knowledge intensive industries. Motives of internationalization have been classified into three broad categories – market-seeking, opportunity-seeking, and strategic asset-seeking. We determine motives behind different modes of internationalization – alliances, acquisitions, and greenfield ventures. Drawing upon the adaptability, amalgamation, and ambidexterity (AAA) advantages from the springboard perspective, we find that firm characteristics like R&D investments, availability of financial slack, firm's ownership structure, and family control shape up its motive of internationalization.

KEYWORDS emerging economies, internationalization, location advantages, market-seeking, opportunity-seeking, spring board perspectives, strategic asset-seeking, strategic motives

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INTRODUCTION

Studies on drivers of emerging economy (EE) firms' internationalization have gained prominence. This is primarily due to the growing share of foreign direct investment (FDI) by emerging economy multinational enterprises (EMNEs) (UNCTAD, 2015). The rise in FDI by EMNEs into developed economies in spite of lack of conventional ownership specific advantages like technological know-how, patents, management skills, brands, etc. (Dunning, 1993; Morck & Yeung, 1991) is even more intriguing. The internationalization of EMNEs has also been multifaceted in terms of motive, paths, processes, and performance

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(Gaur & Kumar, 2010). EMNEs have not only internationalized into other EEs but have also expanded into developed economies to acquire strategic assets and to exploit niche opportunities (Luo & Tung, 2007; Madhok & Keyhani, 2012; Mathews, 2006). With the rapid increase in internationalization of EE firms in the past two decades, there has been a growing interest among scholars in decoding the different motives of internationalization (Guillén & García-Canal, 2009; Ramamurti, 2012) and also the contextual factors that drive EMNE's internationalization (Chittoor, Aulakh, & Ray, 2015; Cui, Meyer, & Hu, 2014).

The extant literature on drivers of internationalization of EMNEs has focused on home country institutional factors like government policies (Gaur, Ma, & Ding, 2018; Popli & Sinha, 2014), firm's industry specific drivers like competition, technology intensity (Cui et al., 2014; Gaur et al., 2018), and firm specific characteristics (Cui et al., 2014; Guillén & García-Canal, 2009; Ramamurti, 2012). The focus of most of these studies has been on drivers of internationalization of EMNEs per se, without differentiating between the motives of internationalization. We argue that each internationalization decision would be driven by an underlying motive. The motive of internationalization in turn would be driven by firm's context. Hence, classification of different motives of internationalization of EMNEs and differentiation between firms' characteristics that shape up these motives is a gap in literature that we intend to address in this study. Specifically, our research objectives are: (1) to offer a classification of motives of internationalization of EMNEs in knowledge intensive industries, and (2) to identify and differentiate between the firm specific characteristics that drive the different motives of internationalization of EMNEs in these industries. Our study has implications for understanding of FDI strategies of EE firms.

The spring board perspective (Luo & Tung, 2007) and other notable theoretical perspectives on internationalization of EMNEs (Madhok & Keyhani, 2012; Mathews, 2006) highlight various motives of internationalization of EMNEs. These include acquisition of strategic assets and natural resources (e.g., Athreye & Kapur, 2009; Gaur & Kumar, 2010), exploitation of EMNE's unique characteristics like low cost operating capabilities, and faster technology adoption into international markets (Contractor, 2013; Guillén & García-Canal, 2009). EMNEs have also internationalized to diversify their risk of operation and to escape institutional constraints at home (Gaur & Kumar, 2010). In the current study, we consider the internationalization of EMNEs belonging to knowledge intensive industries. Therefore, we focus on specific motives of internationalization pertaining to such industries.[1]

We present a framework to classify various motives of internationalization for EMNEs. This classification of motives of internationalization is based on two dimensions – resource based considerations of the internationalizing firm and location advantages of the host country. The motives of internationalization of EMNEs are thus classified into three broad categories. The first is *market-seeking*, based on the exploitation of conventional firm specific advantages (FSAs) into other EEs or least developed countries. The second is *opportunity-seeking* (Luo & Tung, 2007;

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Madhok & Keyhani, 2012), driven by exploitation of firm's unconventional advantages across niche opportunities in developed countries and the third is augmentation of FSAs, termed as *strategic asset-seeking* (Luo & Tung, 2007).

To identify the unique advantages of EMNEs, we draw upon the recent extension of the spring board perspective (Luo & Tung, 2018). The spring board perspective highlights the unique advantages of EMNEs as amalgamation, ambidexterity, and adaptability (AAA), which they leverage upon internationalization. Besides firm specific characteristics, a firm's motive of internationalization is also influenced by the home country's government policies and the industry in which the firm operates (Lu, Liu, & Wang, 2011). To control for such country level and industry level contextual variations, we focus on a sample of Indian MNEs belonging to four knowledge-based industries (Automotive, Pharmaceuticals, Chemicals, and IT).[2] The research setting offers a unique advantage of having firms with a mix of motives of internationalization. We prepared a propriety dataset of 781 international expansions of 415 firms in our sample, which include Greenfield ventures, acquisitions, alliances, and joint ventures.

Our empirical findings highlight the significance of different firm level characteristics that influence EMNE's unique advantages of amalgamation, ambidexterity, and adaptability. Empirical findings suggest that firms' investments in R&D is a strong determinant of asset exploitative internationalization. Firms' characteristics like family control and ownership structure are key determinants of opportunity-seeking and strategic asset-seeking internationalization.

We contribute to the literature on EMNE internationalization by providing a framework for classifying different motives of internationalization for knowledge based industries. We prepare a proprietary dataset comprising of different modes of internationalization – Greenfield ventures, alliances, joint ventures, and acquisitions to identify the motives of internationalization. Unlike past studies, which have considered either exports or acquisitions, considering all modes of internationalization provides a holistic picture of internationalization of EMNEs for the industries under consideration. To the best of our knowledge, this is also the first study highlighting the antecedents of opportunity-seeking motive of EMNE internationalization.

In the following sections, we provide a brief review of the motives of internationalization, followed by hypotheses development, description of the sample, and methodology. This is followed by the results and the discussion sections. The final section concludes our study.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Internationalization by EMNEs

The two most popular perspectives on internationalization, internalization theory (Buckley & Casson, 1976) and the eclectic paradigm (Dunning, 1980) explain

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internationalization as firms search for markets and natural resources to exploit their ownership advantages (Dunning, 1993; Dunning & Lundan, 2008). Although popular, these views do not fully explain internationalization of EMNEs as their sources of advantage, motives, and paths of internationalization are different from developed economy MNEs (DMNEs) (Luo & Tung, 2007; Mathews, 2006).

Several perspectives explain the unique characteristics of EMNE's internationalization. The *linkage, leverage, and learn (L-L-L)* (Mathews, 2006) perspective views EMNEs as late comers in the international arena. It suggests that EMNEs form linkages with global MNEs, leverage their existing capabilities, and learn about new sources of advantage during internationalization. Similarly, Luo and Tung's (2007) *springboard perspective* suggests that EMNEs systematically and recursively use international expansion as a springboard to acquire critical resources needed to compete more effectively against rivals, and also to avoid institutional and market constraints at home. In recent works on EMNE internationalization, Madhok and Keyhani (2012) conceptualize international expansion through acquisitions by EMNEs as an *act and form of entrepreneurship*. They suggest that EMNEs, owing to the unique institutional environments they operate in, possess unique characteristics (organizational culture, frugal engineering skills, etc.) which these firms leverage in the international markets.

These perspectives on EMNE's internationalization highlight their unique sources of advantages and motives of internationalization. EMNE's sources of advantage are not their technological and marketing competence but characteristics like frugal engineering, technology adaptation (Guillén & García-Canal, 2009), and network resources like diaspora of local nationals in foreign countries, etc. (Contractor, 2013). The spring board perspective further suggests that EMNEs unique advantages lie in amalgamation, ambidexterity, and adaptability (AAA) (Luo & Tung, 2018). We reiterate Luo and Tung's (2018) definition of *adaptability*, *amalgamation*, and *ambidexterity* in the following paragraph.

Amalgamation implies EMNE's ability to combine acquired technologies to exploit market opportunities by providing superior price value ratios. *Ambidexterity* implies EMNE's ability to pursue both exploitation and exploration activities together. It also includes EMNEs ability to operate in difficult institutional environment at home and other EEs and at the same time search for better operating conditions in developed economies. *Adaptability* on the other hand, underscores EMNE's ability to adapt to changing market and environmental changes during their course of internationalization. EMNE's leverage these unique advantages across international markets.

Drivers of EMNE Internationalization

In this section, we briefly review the extant literature on drivers of internationalization of EMNEs. Table 1 presents a summary of some of the recent studies on

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drivers of internationalization of EMNEs. EMNE's drivers of internationalization have been explained through three different lenses – institution based (Peng, Wang, & Jiang, 2008), industry based (Porter, 1990), and resource based views (Barney, 1991).

Among the three views, the institution and industry based view explain internationalization of EMNEs at an aggregate level (Duanmu, 2012). This is evident in the number of studies on drivers of FDI in an EE context (e.g., Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Kang & Jiang, 2012). Although, the focus of the majority of the studies has been Chinese FDI, the findings can be extended to other EEs. EMNE's FDI is driven by both home and host country characteristics. Market-seeking FDI by EMNEs is driven by host country market size and geographic proximity to the host country (Buckley et al., 2007; Kang & Jiang, 2012). Natural resource seeking and strategic asset-seeking FDI is driven by host countries' endowment of natural resources and strategic assets (Kang & Jiang, 2012). FDI by EMNEs is also directed towards countries with high political risk (De Beule & Duanmu, 2012) where the EMNEs can leverage their experience of operating in weak institutional environments (Cuervo-Cazurra, 2008; Cuervo-Cazurra, Ciravegna, Melgarejo, & Lopez, 2018). On the other hand, FDI by EMNEs is also attracted to countries with stable policy regimes where operational risk can be reduced (Nguyen, Kim, & Papanastassiou, 2018).

Institution based drivers of EMNE internationalization take the form of government policies like tax incentives, protection against political risk, bilateral regional treaties, etc. (Gaur et al., 2018; Luo, Xue, & Han, 2010; Pradhan, 2011). Indian governments also started liberalizing its policies on trade and FDI in 1991. Competitive pressures on Indian firms post liberalization led to increased FDI (Popli, Akbar, Kumar, & Gaur, 2017). To promote FDI by domestic firms, Indian governments have relaxed a number of FDI policies (Popli & Sinha, 2014).

EMNEs also use internationalization as a mode to escape from market constraints at home (Luo & Tung, 2007). These constraints take the form of intense competition both from domestic and foreign firms (Cui et al., 2014; Hutzschenreuter & Gröne, 2009). Expansion into international markets not only provides EMNEs with a larger market but also enables them to augment their asset base so as to be competitive at home (e.g., Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010; Mathews, 2006).

Even though institutional and industry level factors are essential drivers of FDI, not all firms have the resources and capabilities to leverage these factors (Gaur, Kumar, & Singh, 2014; Wang, Hong, Kafouros, & Wright, 2012). Firm level factors such as technology and marketing capability, export experience (Gaur et al., 2014; Lu et al., 2011), and availability of slack resources (Popli & Sinha, 2014) have been found to influence firms' decision to internationalize. Firms top management team's experience and orientation (Chittoor et al., 2015; George, Wiklund, & Zahra, 2005) also influence its decision to pursue risky and costly internationalization modes. A firm's preference to take risky

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Table 1. Summary of recent studies on drivers of emerging economy firm's internationalization

Author	*Setting*	*Key Findings/Arguments*
Bhaumik et al. (2010)	Indian Pharmaceutical and Automotive Firms (2000–2006)	Firm's ownership structure and nature of control (family vs non-family) influence its FDI decision.
Buckley et al. (2007)	OFDI by Chinese MNEs during the period 1984–2001	Host country characteristics (political risk, market size, cultural proximity) explain OFDI by Chinese MNEs. Calls for a special theory to explain Chinese OFDI.
Chittoor et al. (2009)	Indian Pharmaceutical Firms (1995–2004)	Firm's access to international technological and financial resources drives both product and market internationalization.
Chittoor et al. (2015)	BSE 500 Listed Indian Firms (2002–2011)	Firms ownership structure, foreign institutional investors shareholding and CEO experience lower perceived risk of internationalization and hence promote cross border acquisitions by the firm.
Cuervo-Cazurra & Genc (2008)	FDI in 49 Least Developed Economies (LDCs) (1999 and 2001)	EMNEs are more prevalent in LDCs as compared to DMNEs owing to their experience of managing poor institutional set ups better than DMNEs.
Cui et al. (2014)	Outward FDI by 147 Chinese manufacturing firm (2007–2010)	Foreign competition, firm's governance structure, financial and managerial capabilities influence firm's strategic asset-seeking intent of FDI
Gaur et al. (2018)	Survey of managers of four Chinese firms, 2001	Management perceived home country government supportiveness and industry unfavourableness drive outward FDI.
Gaur & Delios (2015)	5,000 publicly listed Indian firms during 1990–2005	Greater domestic and foreign ownership is associated with higher levels of internationalization.
Kang & Jiang (2012)	FDI stock of Chinese firms in eight host Asian economies (1996–2008)	Host country institutional factors are more significant than economic factors in determining location of FDI.
Lin (2012)	656 Taiwanese public firms (2000–2008)	Family ownership affects internationalization pattern (pace, scope and rhythm) of firms.
Lin (2014)	656 Taiwanese public firms (2000–2008)	Organizational slack effects firms' internationalization pattern (pace, scope and rhythm)
Lin et al. (2009)	179 High technology Taiwanese public firms (2000–2005)	Availability of both high discretion and low discretion slack drives firms' internationalization.
Lu et al. (2011)	198 Chinese firms (2008)	Resource based (technology based competitive advantage, export intensity), Industry based (Industry R&D intensity, Competition) and institutional based (supportive government policies) factors shape up motive of internationalization of EMNEs.
Lu, Liu, Wright, & Filatotchev (2014)	702 OFDI instances of Chinese firms during the period 2002–2009	Home country government support and developed host country institutions reduce the need for firm capabilities while internationalization.

Luo & Wang (2012)	Survey of 153 firms from China (2008–2009)	Role of home country institutional factors shape up firms FDI strategies in terms of scale, timing and location.
Ma, Ding, & Yuan (2016)	Chinese private firms (2002–2006)	Development of institutions in home country affects firm's degree of internationalization. This relationship is moderated by firm's political capital.
Nguyen et al. (2018)	881 non-financial firm in eight East Asian countries (2003–2013)	Economic policy uncertainty difference between home and host country drives outward FDI towards countries with less economic policy uncertainty.
Popli & Sinha (2014)	895 cross border acquisition deals by Indian Firms (2001–2011)	Firm Level factors (size, slack, business group affiliation) influence the timing of firm's decision to engage in cross border acquisitions.
Ramasamy et al. (2012)	FDI by 59 Chinese firms in 137 host countries (2006–2008)	Firm's ownership structure influences its propensity pursue risky internationalization motives.
Singh & Gaur (2013)	16337 firm year observations of Indian firm (2002–2009)	Group affiliation, family ownership and institutional ownership positive affect firm international investments.
Singh & Delios (2017)	2152 publicly listed Indian firms (2002–2009)	Independent boards and firm's network ties positively influence internationalization decision.
Wang, Hong, Kafouros, & Boateng (2012)	679 Chinese firms that have invested overseas. (2005–2007)	Institutional and Industry level factors are important drivers of Chinese firms FDI as compared to firm's technological and marketing capabilities.
Wang, Hong, Kafouros, & Wright (2012)	1231 Chinese manufacturing firms (2005–2006)	Government influence effects motive and location of internationalization. Not all firms possess equal capabilities to internalize government related advantages.
Xia, Ma, Lu, & Yiu (2014)	Chinese manufacturing firms (2001–2007)	Emerging market firm's linkage with foreign firms in terms of competition and partnerships influences the FDI decision.
Yiu, Lau, & Bruton (2007)	Chinese firms (2003 and 2004)	EMNEs ownership advantages coupled with institutionally driven characteristics drive outward FDI.

internationalization decisions with a longer term perspective are also determined by its ownership structure, family control (Bhaumik, Driffield, & Pal, 2010; Gaur & Delios, 2015), and business group affiliation (Gaur & Kumar, 2009). Although, the above firm level characteristics influence a firm's decision to internationalize, their role in shaping up different motives of internationalization has not been adequately explored in literature.

Motives of Internationalization

In this section, we review the extant literature on motives driving firm internationalization. We first consider studies that have examined these motives from a broad perspective, followed by a survey of studies on motives of firm internationalization from an EE perspective. In the end, we focus on studies in the Indian context, in particular.

Most of the theoretical models of international expansion – the product life cycle (Vernon, 1966), innovation related model (Cavusgil, 1980), process model of internationalization (Johanson & Vahlne, 1977), internalization model (Buckley & Casson, 1976), the OLI framework (Dunning, 1988)–have implicitly assumed the motive of international expansion (Cuervo-Cazurra et al., 2015) as market-seeking i.e., firms seek markets to leverage upon their firm specific advantages and resources. There have been a number of classifications of motives of international expansion (Cuervo-Cazurra et al., 2015). Amongst them, the motives classification based on the criteria of search suggested by Dunning (1993) have been the most popular and repeatedly used in literature. Dunning (1993), based on the OLI framework, suggested motives of internationalization as *market-seeking, natural resource seeking, efficiency seeking, and strategic asset-seeking.*

The OLI framework explains the internationalization of large and established firms, i.e., firms, that have already developed ownership specific advantages. It does not fully explain the internationalization of EMNEs which are small, resource deficient and do not have ownership advantages of firm specific assets (Luo, 2002; Mathews, 2006). Secondly, EE firms learn and gain capabilities during internationalization. The static nature of the OLI framework may not be sufficient to explain the internationalization phenomenon of EE firms (Kedia, Gaffney, & Clampit, 2012; Mathews, 2006).

EMNEs internationalize into developed countries to acquire strategic assets that help them overcome their latecomer disadvantage and also compensate for their competitive disadvantage (Luo & Tung, 2007). Further, EMNE's internationalization into developed economies is also characterized by exploitation of their unique sources of advantage in low cost manufacturing (Guillén & García-Canal, 2009; Ramamurti, 2012) and relational assets (Madhok & Keyhani, 2012). Consequently, EMNEs look for niche opportunities in international markets to exploit such characteristics (Luo & Tung, 2007). Other motives of internationalization into developed economies include escape from institutional and

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market constraints at home (Luo & Tung, 2018; Witt & Lewin, 2007), risk diversification, overcoming negative country of origin labels, and gaining legitimacy (Gaur & Kumar, 2010). EMNEs also internationalize into other EEs in search of larger markets to exploit their sources of advantage (Cuervo-Cazurra & Genc, 2008).

Indian MNEs have also internationalized to acquire strategic assets such as technologies and brands and to secure a supply of raw materials and natural resources (Athreye & Kapur, 2009; Gubbi et al., 2010; Gubbi & Elango, 2016). Indian IT firms have been most active in internationalization and have entered developed markets to acquire both high end technologies and also to gain proximity to potential clients (Athreye & Kapur, 2009; Contractor, 2013). Indian manufacturing firms have internationalized into developed economies to exploit their low cost manufacturing capabilities (Chittoor et al., 2015) and have also become preferred partners in the global value chains of large MNEs from developed economies (Giroud & Mirza, 2015).

In view of the changing international business landscape due to the emergence of EMNEs in the international business environment, there is a need to reclassify motives of internationalization (Cuervo-Cazurra et al., 2015). We respond to the call of Gaur and Kumar (2010) to search for new theoretical approaches to study motivations of internationalization of EMNEs, taking into account their unique aspects. We propose a framework to classify motives of internationalization of EMNEs. We classify the different motives of internationalization based on two criteria. The first is firm's decision to either exploit its sources of advantage or augment its asset base, and the second is locational advantages of the host country (Cuervo-Cazurra & Narula, 2015; Makino, Lau, & Yeh, 2002; Rugman, 2010). Locational advantages include access to natural resources, important local markets, relatively cheap labor costs, aspects of the infrastructure, the education system, and other aspects of political and government systems (such as investment incentives, intellectual property rights protection and enforcement mechanisms) (Dunning, 1993). Our key premise is that – *'motives of internationalization of a firm are determined by the interaction of firm's resource based considerations (i.e. exploitation or augmentation of FSAs) and the relative differences in locational advantages of host and home countries'*. Based on the two dimensions, we propose a framework to classify the motives of internationalization for EMNEs belonging to knowledge-based industries. The motives are depicted in Figure 1.

Exploitation of FSAs into other emerging or least developed economies. When EMNEs expand into other EEs or least developed economies they are at an advantage as their home grown FSAs are superior to the host country firm's FSAs (Kim, Hoskisson, & Lee, 2015). EMNEs also possess the experience of operating in an environment with 'institutional voids' (Cuervo-Cazurra & Genc, 2008). EMNEs can exploit both these advantages in such countries. Such host countries are sources of high revenue (Prahalad, 2004). The internationalizing firm gains from

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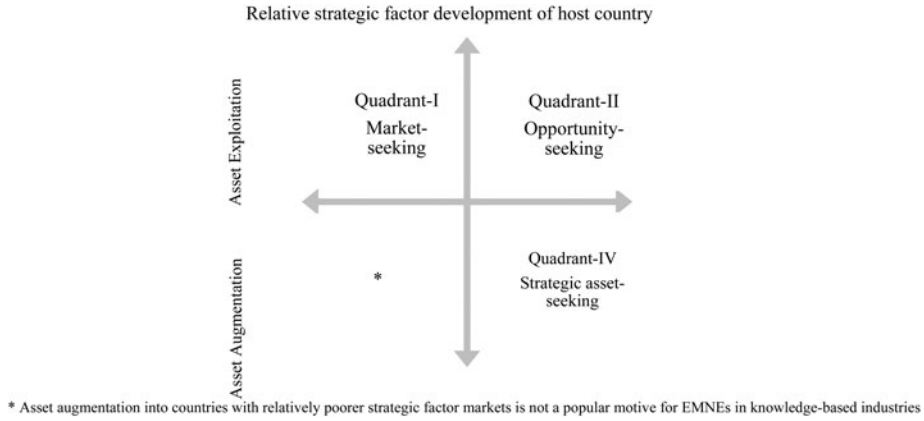

Figure 1. Classification of motives for international expansion

economies of scale as it gets access to a larger market (Buckley et al., 2007). The firm, thus, complements its home country sales by additional sales from foreign markets. In line with Dunning (1993), such a motive of internationalization has been termed as *market-seeking*.[3]

Exploitation of FSAs into developed economies. EMNEs have also internationalized into developed countries to exploit their unique advantages. Such an expansion, although similar to market-seeking internationalization, is different in terms of resources exploited. In such an international expansion, the firm is at a disadvantage compared to host country firms, as it does not possess the advantage of ownership specific assets with respect to host country firms. Even though the firm is at a disadvantage, there have been numerous instances where firms, especially EMNEs, have entered developed countries. In such cases, firms primarily compete on the advantages derived from the unique context in which they operate. These advantages take the form of flexibility, speed of operation, ability to operate in difficult institutional and political set ups, flexibility in technology adaptation; low cost operations, etc. (Contractor, 2013; Guillén & García-Canal, 2009; Ramamurti, 2012). EMNEs leverage these capabilities across niche opportunities[4] in the international markets to compete with global MNEs. Therefore, such an expansion where EMNEs internationalize with an asset exploitation motive without the possession of ownership advantages of assets compared to host country firms has been termed as *opportunity-seeking* internationalization.

Apart from seeking newer markets to exploit their unique capabilities, EMNEs also undertake opportunity-seeking expansions to by-pass trade barriers imposed by developed economy countries (Luo & Tung, 2007). Further, developed countries also have better supporting institutions associated with them. Operating

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in countries with better institutional environments provides EMNEs with low risk operating conditions as compared to their home country (Witt & Lewin, 2007).

Augmentation of FSAs. Internationalization with a motive to augment the firm's asset base helps EMNEs to overcome their latecomer disadvantage and compensates for their asset based disadvantages (Luo & Tung, 2007). EMNEs expand into developed countries to augment their asset-based advantages. Developed countries are characterized by strong regulatory institutions. They also have supporting scientific research institutions, management institutions and basic infrastructure, which are key ingredients for developing upstream and downstream capabilities as both require intensive application of knowledge and creativity (Gaur & Lu, 2007). In line with past literature, such an international expansion has been termed as *strategic asset-seeking*[5] international expansion (Cui et al., 2014; Rui & Yip, 2008). Strategic assets usually take the form of technological knowhow, brands or distribution channels, idiosyncratic assets like manufacturing facilities, managerial skills, etc. (Luo & Tung, 2007; Mathews, 2006).

Although the three motives identified above are distinct, EMNEs may pursue them simultaneously in a particular international expansion. For example, a particular international expansion may provide the firm access to strategic manufacturing facilities (strategic asset-seeking) along with access to newer markets (opportunity-seeking). Thus, opportunity and strategic-asset-seeking motives can also be pursued simultaneously in a single host location. Further, EMNEs, especially in knowledge intensive industries, have limited motivation to pursue internationalization with an efficiency seeking motive. These firms have the benefit of a lower cost of operation in their home market. Further, the natural resource seeking motive is also not popular among MNEs from the knowledge intensive industries. Therefore, the above two motives have not been discussed further in this study.

HYPOTHESES DEVELOPMENT

We distinguish between firm's characteristics that drive different motives of internationalization. Essentially, we draw on the springboard perspective and focus on EMNE's unique advantages of amalgamation, ambidexterity, and adaptability (AAA) to differentiate between firm level drivers of internationalization. These AAA advantages are derived from underlying firm characteristics and vary among firms.

We hypothesize that the capability of *amalgamation* is reflected by EMNEs' investment in R&D. EMNEs that invest in R&D are more likely to identify and exploit resource and market opportunities in the international market. Further, we argue that *adaptability* to the external environment is determined by availability of slack resources with the firm. *Ambidexterity* in an organization is a result of organization culture, management preferences and its strategic orientation. Therefore, we hold that EMNEs' ownership structure and nature of control (family vs.

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non-family) influence organization culture and its orientation. We elaborate upon these ideas in the following sub-sections.

R&D Investments

A firm's investment in R&D is an indicator of its technological capability, i.e., its technological know-how, stock of patents, and research and development ability (Cohen & Levinthal, 1990). In knowledge intensive industries, technological capability is a key source of advantage for firms. EMNEs' investment in R&D is not an indicator of their possession of cutting edge technologies and original innovations (Guillén & García-Canal, 2009; Ramamurti, 2012) but their unique capability in *amalgamation* (Luo & Tung, 2018). The capability of amalgamation includes EMNEs' unique skills in frugal engineering, flexibility in adapting to new technologies, process innovations, and producing products with suitable price-value ratios (Chittoor, Sarkar, Ray, & Aulakh, 2009; Guillén & García-Canal, 2009; Luo & Tung, 2018).

EMNEs that invest in R&D would be more inclined to exploit their unique capabilities into a larger market (Contractor, Kumar, & Kundu, 2007). Other developing or least developed countries offer a large base of price sensitive customers. EMNEs that invest in R&D are more likely to compete with DMNEs in such markets as their home grown technological capabilities along with experience of operating in weak institutional set up would give them an advantage over DMNEs (Cuervo-Cazurra & Genc, 2008). Secondly, the home grown capabilities of EMNEs are superior to those of host country firms owing to relatively better strategic factor markets at home (Kim et al., 2015). Such firms would be more inclined towards using internationalization to exploit their competitive advantage in other EEs (Luo & Tung, 2007). The firm, thus, complements its home country sales by additional sales from foreign markets. Hence, we hypothesize,

Hypothesis 1a: A firm's investment in R&D is positively associated with market-seeking internationalization.

While expanding into developed countries with an exploitative motive, EMNEs are at a disadvantage, as they do not possess superior technological capability or global brands compared to host country firms. Even then, there have been a number of instances where firms from EEs have forayed into the world's most developed countries (Child & Rodrigues, 2005). In such cases too, EMNEs compete on their ability to *amalgamate* i.e., identify and combine resources to create products with advantageous price value ratios (Luo & Tung, 2018). Such products can be exploited across niche opportunities in the international markets (Luo & Tung, 2007). Such opportunities, for example, may take the form of generic drug businesses in developed countries for pharmaceutical firms (Chittoor et al., 2009), becoming preferred suppliers for GVCs of global MNEs

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for auto ancillary firms (Giroud & Mirza, 2015) or, becoming preferred partners in providing low cost software solutions in the case of IT firms (Athreye, 2005). The potential of such opportunities cannot be attained without requisite resources to realize them. A firm's investment in R&D also adds to its stock of information and help it to identify opportunities in developed markets. Hence, the hypothesis,

Hypothesis 1b: A firm's investment in R&D is positively associated with opportunity-seeking internationalization.

Spring-boarding helps the *amalgamation* process by identifying strategic assets in the international markets (Luo & Tung, 2018). The strategic asset-seeking motive is largely driven by firm's strategic orientation, i.e., its global aspirations and external mindset (Cui et al., 2014; Kedia et al., 2012) and industry related factors like competition in the focal firm's home market (Cui et al., 2014; Luo & Tung, 2018).

Compared to market-seeking and opportunity-seeking motive, the role of R&D investments as a driver of strategic asset-seeking motive may be tenuous. In addition to a firm's strategic orientation and industry drivers, it may be necessary to adequately internalize and absorb the knowledge based assets acquired from the developed country markets (Buckley, Munjal, Enderwick, & Forsans, 2016; Vermeulen & Barkema, 2001). Such knowledge assets, which usually take the form of patents, propriety assets, etc. can be commercially useful (Cohen & Levinthal, 1990; Zahra & George, 2002) only when the firm is aware of their value and has the necessary absorptive capacity (Cohen & Levinthal, 1990). We expect that a firm's R&D investments may have a significant association with the strategic asset-seeking motive. Such a relationship, however, may not be as strong as that of R&D investments and the market-seeking motive or opportunity-seeking motive. Hence, the hypotheses,

Hypothesis 1c: Firm's investment in R&D is positively associated with strategic asset-seeking internationalization; this positive association shall be weaker in comparison to its association with market-seeking internationalization as well as opportunity-seeking internationalization.

Financial Slack

The business environment that EMNEs face is unique in terms of the institutional setup. It is characterized by weak and under-developed institutions at home and in other EEs. It is also characterized by dynamism in terms of newer market opportunities and strategic assets when they expand into developed countries (Luo & Tung, 2007; Madhok & Keyhani, 2012). A crucial requirement for competing in such environments is the firm's ability to *adapt* to diverse business environments (Luo & Tung, 2018) which in turn is dictated by the availability of financial slack (Lin, Cheng, & Liu, 2009).

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In the context of internationalization, financial slack has been found to affect internationalization patterns of the firm (Calof & Beamish, 1995; Lin, 2014). Financial slack has been viewed as a resource that positively affects a firm's internationalization process (Lin et al., 2009). We expect that firms with higher levels of financial slack adapt to uncertain business environments more readily as compared to others. Such firms would be in a better position to pursue internationalization motives with higher uncertainty and risk.

Internationalization with a motive to seek strategic assets requires high level of *adaptability* on the part of the firm. Strategic assets sought by EMNEs in international markets are usually high-end technological capabilities, brands, distribution channels, and managerial capabilities (e.g., Cui et al., 2014; Luo & Tung, 2007; Mathews, 2006). These assets, especially in knowledge intensive industries, are intangible in nature. Hence, there is a considerable level of uncertainty in determination of the actual value of such assets (Singla & George, 2013). Moreover, such assets are acquired through higher order FDI modes like acquisitions and joint ventures (JVs) (Gubbi et al., 2010; Reuer, Shenkar, & Ragozzino, 2004). The success of both acquisitions and JVs is uncertain as failure rates of both of them are high (Lunnan & Haugland, 2008; Ravenscraft & Scherer, 1987). Such modes of expansion also require high initial capital (Cui et al., 2014). Risk associated with international acquisitions is amplified as EMNEs usually acquire loss-making units (Duysters, Jacob, Lemmens, & Jintian, 2009), which take time before becoming profitable.

Owing to protectionist policies and the slow pace of liberalization at home, EMNEs have accumulated huge amounts of financial slack by catering to unsaturated domestic markets (Buckley et al., 2016). EMNEs can leverage this advantage across international markets to *adapt* to adverse business situations arising out of strategic asset-seeking internationalization. Thus, we hypothesize,

Hypothesis 2a: Availability of financial slack is positively associated with strategic asset-seeking internationalization.

When EMNEs expand into developed countries to exploit niche market opportunities, they primarily compete on their ability to offer low cost products, speed of internationalization, technology adaptation and ability to adapt to newer and different business environments (e.g., Madhok & Keyhani, 2012). The internationalizing firm has to *adapt* to developed institutions in host countries along with under developed institutions at home (Luo & Tung, 2018). As opportunities in international markets are exploited, the information diffuses to other competing firms in the host markets. In such a case, the profit accruing to the firm upon exploiting the opportunity may be distributed among other firms as well. Therefore, EMNEs that are able to quickly identify and garner opportunities and *adapt* to the changing environmental conditions are better placed in the international markets than others. Since, a firm's ability to *adapt* to the different environmental contexts is determined

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by the availability of financial slack, we expect firms with an endowment of financial slack to be more active in pursuing opportunity-seeking internationalization. Further, opportunity-seeking internationalization also has certain level of risk and uncertainty associated with it in the form of the costs associated with both liabilities of origin (Ramachandran & Pant, 2010) and liabilities of foreignness (Zaheer, 1995). Availability of financial slack can help the firm overcome these costs associated with internationalization. Therefore, we hypothesize,

Hypothesis 2b: Availability of financial slack is positively associated with opportunity-seeking internationalization.

EMNEs also expand into other EEs in search of larger markets. Other EEs are characterized by weaker institutional set ups. Since, EMNEs are accustomed to operating in such environments (Cuervo-Cazurra & Genc, 2008), the pressure of *adapting* to host country environment in such countries for EMNEs shall be lesser as compared to developed economies. Secondly, since EMNEs are better equipped in terms of resources when they enter other emerging or less developed countries (Kim et al., 2015), it helps them overcome the costs associated with liabilities of foreignness. The liabilities of origin may not be significant as EMNEs enter into other less developed countries. Although, availability of financial slack is beneficial to weather risks of internationalization, it may not be a critical requirement for EMNEs expanding into other emerging or less developed economies. Therefore, we hypothesize

Hypothesis 2c: Availability of financial slack is positively associated with market-seeking internationalization; this positive association is weaker in comparison to its association with opportunity-seeking internationalization as well as strategic asset-seeking internationalization.

Ownership Structure

The international expansion of EMNEs is characterized by a simultaneous pursuit of divergent goals. Luo and Tung (2018) highlight such goals as – identification and augmentation of assets from international markets, and at the same time, pursuance of mass production activities at home. Such simultaneous pursuits also include EMNEs' search for better institutional environment in developed countries as well as exploitation of their experience of operating in weaker institutions in other developing or least developed countries. The above aspects of internationalization of EMNEs underscores their unique capability of *ambidexterity* (Luo & Tung, 2018). Luo and Tung (2018) define ambidexterity, as 'a *firm's characteristic property to fulfill two disparate and conflicting goals that are critical to firm's long range success*'.

Organization characteristics like a decentralized structure, common culture, vision, shared ambition, supportive leaders and managers are determinants of *ambidexterity* in an organization (Gibson & Birkinshaw, 2004; Tushman & O'Reilly, 1996). As controlling owners of the firm affect its business development

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strategies (Connelly, Hoskisson, Tihanyi, & Certo, 2010), we look at firm's ownership structure and nature of control (family vs. non-family) as determinants of its motive of internationalization.

A firm's ownership structure is a key determinant of its strategic orientation (Liu, Li, & Xue, 2011; Zahra, Ireland, & Hitt, 2000). Strategic orientation is associated with a firm's propensity to take long-term decisions, pursue new market opportunities, innovativeness, managerial vision and proactive competitive posture. Ownership concentration in EE firms is a response to the 'institutional voids' (Khanna, Palepu, & Sinha, 2005) caused by the absence of specialized intermediaries, regulatory systems, and contract-enforcing mechanisms in emerging markets. In EE firms, ownership is concentrated among few shareholders like family owners and financial institutions.

Although limited, few studies (e.g., Bhaumik et al., 2010; Gaur & Delios, 2015) have explored the link between firm's ownership structure and international strategies. Owners in such firms have the ability to monitor and control management as compared to firms with diffused shareholding. Such owners have both incentive and power to pursue risky internationalization opportunities (Gaur & Delios, 2015; Lien & Filatotchev, 2015; Singh & Gaur, 2013). On the other hand, Bhaumik et al. (2010) report that firms with concentrated shareholding are less likely to invest overseas as owners wealth may be subjected to risks associated with internationalization. These diverse findings regarding effects of ownership structure on a firm's internationalization preferences can be explained by viewing internationalization from the lens of motives.

Each motive of internationalization necessitates different levels of ambidexterity on the part of the firm. Strategic asset-seeking motive of internationalization requires augmentation of assets acquired from international markets (Luo & Tung, 2018) and simultaneous exploitation of the firm's advantages, like low cost manufacturing capabilities. Such an international expansion requires the firm to forgo short-term gains in view of long-term profitability. Secondly, as strategic asset-seeking investments, especially in knowledge intensive industries, both are costly and risky. Financing of such investments from internal resources may subject the investment of the major shareholders to specific risks of internationalization (Myers, 1984). In India, large shareholdings are usually in the hand of family owners and financial institutions. They may not prefer risky internationalization decisions as their wealth may be subjected to specific risks of internationalization. Further, other investors like financial institutions, whose main purpose of association with the firm is for profit making, may discourage strategies that may not be profitable in the short term (Ramaswamy, Li, & Veliyath, 2002). Preference for short term profitability may limit a firm's *ambidextrous* posture (Gibson & Birkinshaw, 2004). Therefore, a firm with concentrated ownership may refrain from strategic asset-seeking internationalization in order to avoid risks associated with it, and focus on short-term profitability. Hence, we hypothesize,

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Hypothesis 3a: Concentration of ownership is negatively associated with strategic asset-seeking internationalization.

Opportunity-seeking internationalization also requires firms to exhibit an *ambidextrous* posture as firms seek to avoid weaker institutions at home and simultaneously exploit their unique advantages in developed countries (Luo & Tung, 2018). In knowledge intensive industries, EMNEs have to unlearn some of their beliefs and competitive strategies that may have worked in their home country institutional environment (Zahra, Abdelgawad, & Tsang, 2011), and which may not be required in the newer and more developed institutional set ups (North, 1990). At the same time, EMNEs have to continue their existing strategies of managing institutional constraints in their home markets. Unlearning existing practices and process is both costly and time consuming (Zahra et al., 2011). Therefore, EE firms with concentrated shareholding, whose main intention is profitability in the short term, may refrain from such strategies.

Although, opportunity-seeking internationalization also has risks associated with it, these risks are lower when compared to strategic asset-seeking internationalization as these strategies are exploitative in nature and initial investment may not be too high as well. Opportunity-seeking internationalization may also act as a mode of reducing risk. Internationalization into countries with better institutional environments lowers the risk of operation (Witt & Lewin, 2007). It also reduces risk by diversifying the firm's investments (Oesterle, Richta, & Fisch, 2013). Systematic risks such as political risk, foreign exchange risk and asymmetric information between the MNE and domestic firms are lower in the case of opportunity-seeking internationalization, owing to better institutional setup of the host country. Therefore, we hypothesize,

Hypothesis 3b: The negative effect of concentrated ownership is weaker on opportunity-seeking internationalization as compared to strategic asset-seeking internationalization.

In comparison to other motives of internationalization, the capability of being ambidextrous may be less needed in the case of market-seeking motive, as EMNEs expand into other EEs and less developed countries. In these countries, EMNEs face familiar environments and also extend their home country practices into the foreign country (Kim et al., 2015). In such an environment, the EMNE does not face disparate and conflicting goals to the extent faced in the case of expansion into developed countries. In such countries, the systematic risks of internationalization arising out of weaker institutions, political set ups can also be overcome by the EMNEs prior experience of operating in such an environment in their home country (Cuervo-Cazurra et al., 2018). Thus, the hypotheses,

Hypothesis 3c: Ownership concentration is negatively associated with market-seeking internationalization; this negative association is weaker in comparison to its association with strategic asset-seeking internationalization as well as opportunity-seeking internationalization.

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Family Control

Family control, which is a feature of many EMNEs, influences the organizational culture, strategic orientation, and decision-making process (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). Family members have a strong personal attachment, commitment, and identification with the firm. This manifests itself as a long-term orientation in decision-making, a close-knit community culture in the organization and strong, long-term relationships with stakeholders (Davis, Schoorman, & Donaldson, 1997; Miller & Le Breton-Miller, 2006). Family firms usually do not suffer from traditional principal-agent agency costs, as owners themselves are part of the management of the company (Dharwadkar, George, & Brandes, 2000). This alignment of interests between owners and managers makes the family controlled firms risk neutral, as owners tend to pursue risky strategic decisions if such decisions offer commensurate increase in returns on investment (Carpenter, Pollock, & Leary, 2003). Family controlled firms also have a longer term horizon as family firms' main objective is to pass on the business to future generations (Miller & Le Breton-Miller, 2006).

Family firms also tend to be cost effective and avoid risky decisions, as the majority of the family wealth is concentrated in a single business (Anderson & Reeb, 2003). Family firms exhibit a centralized organizational control and decision making as owners are reluctant to hire and give control to external managers (Bhaumik et al., 2010; Carney, 2005). Therefore, we expect family firms to be inherently *ambidextrous* and hence keen to pursue internationalization as compared to non-family firms (Stubner, Blarr, Brands, & Wulf, 2012). Because of the inherently ambidextrous character of family owned firms, the degree to which different motives of internationalization that such a firm exhibits shall vary. We discuss this in detail in the following paragraphs.

With a market-seeking motive of internationalization, EMNEs expand into developing or less developed countries. Family controlled firms would not be averse to expanding in such markets as it promises immediate returns compared to other motives of internationalization. Since the family has been able to negotiate the institutional voids in the home country, they may not need much external support in expanding into other developing or least developed countries. Even if external managers are present, there may not be conflict between owners and managers as both may find entering such markets attractive with a market-seeking motive. Since, market-seeking motive is associated with comparatively lesser risk, the conservative family owned firms might exhibit this motive more prominently compared to non-family firms. Hence, we hypothesize

Hypothesis 4a: In comparison to non-family firms, family firms are more inclined to pursue market-seeking internationalization.

In comparison to the market-seeking motive of internationalization, the risk associated with opportunity-seeking internationalization is higher. Since the

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traditional principal-agent agency issues are not prominent in family controlled firms, it is easier to conjure up support for such internationalization strategies, which may be risky, but beneficial in the longer term.

However, the motivation could be diluted by the fact that, at times family members who are also majority shareholders expropriate the firm's resources at the cost of minority shareholders to obtain private benefits (Ashwin, Krishnan, & George, 2015). Such acts go unnoticed in EE firm's home countries where the institutions are weak but are subjected to scrutiny from external regulators, investors, creditors and credit-rating agencies in countries with better institutions (Bhaumik et al., 2010).

Additionally, the costly unlearning before beginning to learn and adapt to such environments may be perceived as a constraint to opportunity-seeking internationalization (Kim et al., 2015; Zahra et al., 2011). Initial risks associated with cultural and institutional difference may also deter some family owned EMNEs from pursuing internationalization with an opportunity-seeking motive (Zaheer, 1995).

However, inherently *ambidextrous* family owned firms would realize that in the longer term, beyond a certain threshold, expansion with an opportunity-seeking motive benefits the internationalizing firm by providing them greater market access (Contractor et al., 2007). Expansion into countries with better institutions also helps EMNEs alleviate domestic institutional and market constraints (Witt & Lewin, 2007).

Considering the above, it is likely that the opportunity-seeking motive of internationalization followed by family owned firms will be less intense compared market-seeking motive of internationalization. Therefore, we hypothesize,

Hypothesis 4b: The positive effect of family control is weaker on opportunity-seeking internationalization as compared to market-seeking internationalization.

Strategic asset-seeking internationalization makes the firm competitive in the longer term (Kedia et al., 2012). Family owned firms, which usually have a longer-term horizon, would prefer such strategies as compared to non-family firms.

However, family controlled firms would have to contend with concerns of the family when pursuing the strategic asset-seeking motive of internationalization. The family may be averse to scrutiny that is the norm in countries with better institutions. Various modes of internationalization like M&A, strategic alliances and joint ventures, need not only external capital, but also new routines, practices and systems within the organization (Leonard-Barton, 1992). Family members may not desire such changes due to social and financial reasons. Socially, such changes may disrupt the close knit social systems built over years and financially, the use of external finance may weaken the control of the family over the firm and simultaneously increase the risk profile of the firm (Dreux, 1990). Further, in knowledge intensive industries, the family may be reluctant to use professional managers, anticipating loss of control in the long run (Bhaumik et al., 2010).

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Ambidextrous family owned firms may successfully overcome these challenges. However, in view of these concerns, it is expected that strategic asset-seeking motive will be less intensely associated with EMNEs undertaking internationalization, compared to market-seeking and opportunity-seeking motive. Hence, we hypothesize,

Hypothesis 4c: Family control is positively associated with strategic asset-seeking internationalization; this positive association is weaker compared to its association with market-seeking as well as opportunity-seeking internationalization.

METHODS

The sample for the study comprises of Indian firms belonging to four knowledge intensive industries[6] – Pharmaceuticals, Chemicals, Automotive, and Information Technology (IT). Firms in these industries have been the most active in pursuing FDI (Nayyar, 2008). These industries also give us a set of firms belonging to both service and manufacturing sectors. The Indian context provides us a unique research setting with a mix of market-seeking, opportunity-seeking and strategic asset-seeking international expansions. We focus on firms listed on the BSE (Bombay Stock Exchange) or the NSE (National Stock Exchange) as financial data of listed firms is available from published resources. Since our study is focused on Indian firms, firms that are foreign affiliates of foreign firms have been excluded from the sample. Our data is longitudinal in nature and includes firms that have reported sales in each year of the period of study. The final set is an unbalanced panel data set of 415 firms with 94 firms belonging to the automotive industry, 89 firms belonging to the Chemicals industry, 108 firms belonging to the pharmaceuticals industry and 124 firms belonging to the IT industry. The period of study is 2003 to 2013 as most of the disclosures by Indian firms regarding their ownership structure, foreign expansions like acquisitions, Greenfields, etc. have been post 2001–02. The unit of analysis is firm-year that results in 4565 firm-year observations. The final data set is an unbalanced panel data consisting of 3826 firm year observations for which complete set of financial data was available.

Firm level financial data is collected from Prowess (maintained by Centre for Monitoring Indian Economy (CMIE)). There is no formal database that records all international expansions of Indian firms. Therefore, to identify international expansions (Greenfields, Acquisitions, Alliances and Joint Ventures) of Indian firms we prepared a propriety dataset. We gathered information primarily from annual reports of firms. Annual reports were accessed from Dion Global Solutions – Insight database. We identified a total number of 781 international expansions by the firms in our sample. We excluded expansions that comprised purely special purpose entities (SPEs), or holding companies located in offshore financial centers (OFCs), without any substantive economic and productive substance. The 781 international expansions comprised of 255 acquisitions both full and partial; 290 Greenfields; 114

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alliances and joint ventures in a foreign country; 66 alliances and joint ventures in India and 63 instances of technology acquisitions. Both technology acquisitions and alliances/ joint ventures with foreign partners are an important source of acquiring strategic assets from foreign partners and hence they have been included in the sample (Child & Rodrigues, 2005).

Dependent Variables

We determine motives based on the two criteria depicted in Figure 1, i.e., asset exploitation vs. asset augmentation, and relative differences in locational advantages of host and home countries. In the first step, the resource based motive, i.e., asset augmentation vs. asset exploitation, was determined by analyzing different international expansions. Consequently, Greenfield ventures and technology acquisitions were classified as purely asset exploitative and asset augmenting respectively. Therefore, green field ventures have been coded as '0' on asset augmentation and '1' on the asset exploitation while technology acquisitions were coded as '1' on asset augmentation and '0' on asset exploitation. The motives for alliances, joint ventures and acquisitions were determined by analyzing the content of 'management discussion analysis', 'director's report' section of the annual reports using ATLAS/ti, a computer-assisted qualitative data analysis package. In some cases, the information provided in the annual reports was supplemented by news articles. For analyzing the content, we first identified the distinctive lexicon (keywords/phrases) for both asset exploitation and asset augmentation. Key words related to acquiring assets like 'technology', 'brands', 'distributional channels', 'manufacturing base', etc. were classified as asset augmentation. Keywords related to 'faster entry', 'gaining a foot hold', 'toe hold', 'beach heads', etc. were classified in the asset exploitation category. A complete list of keywords was prepared to be used for software-based content analysis. Next, each text regarding the acquisition, alliance or JV, was classified either as exploitative or augmenting based on the keywords present.

In general, there have been two broad ways of classifying text into different categories. While some scholars have used the frequency with which key words pertaining to a conceptual category occur as an indicator of the concept's importance (Uotila, Maula, Keil, & Zahra, 2009), others have used the mere presence of a conceptual category as an indication of its significance (Mishina, Pollock, & Porac, 2004). In the current study we use a technique similar to the former wherein based on the occurrence of frequency of keywords pertaining to a specific category implied the importance that category. Hence, if a text contained 7 key words related to asset exploitation category and 3 key words related to asset augmentation category, the text was given a score of 0.7 on asset exploitation and 0.3 on asset augmentation. Since the score on asset exploitation was more than 0.5, the foreign expansion was scored 1 on asset exploitation and 0 on asset augmentation. For cases where the number of key words was same for both categories, the score

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for both asset exploitation and augmentation was 1. Alternatively, we also did manual coding of the text into asset augmentation and asset exploitation categories.

In the second step, we determined the relative differences in locational advantages of host and home countries. We measured locational advantages in terms of strategic factor markets. We developed a measure similar to the factor market endowment index (FMEI) developed by (Kim et al., 2015). The index is based upon three broad categories of strategic factors – endowed, advanced and human factors. The index was developed by adding up scores *on quality of infrastructure (rail, road, ports, air transport, electricity supply and telephone lines), quality of educational system, quality of scientific research institutions and availability of scientists and engineers*. These scores were taken from the World Competitiveness Year Book. Where country scores were not available for a host country, we carefully examined country characteristics such as the legal system, religions, languages, and ethnicity from various sources on the internet and assigned scores using averages of the available scores of countries with similar characteristics. In this manner, we had obtained scores for strategic factors for all countries. Countries which had scores higher than India, were termed as developed countries while countries with lesser scores were termed as developing or under developed countries.

Once the resource based motive and the relative strategic factor market development were determined, we derived the final scores for motives based on the criteria given in Figure 1. All foreign expansions with an asset augmentation motive in countries with relatively better strategic factor markets were classified as *strategic asset-seeking*. Similarly, exploitative foreign expansion into host countries with relatively better-developed strategic factor markets were classified as o*pportunity-seeking* foreign expansion while those in host countries with relatively poorer strategic factor markets were classified as *market-seeking*.[7] In some cases, keywords related to both asset augmentation and asset exploitation were observed in the available text related to the expansion. Such foreign expansions were classified into both strategic asset-seeking and opportunity-seeking categories.

In this way for each foreign expansion, we were able to assign a score of either 0 or 1 on each category of foreign motive. The yearly score for motive was obtained by summing up scores of different foreign expansions in the given year. The final score for the motive variable was the cumulative sum of yearly expansions with the same motive. We also computed scores for motives based on manual coding of texts describing the intent of acquisitions and alliances. To verify the inter-rater agreement between scores obtained for motives manually and through the content analysis software, we calculated the Cohen's Kappa (Cohen, 1968). The value of Kappa for strategic asset-seeking motive was 0.66, for market-seeking motive, 0.85 and for opportunity-seeking motive, 0.72. Values above 0.60 suggest substantial agreement (Landis & Koch, 1977) between the methods used for determining the motive of internationalization.

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Independent Variables

We measured firms' *R&D investments* as R&D expenditures as a percentage of net sales. R&D investments is the most widely used measure for firms' technological capability (e.g., Lu & Beamish, 2004). Moreover, firms' investment in R&D is also an indicator of a firm's absorptive capacity (Cohen & Levinthal, 1990). Therefore, using R&D intensity serves the purpose of indicating a firm's level of technological capability as well as absorptive capacity. *Financial slack* has been measured using a wide range of measures like debt to equity ratio, equity to debt ratio, current ratio, etc. in literature (Daniel, Lohrke, Fornaciari, & Turner Jr., 2004; Lin et al., 2009). In our study, we require a measure of slack that provides managers high discretion regarding its deployment. Therefore, we use operating cash flows (OCF) available to the firm as a measure of financial slack. Operating cash flow is defined as sales minus the cost of goods sold, sales and general administration expenses and working capital change. We normalized the value of operating cash flows by dividing it by net sales.

For measuring a family's control, an appropriate measure would have been the percentage of voting rights possessed by the family members (Chakrabarty, 2009; Lu et al., 2011). Due to unavailability of data, we used *domestic promoter's share holdings* as a proxy for family's shareholding (Ashwin et al., 2015). Family control was operationalized as a dummy variable, which took a value of 1, if the family was the single largest holder in the firm. *Domestic promoter's shareholding* is a suitable measure as higher promoter's (owners) shareholding would determine the level of owners' control (Bhaumik et al., 2010). We did not use a continuous measure of promoter's shareholding, as family members must have a minimum level of shareholding to exercise control over the firm. To measure level of *ownership concentration*, we computed the Herfindahl index for all shareholdings of different shareholders. A high value of Herfindahl index would imply concentration of shares among fewer shareholders (Bhaumik et al., 2010).

Control Variables

We included controls for firm size and age. Firm's size is measured by the logarithm of *net sales* while firm's age is measured by the logarithm of *the number of years of operation of the firm since inception*. Natural logarithm transformation ensured the distribution of data is closer to normality. We controlled for firm's financial leverage, measured as *debt-to-equity ratio*. *Business group affiliation* is a predominant characteristic of firms from EEs. We control for business group affiliation by including a dummy variable, which takes a value '1' if a firm is affiliated to a group and '0' otherwise. We also controlled for firm's *marketing intensity* as it is a key driver of internationalization (Lu & Beamish, 2004). *Marketing intensity* was measured as marketing expenses as a percentage of sales. Foreign institutional investors can be a source of information regarding opportunities in foreign markets, hence we controlled for *shareholding by non-promoter foreign institutional investors (FII*

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shareholding), measured as a percentage of total shares held by foreign institutions to total outstanding shares. Social networks of EMNEs can also be a source of information of international markets. We control for firm's *network ties* by including a variable that measures the number of links the focal firm has with other firms. Number of links have been measured in terms of firm degree centrality in its network (Haunschild & Beckman, 1998). Degree centrality reflects the 'information volume' available to a focal firm and is the most common measure of firm's position in a network (Ahuja, 2000). A control for firm's *market structure* was also included. Market structure measures the level of competition in the firm's industry. *Market structure* is determined by the Herfindahl index. Herfindahl index is computed using net sales of all companies in the industry. We also controlled for *time fixed affects* by including dummy variables for each year.

Statistical Analysis

Our sample also comprises firms that have never pursued FDI. Therefore, we followed a two-stage Heckman (1979) estimation procedure to correct for any sample selection bias. In the first stage, we estimated a probit regression model to predict the propensity of the focal firm to pursue FDI. In this stage, we used a dichotomous dependent variable, FDI, which took a value 1, if the firm pursued FDI during the study period, and 0 otherwise. In this first stage model, we used the firm's *international experience* and *availability of international financial resources* as instrument variables to predict the firm's propensity to pursue internationalization. Exports or income from providing services in foreign markets exposes the firm to a host of new challenges, capabilities and customer needs of the host country (Cui et al., 2014). Therefore, a firm's international experience may drive FDI decisions. We measure international experience by measuring the contribution of the firm's foreign sales in total sales i.e., foreign sales divided by total sales. Availability of international financial resources also influences the FDI decision (Chittoor et al., 2009). Therefore, we include international financial resources in model 1 as an instrumental variable. International financial resources available to the firm were measured as the sum of foreign equity and foreign debt available to the firm. We divide this sum by total liabilities of the firm. The value of inverse-mills ratio generated from the first stage was used in our main regression model. The dependent variable i.e., motive of internationalization in the second stage model is a count variable. The dependent variable is over-dispersed, as there are a number of firms that have not pursued internationalization with a particular motive. To model such over dispersed count data, we use a negative binomial regression technique.

RESULTS

Table 2 shows the correlations between the variables and the descriptive statistics. The total number of pooled firm-year observations is 3826. The mean value of

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Table 2. Descriptive statistics and correlation table

Variable	*Mean*	*St. Dev.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
Strategic Asset-seeking	0.16	0.62																
Opportunity-seeking	0.4	1.19	0.45															
Market-seeking	0.08	0.41	0.27	0.39														
Firm Size[a]	7.99	537.27	0.34	0.45	0.29													
Firm Age[b]	27.23	16.75	0.03	0.09	0.07	0.35												
International Financial Resources	0.05	0.17	0.26	0.31	0.21	0.48	0.16											
Debt to Equity Ratio	1.41	5.69	−0.02	−0.01	−0.03	0.33	0.25	0.23										
International Experience	0.2	0.3	0.16	0.30	0.15	0.36	0.01	0.24	0.07									
Market Structure	0.08	0.05	−0.11	−0.15	−0.06	0.20	0.41	0.11	0.31	−0.06								
R&D investments	0.01	0.09	0.17	0.25	0.24	0.46	0.27	0.27	0.19	0.27	0.17							
Marketing Intensity	0.02	0.05	0.04	0.05	0.13	0.17	0.16	0.11	0.15	0.16	0.21	0.37						
Financial Slack	0.05	3.25	0.19	0.29	0.15	0.18	−0.03	0.09	−0.19	0.31	−0.28	0.07	0.01					
Family Control	0.53	0.5	0.05	0.09	0.09	0.23	0.24	0.16	0.18	0.15	0.21	0.19	0.07	0.08				
Ownership Concentration	0.38	0.14	−0.19	−0.13	−0.08	−0.27	0.03	−0.20	−0.07	−0.12	0.07	−0.15	−0.06	−0.11	0.20			
Business Group Affiliation	0.42	0.49	0.16	0.20	0.14	0.47	0.29*	0.16	0.19	0.11	0.12	0.30	0.10	0.12	0.17	−0.14		
Network Ties	5.96	7.39	0.19	0.16	0.15	0.51	0.27	0.23	0.16	0.06	0.15	0.27	0.11	0.04	0.08	−0.20	0.43	
FII shareholding	2.67	6.68	0.33	0.47	0.29	0.63	0.15	0.39	0.04	0.30	−0.08	0.33	0.11	0.25	0.08	−0.31	0.31	0.32

Note: *Correlations greater than 0.04 are significant at 5% level

[a] Firm size is measured as net sales in billions of Rs; [b] Firm age is measured in years

opportunity-seeking motive is highest compared to strategic asset-seeking and market-seeking international expansion. This depicts the general trend of foreign investment by Indian firms led by the IT industry. The mean value of family control and ownership concentration is high; a characteristic of EE firms.

Table 3 shows the results of first stage probit and second stage negative binomial regression. The dependent variable in model 1 is the dichotomous variable FDI. Firm size, network ties, business group affiliation, international experience, FII shareholding and availability of international financial resources are significant drivers of the FDI decision. Models 2 to 7 depict our second stage negative binomial regression results. In models 2 to 7, the dependent variables are the different motives of internationalization. To test the relative effect of each of the firm level variables on the motive of internationalization we created a dataset of all foreign expansions. We used a multinomial logit (M-Logit) regression model that estimates the effect of the independent variables (firm level variables) on the probability that one of the motives is chosen. The regression results of the M-logit model are presented in Table 4. In models 8 to 11, one motive of internationalization has been kept as base motive and the marginal impact of firm level variables with respect to the base motive are shown. The base motive in models 8 and 9 is strategic asset-seeking, while in models 10 and 11 the base motive is opportunity-seeking.

Models 2, 4, and 6 depict the effect of control variables on strategic asset-seeking, opportunity-seeking and market-seeking motive of internationalization respectively. Models 3, 5, and 7 are full models. In models 5 and 7 the coefficient of technological capability is positive and significant. The positive coefficient of *R&D investments* in models 5 ($\beta = 0.94$, $p = 0.000$) and 7 ($\beta = 1.32$, $p = 0.000$) lends support to hypothesis 1a and 1b.[8] In models 8 and 9, the coefficient of R&D investments is positive and significant ($\beta = 7.12$, $p = 0.019$ and $\beta = 10.77$, $p = 0.000$, respectively), suggesting that firms with higher investments in R&D are likely to opt for market-seeking and opportunity-seeking internationalization as compared to strategic asset-seeking internationalization. Thus, hypothesis 1c is partially supported, as the direct effect of R&D investments on strategic asset-seeking is not significant. Since, negative binomial models are non-linear; it is difficult to interpret the effect size from the coefficients of the covariates in the regression output. Hence, we use the delta-method (Kotha, Zheng, & George, 2011) to compute the marginal effect of covariates. The marginal effect of R&D investments on opportunity-seeking and market-seeking motive is 0.82 and 0.17 both significant at p value = 0.000. The marginal effects imply that a one-unit change in R&D investments results in 82% and 17% change in the number of opportunity-seeking and market-seeking investments respectively.

The coefficient of financial slack in all full models 3, 5, and 7 was not significant. Hence, financial slack is not a significant determinant of motive of internationalization. Hence, hypothesis 2a and 2b were not supported. Hypothesis 2c

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Table 3. Results of negative binomial regression

Dependent variable	*FDI*		*Strategic Asset-seeking*				*Opportunity-seeking*				*Market-seeking*			
Models	*Model 1*		*Model 2*		*Model 3*		*Model 4*		*Model 5*		*Model 6*		*Model 7*	
	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values
Constant	−1.82 (0.19)	0.000	−2.06 (0.71)	0.003	−2.08 (0.75)	0.006	−1.14 (0.47)	0.015	−1.68 (0.48)	0.000	−7.31 (1.04)	0.000	−8.47 (1.09)	0.000
Inverse mills ratio			−1.61 (0.36)	0.000	−1.47 (0.36)	0.000	−1.09 (0.20)	0.000	−1.08 (0.19)	0.000	0.14 (0.46)	0.076	0.39 (0.46)	0.395
International experience	0.80 (0.10)	0.000												
International Financial Resources	0.63 (0.18)	0.000												
Firm size[a]	0.81 (0.05)	0.000	0.34 (0.18)	0.054	0.42 (0.18)	0.019	−0.02 (0.11)	0.864	0.02 (0.10)	0.874	1.32 (0.24)	0.000	1.49 (0.24)	0.000
Firm age[b]	−0.21 (0.13)	0.087	−0.05 (0.35)	0.877	0.09 (0.35)	0.789	−0.08 (0.22)	0.702	−0.12 (0.21)	0.576	−0.59 (0.44)	0.177	−0.60 (0.43)	0.165
FII Holding	0.03 (0.01)	0.000	0.002 (0.01)	0.735	−0.001 (0.01)	0.839	0.01 (0.004)	0.142	0.01 (0.004)	0.034	−0.01 (0.01)	0.576	−0.01 (0.01)	0.578
Network ties	0.01 (0.004)	0.010	−0.001 (0.01)	0.922	−0.01 (0.01)	0.455	0.01 (0.005)	0.254	0.01 (0.004)	0.167	0.01 (0.01)	0.477	0.01 (0.01)	0.589
Marketing intensity	0.11 (0.61)	0.856	−4.05 (2.11)	0.055	−4.53 (2.18)	0.037	0.53 (1.03)	0.608	−0.26 (1.04)	0.801	10.96 (1.87)	0.000	9.74 (1.94)	0.000
Debt to equity ratio	−0.02 (0.01)	0.002	−0.00 (0.02)	0.999	−0.01 (0.02)	0.754	0.01 (0.01)	0.178	0.01 (0.01)	0.207	−0.03 (0.02)	0.081	−0.03 (0.02)	0.057
Business group affiliation	−0.01 (0.06)	0.829	−0.19 (0.15)	0.184	−0.12 (0.15)	0.419	0.004 (0.08)	0.959	−0.10 (0.08)	0.255	0.13 (0.20)	0.507	0.04 (0.20)	0.858
Market structure	−12.06 (0.71)	0.000	6.04 (2.80)	0.030	4.35 (2.95)	0.140	3.02 (1.62)	0.061	2.50 (1.64)	0.126	−2.96 (3.66)	0.419	−4.92 (3.79)	0.194
R&D investments					0.94 (0.64)	0.143			0.94 (0.20)	0.000			1.32 (0.36)	0.000
Financial slack					0.12 (0.42)	0.768			0.11 (0.21)	0.602			0.68 (0.58)	0.242
Ownership concentration					−1.83 (0.53)	0.000			1.01 (0.30)	0.000			−0.32 (0.68)	0.633
Family control					0.17 (0.14)	0.214			0.25 (0.08)	0.002			0.70 (0.19)	0.000
Time dummies	Included		Included				Included				Included			
Observations	3826		1109		1109		1109		1109		1109		1109	
Log Likelihood	−1491.76		−892.72		−886.33		−1533.92		−1514.00		−601.54		−591.96	
Wald χ^2	1635.20		224.35		237.13		453.56		493.41		162.38		181.54	
Pseudo R-squared	0.35		0.11		0.12		0.13		0.14		0.12		0.13	

Notes: [a] logarithm of sales; [b] logarithm of years since inception; values in brackets are standard errors; Wald χ^2 values are significant with p values = 0.000

Table 4. Results of multinomial logit regression

Dependent Variable	*Market-seeking*		*Opportunity-seeking*		*Strategic Asset-seeking*		*Market-seeking*	
	Base Motive: Strategic Asset-seeking				Base Motive: Opportunity-seeking			
	Model 8		*Model 9*		*Model 10*		*Model 11*	
	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values	b (s.e)	p-values
Constant	1.24 (1.02)	0.226	−3.02 (1.25)	0.013	3.02 (1.25)	0.013	4.27 (1.25)	0.000
Firm size[a]	−0.64 (0.21)	0.002	0.34 (0.25)	0.190	−0.34 (0.25)	0.190	−0.97 (0.25)	0.000
Firm age[b]	−0.29 (0.56)	0.632	−0.11 (0.64)	0.906	0.11 (0.64)	0.908	−0.18 (0.63)	0.755
Debt to equity ratio	0.20 (0.11)	0.068	0.10 (0.14)	0.470	−0.10 (0.14)	0.471	0.10 (0.14)	0.480
International experience	1.35 (0.42)	0.001	0.10 (0.53)	0.849	−0.10 (0.53)	0.849	1.25 (0.52)	0.0159
International Financial Resources	−0.44 (0.32)	0.170	−0.73 (0.42)	0.086	0.73 (0.42)	0.086	0.29 (0.43)	0.492
FII Holding	0.001 (0.01)	0.915	−0.02 (0.01)	0.155	0.02 (0.01)	0.155	0.02 (0.01)	0.138
Marketing intensity	3.12 (4.15)	0.455	8.73 (4.72)	0.065	−8.73 (4.72)	0.065	−5.61 (4.17)	0.178
Business group affiliation	−0.22 (0.25)	0.371	−0.23 (0.31)	0.449	0.23 (0.31)	0.449	0.01 (0.30)	0.973
Market structure	0.02 (3.44)	0.997	−4.90 (4.17)	0.237	4.90 (4.17)	0.237	4.92 (4.30)	0.250
Network ties	0.03 (0.01)	0.023	0.01 (0.01)	0.439	−0.01 (0.01)	0.439	0.02 (0.01)	0.227
R&D investments	7.12 (3.07)	0.019	10.77 (3.30)	0.001	−10.77 (3.30)	0.001	−3.65 (2.35)	0.119
Financial slack	0.31 (0.85)	0.716	1.10 (1.08)	0.305	−1.10 (1.08)	0.305	−0.79 (1.06)	0.450
Ownership concentration	1.80 (0.85)	0.035	0.74 (1.03)	0.475	−0.74 (1.03)	0.475	1.06 (1.00)	0.287
Family control	0.32 (0.22)	0.144	0.53 (0.27)	0.050	−0.53 (0.27)	0.050	−0.20 (0.28)	0.457
Time Dummies	Included		Included		Included		Included	
Observations	781							
Log Likelihood	−656.37							
Wald χ^2	344.36							
Pseudo R-squared	0.20							

Notes: [a]: logarithm of sales; [b]: logarithm of years since inception; Wald χ^2 values are significant with p values = 0.000

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regarding stronger effect of financial slack on strategic asset-seeking internationalization as compared to opportunity-seeking and market-seeking internationalization was also not supported by results in model 8 and 9.

The coefficient of ownership concentration in model 3 was negative and significant ($\beta = -1.83$, $p = 0.000$), suggesting a negative impact of ownership concentration on strategic asset-seeking internationalization (hypothesis 3a). The coefficient of ownership concentration in model 5 ($\beta = 1.01$, $p = 0.000$) suggests that firms with concentrated ownership prefer opportunity-seeking internationalization. This also lends support to hypothesis 3b. Hypothesis 3c, regarding weaker negative impact of concentrated ownership on market-seeking internationalization as compared to strategic asset-seeking was also partially supported (Model 8, $\beta = 1.80$, $p = 0.035$) as the direct effect of ownership concentration on market-seeking internationalization was not significant. The marginal impact of ownership concentration on strategic asset-seeking internationalization and opportunity-seeking internationalization is −0.52 and 0.89 both significant at $p = 0.000$. This suggests that a 1-unit increase in ownership concentration leads to 52% reduction in strategic asset-seeking internationalization and 89% increase in opportunity-seeking internationalization.

The coefficient of family control was positive and significant in model 7 ($\beta = 0.70$, $p = 0.000$), suggesting a positive impact of family control on market-seeking (Hypothesis 4a). The coefficient of family control in model 5 ($\beta = 0.25$, $p = 0.002$) was also significant, suggesting a positive impact of family control on opportunity-seeking as well. Though the relative impact with respect to market-seeking motive was not significant, hence hypothesis 4b was partially supported. The marginal impacts of family control on market-seeking and opportunity-seeking was 0.21 ($p = 0.001$) and 0.10 ($p = 0.000$) respectively, suggesting that family firm are 21% and 10% more likely to pursue opportunity-seeking and market-seeking internationalization respectively when compared to non-family firms. The coefficient of family ownership in models 8 and 9 were both positive and significant, suggesting that family owned firms prefer market-seeking and opportunity-seeking internationalization as compared to strategic asset-seeking internationalization, thereby partially supporting hypothesis 4c as direct effect of family control on strategic asset-seeking was not significant.

Overall, the regression models exhibit a significant model fit with Wald χ^2 statistic significant at $p = 0.000$ for all models. The unexplained variance in these models can be attributed to top management team characteristics and preferences that play a significant role in a firm's perception of opportunities and risks in the international markets (e.g., Nielsen, 2010). Another factor contributing to the unexplained variance is the role firm's formal and informal networks. Both, formal and informal networks are sources of information about opportunities in international markets (e.g., Haunschild & Beckman, 1998). Hence, these may also influence firm's motive of internationalization. We discuss the implications of these results in detail in the next section.

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Robustness Checks

Our empirical model consists of three dependent variables – strategic asset-seeking, opportunity-seeking and market-seeking motive of internationalization. As a check of robustness, we conducted a multivariate analysis of variance (MANOVA). There was a statistically significant difference in motive of internationalization based on firm's *R&D investment*, F (3, 1093) = 2.410, $p = 0.066$, *Wilk's* $\Lambda = 0.993$. Similarly, a statistically significant difference was also observed in motive of internationalization based on firm's ownership structure and family control (F (3, 1093) = 5.187, $p = 0.001$; Wilk's $\Lambda = 0.986$ and F (3, 1093) = 3.759, $p = 0.011$; Wilk's $\Lambda = 0.990$, respectively). We did not find any significant difference in motive of internationalization based on firm's financial slack. The observations of the multivariate analysis are in line with our main findings.

We also checked whether our results robust against use of Heckman's two-stage procedure. Although, prior studies have used the two stage Heckman procedure in non-linear models (e.g., Chen, Crossland, & Huang, 2016; Georgakakis, Dauth, & Ruigrok, 2016), some doubts have been raised regarding the usage of this procedure in non-linear regression models (Greene, 2012). Thus, as a check for robustness, we tested all our models without including the inverse mills ratio. The empirical results, without inverse mills ratio were qualitatively same as reported in the main models with inverse mills ratio.

DISCUSSION

In the current study, we highlight the multifaceted phenomenon of internationalization of EMNEs. Unlike DMNEs, which have internationalized primarily to seek markets to leverage their advantageous firm specific assets, EMNE's motives of internationalization have been different. The motives of internationalization of EMNEs are driven by their unique firm specific characteristics derived from weak home country institutional set up. Therefore, we have focused upon firm characteristics that shaped these different motives of internationalization of EMNEs. In case of EMNEs, although government support and industry related factors are important drivers of internationalization, firm level heterogeneity is a key determinant of motives of internationalization. Drawing on the springboard perspective, we focus on unique capabilities of EMNEs in amalgamation, ambidexterity, and adaptation (AAA). We link different firm level characteristics that shape up the AAA advantages. Our study compliments recent studies in Chinese context regarding drivers of strategic asset-seeking intent (Cui et al., 2014; Deng, 2009).

Empirical findings suggest that a firm's investment in R&D is a significant driver of internationalization, a finding similar to studies in developed economy context. Although, in case of EEs, a firm's investment in R&D highlights its ability to amalgamate, i.e., combine resources to create products with higher price-value ratios. Hence, investment in R&D is found to be a significant driver

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of asset exploitative expansion i.e., market-seeking and opportunity-seeking internationalization, with the effect being slightly stronger on opportunity-seeking internationalization, particularly for manufacturing firms. These findings offer empirical support to the argument that EMNEs possess ownership advantages, though the nature of these advantages is different. These ownership advantages take the form of EMNE's ability to make good enough products at ultra-low costs (Guillén & García-Canal, 2009; Ramamurti, 2012). Using these advantages, EMNEs seek niche opportunities for themselves in developed markets.

In contrast to Dunning (1993), we view financial slack as an advantage accruing to EMNEs because of the institutional context that they face. Availability of financial slack underscores another unique capability of EMNEs: their ability to adapt. It is for this reason we measure financial slack as a firm's operating cash flow. Our hypothesis regarding the positive effect of financial slack was not supported. We did not find any significant relationship between financial slack and motives of internationalization. As a robustness check, we used current ratio and quick ratio as alternate measures of financial slack. The empirical results with both of these measures were similar and insignificant. A possible reason for such a finding is that most of the international expansions by Indian firms are funded by debt. This is evident in the higher amount of debt in their capital structure, also evident in Table 2. The negative and significant coefficient of debt to equity ratio in the first stage probit model (model 1) suggests that firms with higher borrowing capacity are more likely to opt for internationalization than others. Hence, empirical findings suggest that EMNE's internationalization is driven more by a firms borrowing capacity (Nagaraj, 2006) than availability of financial slack, which has implications for policy makers. These findings are in contrast to similar studies in a Chinese context, where large international investments are financed by a firm's internal slack resources (Cui et al., 2014).

An important characteristic of EMNEs is their ambidextrous posture. Consequently, we looked at firms' ownership structure and nature of control (family vs. non-family) as determinants of a firm's ambidextrous posture. Prior studies have been divided regarding the effect of ownership structure and family control on firms' internationalization (Bhaumik et al., 2010; Chittoor et al., 2015). A possible reason for differences in the findings of the two studies is due to the different modes of internationalization considered. We bridge this gap by considering different motives of internationalization. In line with Bhaumik et al. (2010), we find that concentrated ownership limits a firm's ambidextrous stance. Consequently, the effect of concentrated ownership was negative on risky internationalization decisions. However, the negative impact of concentrated shareholding is weaker on internationalization decisions that involve fewer risks or that tend to diversify risk. In fact, our empirical findings suggest that concentrated ownership is positively associated with opportunity-seeking internationalization. This finding highlights another aspect of opportunity-seeking motive which may be an EE firm's motivation to escape from institutional and market constraints

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in their home country. This is in line with Luo & Tung (2007). The findings regarding the effect of ownership structure on internationalization is similar to findings in the Chinese context. Risk is a major determinant of motive of internationalization of Chinese firms as well. While state owned Chinese firms are more likely to pursue risky internationalization motives, privately held Chinese firms prefer motives which involve fewer risks (Ramasamy, Yeung, & Laforet, 2012; Wang, Hong, Kafouros, & Wright, 2012). Concerning family control, we find that family control supports a firm's ambidextrous posture. Hence, family control in general, has a positive impact on internationalization. The positive impact of family control is stronger for market-seeking and opportunity-seeking internationalization i.e., expansions that involve lesser risks and minimum exposure to regulatory agencies. Similar findings have been reported by Bhaumik et al. (2010), regarding family control in this context.

There are several insights that can be drawn from the control variables. Network ties are a significant driver of opportunity-seeking motive. This is largely driven by service firms (e.g., TCS, Infosys) for which a key resource has been the diaspora of Indians in countries like the US and UK (Contractor, 2013). Another key observation is the significance of marketing intensity as a driver for market-seeking internationalization. Firms with high marketing intensity will not actively pursue strategic asset-seeking motive due to their shorter-term perspective. Such firms may be ambivalent towards opportunities present in developed markets, whereas, they will actively indulge in market-seeking motive during internationalization. These findings are in line with the extant literature (Capar & Kotabe, 2003; Lu & Beamish, 2004). Our findings reveal that firms with high marketing intensity will be *further* assisted in market-seeking motive, if the R&D intensity of the firm is higher.

Contributions

Our research makes several important contributions to the IB literature. We provide a distinctive framework for identification and classification of different motives of internationalization of EMNEs. Motives of internationalization have been classified along two dimensions – firm's resource based decision to either exploit or augment its resource base and relative locational advantages of the host countries measured in terms of strategic factor markets. Hence, we contribute to the recent literature on motives of internationalization (Cuervo-Cazurra & Narula, 2015; van Tulder, 2015).

Unlike past studies, which have considered a single mode of internationalization – either exports or acquisitions, we prepared a proprietary dataset comprising different internationalization modes like acquisitions, alliances, joint ventures and green field ventures to analyze the different motives of internationalization. This provides us with a holistic picture of motives of internationalization of EMNEs in knowledge intensive industries. To the best of our knowledge, this is the first

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study highlighting the drivers of opportunity-seeking motive of internationalization of EMNEs. We find that a firm's investment in R&D, concentration of ownership and family control are key drivers of opportunity-seeking internationalization. Regarding the effect of network ties, empirical results suggest that firm's network has a positive effect on opportunity-seeking internationalization.

Our findings indicate that managers need to inculcate specific abilities to successfully undertake internationalization efforts with different motives. A keenly developed boundary spanning ability, focus on process innovation leading to frugal engineering and development of products with suitable price-value ratios are important for opportunity-seeking and market-seeking motive of internationalization. Development of absorptive capacity in the organization is of paramount importance in this context for strategic asset-seeking internationalization. Further, an ability to raise timely debt is also crucial for EMNEs to successfully internationalize.

There are a few limitations of this study. First, the study is focused on Indian firms only. To generalize the findings, a more rigorous research has to be carried out by considering different country contexts. Secondly, determination of motives by analyzing news articles, analyst reports, annual reports, press releases, published interviews, etc. is thus limited by the information disclosed by the firm in public domain. Future studies may use more refined measures for determining motives. Third, in case of EMNEs firms network ties play an important role in providing information. The role of network ties has to be explored further in deciding the motive of internationalization. Finally, the role of TMT characteristics (international experience, education, orientation, etc.) may also influence firm's internationalization preferences. Not considering TMT characteristics is a shortcoming and has to be addressed in future research.

Future research can draw deeper insights by looking at EMNE capabilities like marketing intensity facilitating internationalization. Future research may also look at sub-samples of industries of manufacturing and service firms. This research can also be extended to draw deeper insights into the international-performance (I-P) linkage by including motives as moderators. Motives of internationalization are in general interdependent i.e., some of the motives may be pursued simultaneously. Future research may explore this aspect of motives of internationalization and draw further insights into ownership, entry mode choices of foreign investment and the configurations of strategy and structure of subsidiaries of EMNEs.

NOTES

[1] Consequently, conventional motives of internationalization like natural resource seeking and efficiency seeking have not been considered, as these are not as popular for EMNEs belonging to knowledge intensive industries.

[2] Knowledge intensive industries are classified based on OECD's industry classification metric wherein industries are clubbed together based on technological intensity involved (http://www.oecd.org/sti/inno/48350231.pdf).

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[3] An example of market seeking internationalization is Indian Pharmaceutical firm, Dr Reddy's, joint venture and further acquisition of complete stake in the joint venture with South African pharmaceutical firm Calshelf to increase its presence in the South African market.

[4] For example, a large number of drugs going off patent in US and EU bloc (Nagaraj, 2006) and host country government policies supporting generic drug business (Balakrishnan, 2015) has opened up opportunities for Indian pharmaceutical firms because of their low cost and imitation capabilities. Further, in case of Indian IT firms, a huge diaspora of Indian managers, ethnic ties and English being the common business language have proved to be sources of advantage that these firms leverage across opportunities in advanced economies like US and Europe (Contractor, 2013). Indian auto part manufacturers have become preferred Tier-I, Tier-II suppliers for global value chains (GVCs) of large global MNEs owing to their low manufacturing costs (Giroud & Mirza, 2015).

[5] An example of strategic asset seeking internationalization is the Indian auto ancillary firm Motherson Sumi Systems Ltd.'s (MSSL) acquisition of US based firm Visiocorp. The acquisition provides MSSL cutting edge technology, covering the complete range of mirrors from low-end entry segments to high-end luxury segments.

[6] There is no clear definition of Knowledge Intensive Industries (Mudambi, 2008). OECD (2011) provides a classification of manufacturing industries as technology intensive based on R&D intensity. The OECD classification further states that, for service industries, R&D intensities are not of much help. Other indicators such as skill intensity (education levels in the industry) may be used to classify service firms as knowledge intensive. IT industry thereby is considered to be technologically intensive compared to other industries based on skill intensity (Athreye, 2005; Lopez, Kundu, & Ciravegna, 2009). These skills may be considered to be part of the knowledge repertoire of the firm.

[7] For instance, Indian auto ancillary firm, Motherson Sumi Systems Ltd (MSSL), in the year 2006, completed two acquisitions in UK and Czech Republic and invested in one Green field venture in Australia. Upon content analysis, the two acquisitions were classified as asset augmenting. Since, both UK and Czech Republic have better scores on strategic factor markets than India; the acquisitions were classified as strategic asset seeking. Hence, the score for MSSL for the year 2006 on Strategic asset seeking was 2. In case of the Greenfield venture in Australia, Greenfields were considered as asset exploitative. Since, Australia has a better strategic factor market score than India; this expansion was termed as opportunity seeking. Hence, the score for MSSL for the year 2006 on opportunity seeking was 1. The final cumulative scores for different motives was achieved by adding to previous year's scores.

[8] As a robustness check, we bifurcated our sample into IT and manufacturing firms. Hypothesis 1b does not hold for IT sub-sample but holds for the manufacturing sub sample.

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