Inward internationalisation and cross-border acquisitions by EMNEs: The moderating role of ownership heterogeneity

By

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Abstract

Unlike Advanced Economy Multinational Enterprises (AMNEs), Emerging Economy Multinational Enterprises' (EMNEs) dominant participation in international trade and investment is a recent phenomenon. Still, EMNEs are found to adopt bold strategies in the early stages of their internationalization and show path departure in the selection of their entry mode, such as cross border acquisition (CBA). CBA is not only a widely adopted EMNE internationalisation strategy but also distinguished EMNA internationalisation behaviour from that of AMNEs. CBA, entailing a high level of risk, requires considerable experiential knowledge that EMNEs lack. This knowledge deficit increases the perceived cost and risk associated with internationalisation and decreases the likelihood of engaging in foreign investment. There is a gap in the knowledge around how EMNEs compensate for their lack of experiential knowledge and how this experiential knowledge influences EMNEs' adoption of CBA.

Drawing from organisational learning as a theoretical lens, this study proposes that learning from inward internationalisation facilitates EMNEs' CBA decisions. From an organisational perspective, experiential knowledge, especially externally sourced, is valuable when the acquired knowledge fits the recipient organisations' existing dominant logic and values. Therefore ownership structure, such as family, institutional or corporate ownership, acts as a boundary condition and may influence the impact of inward internationalisation on CBA decisions. This idea is grounded in agency theory. This study argues that EMNEs compensate for their lack of internationalisation experiential knowledge through inward internationalisation (externally sourced experiential knowledge) which serves as a resource based antecedent leading EMNEs to make risky CBA decisions. Further, from an agency theory perspective, the study proposes that inward internationalisation – CBA relationships are likely to vary for different types of ownership categories.

The study uses a quantitative approach to test the hypotheses in an Indian context. India, being a large emerging economy, provides an appropriate backdrop to test the study's conceptual model. For this study, a sample of 369 CBAs conducted by 205 public listed companies from 2009 to 2017 was collected from the SDC platinum database. The sample generated a panel of 1845 firm-year observations. Through a negative binomial regression analysis, it is found that inward internationalisation has a positive impact on the likelihood of Indian MNEs' CBA decision. Regarding the moderating effect of ownership, it is found that family ownership reduces the impact of inward internationalisation, whereas foreign

institutional ownership increases the impact of inward internationalisation. No moderating effects are found for domestic institutional ownership, nor are they found for domestic or foreign corporate ownerships.

This research contributes to the understanding of the EMNEs' risky internationalisation behaviour through CBA. The present study adds to this stream of research by focusing on inward internationalisation and ownership structure influencing risky CBA decisions. In doing so, it contributes to organisational learning literature by suggesting that the impact of experiential knowledge may not necessarily be the same across the firms. This heterogeneity is attributable to EMNEs (knowledge acquiring organisation) who show varying motives, objectives and governance structure depending on their ownership structure. By examining the boundary condition of ownership heterogeneity, this study also contributes to Principal–Principal (PP) agency theory that ownership concentration along with owner's identity is not only confined to strategy formulation but also extends to entry mode (CBA) decisions. Goal incongruence due to PP conflict between owners also decides whether experiential knowledge acquired from inward internationalisation fits with the firms or not in the resulting CBA decision. Finally, this study provides deep insights on different owners' attitudes and their supporting or confining roles in moderating the impact of inward internationalisation on Indian EMNEs' risk taking behaviour during internationalisation.

Table of Contents

List of Figure

List of Table

1 Introduction

1.1 Research Background and Rationale of the Study

Although the participation of Emerging Economy Multinational Enterprises (EMNE) in international trade and investment started three decades ago Dunning, Kim, and Park (2008); (Parente, Cyrino, Spohr, & De Vasconcelos, 2013), they only became significantly dominant from the early 2000s (Gugler, 2017). Up from USD 229 billion in 2009 (UNCTAD, 2010), EMNEs' outward Foreign Direct Investment (FDI) flow reached USD 418 billion in 2018, equating to 41% of world FDI outflows (UNCTAD, 2019). Moreover, a major part of EMNEs' FDI outflow is invested through CBAs (UNCTAD, 2014). The accelerated internationalisation of EMNEs has attracted significant scholarly attention as EMNEs' originating from weak institutional environments usually do not possess Advanced Economy Multinational Enterprise (AMNEs) type advantages like advanced technology and strong brands when investing abroad (Ramamurti & Singh, 2009). Despite these disadvantages, EMNEs' outward FDI is expanding rapidly, though knowledge and understanding about their strategic behaviour are still limited (Li, 2010; Yamakawa, Peng, & Deeds, 2008), especially around their internationalisation through CBA (Buckley, Munjal, Enderwick, & Forsans, 2016b). Therefore, scholars are focusing on examining the drivers, motives, and antecedents of EMNEs' internationalisation decisions in recent times.

International Business literature suggests that Multinational Enterprises (MNEs) follow a sequence of entry modes from low resource commitment to high resource commitment to deal with internationalisation difficulties (Johanson & Vahlne, 1977, 2009). The sequence of entry modes moves from exports to minority joint ventures (JVs), then to majority JVs or cross border acquisition. The underlying assumption is that learning from earlier entries influences MNEs' future entry strategy (Chang & Rosenzweig, 2001). It is surprising that studies on EMNE internationalisation strategies conflict with that assumption. EMNEs tend to internationalise faster and prefer higher risk entry modes. They usually skip the evolutionary steps as mentioned in the Uppsala model (Johanson & Vahlne, 1977), leapfrog and favour radical risk-taking modes like Cross Border Acquisition (CBA) in their early internationalisation stage (Luo & Tung, 2007; Madhok & Keyhani, 2012).

Springboard perspective argues that EMNEs use international expansion as a springboard to compensate for their capability voids, exploit market opportunities and

competitive advantages in other countries, overcome laggard disadvantages, reduce their vulnerabilities to institutional constraints at home market and better compete with global rivals through acquisition of strategic assets (Luo & Tung, 2007). The springboard steps are systematically designed as EMNEs' long-range strategy to set a strong foothold in the global market place. These steps are recursive (i.e., springboard activities are recurrent with each investment focusing on different strategic intent) as well as revolving (i.e., strong integration between their outward activities and activities back home) (Luo & Tung, 2018). International expansion offers EMNEs a faster route to upgrade their capabilities. Such gains through springboard activities are partly attributed to the availability global open resources, increased M&A opportunities and global connectivity and integration. Further springboard perspective sheds light on firms' unique behaviors, motives and integration of inward and outward internationalisation in explaining the leapfrog trajectories.

Risk is an inherent characteristic of all strategic decisions and particularly so in the case of internationalization decision due to its associated liability of foreignness (Zaheer, 1995). Amongst the various modes of internationalisation, FDI through acquisition is considered riskier (Woodcock, Beamish, & Makino, 1994) because of its high rates of failure (Ravenscraft & Scherer, 1987; Shimizu, Hitt, Vaidyanath, & Pisano, 2004). CBA represents the highest form of commitment increase and requires considerable experiential knowledge for its management (Meyer & Thaijongrak, 2013). Such a commitment and knowledge requirement forces MNEs to undertake CBA at the advanced stages of their internationalisation. Moreover, CBA also requires using a different behavioural mechanisms such as double layered acculturation (Barkema, Bell, & Pennings, 1996) that increase managerial challenges associated with the acquisition process. Due to this, acquisitions also carry significant levels of risk for the decision makers involved.

The CBA riskiness is systematically influenced by various forms of distance including formal and informal institutional distance between home and host countries (Di Guardo, Marrocu, & Paci, 2016). Countries can vary greatly in both formal and informal institutions. For instance, some countries have highly restrictive while others have less restrictive regulatory environments. Institutional distance is defined as the difference in the broad institutional environment between the MNEs' home country and their host country (Dikova, Sahib, & Van Witteloostuijn, 2010). The greater the institutional distance between MNEs' home and host country, the higher the uncertainties in establishing legitimacy in host countries and in transferring home-based internal resources, routines, procedures, and management practices to

the host location. Besides, higher institutional distance between home and host countries often implies "more incompatible . . . practices and values of employees [for] acquired subsidiaries" (Slangen & Hennart, 2008, p. 474) and requires a change from host institutions' current practices thereby creating a conflict with them. Higher formal institutional distance posits greater CBA risk as it increases the likelihood that a cross-border acquisition deal will be abandoned (Dikova et al., 2010).

MNEs acquiring in dissimilar cultures require adjustment and adaptation in their operation as they are exposed to diverse social norms and routines that may appear, ambiguous, unfamiliar and challenging (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). High cultural distance can increase MNEs perceived risk and uncertainties associated with CBA due to difficulty in transferring home-based internal procedures, routines, and management practices to host locations. Higher cultural distance possess differences in beliefs, attitudes, and behavioral assumptions of organizational actors which can also magnify MNEs difficulty in establishing and sustaining relationship with various stakeholders. EMNEs have experience in dealing political uncertainties, thereby political risk arising from political distance may not affect their risk of taking CBA decision in the new host environment (Buckley & Munjal, 2017; Buckley, Yu, Liu, Munjal, & Tao, 2016).

Considering the risk associated with CBA, it is argued that EMNEs are rewriting the rules of internationalisation by adopting CBA entry mode in their early stages (Kumar, 2009). While the evolving body of research has captured in detail how EMNEs' internationalisation behaviour differs from AMNEs, there is limited understanding about the drivers behind their distinct and risky entry mode choices such as CBA. Most of the recent studies on EMNEs' CBA have revealed EMNEs motivation to opt for CBA as their internationalisation strategy. EMNEs are usually motivated to undertake CBA to overcome their latecomer disadvantages and catch up with MNEs of advanced countries (Awate, Larsen, & Mudambi, 2012; Duysters, Jacob, Lemmens, & Jintian, 2009; Gaffney, Cooper, Kedia, & Clampit, 2014). Additionally, CBA strategy helps EMNEs to acquire knowledge and strategic assets for building competitive advantages to enhance future growth and operation (Deng, 2009; Kedia, Gaffney, & Clampit, 2012; Madhok & Keyhani, 2012; Sun, Peng, Ren, & Yan, 2012). However, except for a few studies (Buckley, Munjal, Enderwick, & Forsans, 2016c; Chittoor, Aulakh, & Ray, 2015; Luo & Bu, 2018), previous literature tends to overlook the inherent risks associated with CBA activities and the relatively lesser knowledge and capabilities possessed by EMNEs to deal with such risks. Thus, the existing literature provides numerous explanations for the

motivations behind EMNEs' CBA, but there are fewer studies focusing on the antecedents for risky CBA undertaken by EMNEs.

This research focuses on the risk element inherent in CBA and how EMNEs' adopt CBA by overcoming the risk associated with it. It is generally accepted that EMNEs, unlike AMNEs, lack international experience (Brouthers, O'Donnell, & Hadjimarcou, 2005; Elango & Pattnaik, 2007). They mainly depend on country-specific advantages, institutional support and government policies or network participation for international venturing (Bhaumik, Driffield, & Pal, 2010; Buckley et al., 2007; Narula, 2012). Scholars argue that apart from country-specific advantages or network relationships, MNEs require experiential knowledge about international business (internationalisation experiential knowledge) to overcome the risk and cost associated with international expansion, especially in their early stages (Eriksson, Johanson, Majkgard, & Sharma, 1997; Johanson & Vahlne, 1977). Their internationalisation experiential knowledge deficit increases the perceived cost and risk associated with internationalisation, thereby decreasing EMNEs' likelihood of engaging in foreign investment (Eriksson et al., 1997). MNEs can abstract and systematise - internationalisation experiential knowledge as they accumulate international experience (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004). A lack of experiential knowledge is considered an obstacle to international expansion and such a knowledge gap can mainly be closed by operating abroad. However, experiential knowledge can be acquired both from firms' own experience (internal source) or others' experience (external source) (Bapuji & Crossan, 2004; Johanson & Vahlne, 2009). Considering EMNEs lack own experiential knowledge[1], this study questions whether externally sourced experiential knowledge compensates for EMNEs' capability to internationalise in the form of risky CBA. If it does, given the heterogeneity across EMNEs, the study asks whether all EMNEs reap the same benefits from such experiential knowledge.

This study primarily draws on organisational learning theory and agency theory. Using organizational learning as a theoretical lens, it argues that EMNEs are able to gain experiential knowledge from external sources that facilitate their CBA decision. However, experiential knowledge has to be integrated with an organisation's values and logic to be useful (Blomstermo et al., 2004) for impacting strategic decisions. Therefore, the direct relationship between experiential knowledge and CBA acquisition is further moderated by ownership

[1] Here internationalisation experiential knowledge and experiential knowledge are used interchangeably.

structure. Grounded in agency theory, this study posits that EMNEs are heterogeneous across ownership structure and this moderates the impact of experiential knowledge.

Organisational learning research by Huber (1991) indicated that firms' can source experiential knowledge both from internal and external sources. For instance, firms acquire internal experiential knowledge through their direct experiences, which happen as a result of both their intentional efforts and their unintentional operation in the market place (Fletcher & Harris, 2012). On the contrary, external experiential knowledge can be acquired via indirect sources such as market-based methods: licensing, strategic alliances or corporate intelligence, acquisitions (Chandler & Lyon, 2009; Welch & Welch, 1996) or grafting - recruiting staff with relevant knowledge and expertise (Huber, 1991). EMNEs, as newcomers in the international market, inevitably face a knowledge gap in terms of their direct experience. However, opportunities exist for EMNEs to close this knowledge gap by using external sources.

As mentioned by Luo and Tung (2007, p. 481) "Unlike the early path of internationalization for multinational enterprises (MNEs) from advanced markets (e.g., US, Europe and Japan) and newly industrialized economies (e.g., Korea, Singapore, Hong Kong and Taiwan), emerging economy enterprises have benefited tremendously from inward internationalization at home by cooperating (via original equipment manufacturing (OEM) and joint venture in particular) with global players". In particular, inward internationalisation enables EMNEs to indirectly access internationalisation experiential knowledge in their home market before their outward internationalisation (Hernández & Nieto, 2016). Experiential knowledge such as inward internationalisation is argued to be an important firm specific resource that enables MNEs to successfully invest and compete abroad (Buckley & Casson, 1981). Learning from inward internationalisation can help EMNEs compensate for their lack of internationalisation knowledge while internationalising. Extending the argument of organisational learning and emphasizing the importance of knowledge, this research argues that EMNEs' prior experiential knowledge acquired from inward internationalisation acts as a resource based antecedent in their internationalisation decision.

Inward internationalisation, a unique characteristic of EMNEs, facilitates their experiential learning in their home market through connecting with AMNEs (Luo & Tung, 2007; Luo & Wang, 2012). The accumulated benefits from inward internationalisation prior to their international expansion encourage EMNEs to engage in outward internationalisation (Child & Rodrigues, 2005). Previous scholars have studied inward internationalisation to

examine different aspects of internationalisation such as the timing of OFDI, investment scale (Luo & Wang, 2012), internationalisation pace (Satta, Parola, & Persico, 2014), outward internationalisation proclivity (Luo, Zhao, Wang, & Xi, 2011), firms' outward FDI performance (Lyles, Li, & Yan, 2014), and EMNEs' locational decisions (Jain, Lahiri, & Hausknecht, 2013). However, the effect of inward internationalisation on the EMNEs' choice of risky CBA has not been examined until recently. Luo and Bu (2018) show the influence of inward internationalisation in stimulating EMNEs' risky CBA behaviour with a mediating function - the firm's entrepreneurial trait in the Chinese context. They call for further research to explore contingencies of inward internationalisation to gain a deep understanding of EMNEs' risk taking CBA decisions.

The existing literature tends to assume that the impact of experiential knowledge is homogeneous across firms. Only a few recent works explore the heterogeneous impact of knowledge (Cui, Li, Meyer, & Li, 2015; Kuo, Kao, Chang, & Chiu, 2012; Li & Meyer, 2009; Qunyong, 2017). Organisations' possession of experiential knowledge does not guarantee the desired organisational action/outcome. As experiential knowledge requires coordination with other firm level resources and internal integration to be useful to influence the firm's action/outcome (Blomstermo et al., 2004; Johanson & Vahlne, 2009). This builds the argument that the influence of experiential knowledge may not necessarily be homogeneous. With sufficient experiential knowledge, some firms may take more risks in internationalisation while others may not. It remains a puzzle whether the impact of experiential knowledge acquired from inward internationalisation remains equal for all firms or not. Accordingly, this research examines how the inward internationalisation (resource based antecedent) – CBA (outcome) relationship varies depending on firm level heterogeneity.

The relative advantage of organisational learning acquired from inward internationalisation may vary between firms. From an organisational perspective, learning that leads to positive organisational outcomes is considered the most valuable (Arthur Jr, Bennett Jr, Edens, & Bell, 2003), although occurrence of organisational learning without impacting on organisational outcomes is also well accepted (Huber, 1991). In particular, organisational learning is often viewed as an end in itself unless the learning is linked to the organisational outcome (Jiang & Li, 2008). The establishment of the link between learning and outcome depends on the organisational perception of relevance and the value of the knowledge acquired from learning. From an organisational perspective, experiential knowledge, especially externally sourced, is valuable when the acquired knowledge fits the recipient organisation's

existing dominant logics and values (Asmussen, Foss, & Pedersen, 2013; Schulz, 2003). This implies that variation in an organisation may influence the impact of experiential knowledge on organisational outcomes. In the context of emerging economies, organisations vary depending on their ownership, reflecting differences in resource allocation and corporate governance structure (Bhaumik et al., 2010; Kim, Kim, & Lee, 2008).

In emerging economies, ownership structure backed up by weak institutional systems is the root cause of principal–principal conflict (Claessens, Djankov, Fan, & Lang, 2002; Thomsen & Pedersen, 2000). EMNEs are characterised with the prevalence of specific type of dominant owners (Cuervo-Cazurra, 2012). Identity differences between these owners lead to different motivations and risk preferences, causing a conflict of interests between principals. Earlier studies have shown that ownership concentration along with owners' identity have significant implications for a firm's strategic decisions (Fernández & Nieto, 2006; Gaur & Delios, 2015; Panicker, Mitra, & Upadhyayula, 2019; Ramaswamy, Li, & Veliyath, 2002) and resulting performance (Bhaumik, Estrin, & Mickiewicz, 2017; George & Kabir, 2012; Thomsen & Pedersen, 2000; Yang & Meyer, 2019). Such implications occur as the identity of the owners affects the strategic objectives of the company (Cerrato & Piva, 2012).

This study distinguishes five dominant types of ownership found in the context of emerging economies, including family, domestic institutional, foreign institutional, domestic corporate and foreign corporate ownership. Family ownership, widely represented in the corporate context of many emerging economies, substantially influences strategic decisions such as internationalisation (Singh & Delios, 2017; Singla, Veliyath, & George, 2014). Institutional ownership, though prominent in advanced economies, has grown recently in emerging economies as a result of proliferating economic liberalisation and continuous institutional reform (Huang & Xie, 2016; Khanna & Palepu, 2000a). Prior research has found that possessing significant shareholdings and abundant resources enables institutional investors to act as active monitors and thus influence an organization's internationalisation decision (Chen, Hsu, & Chang, 2014; Lien & Filatotchev, 2015).

Lastly, corporate owners not only contribute financial resources but also contribute competencies through their business relationship. This increases their monitoring incentives, and their influence on internationalisation. This study differentiates both institutional and corporate ownership at the domestic and foreign level of ownership, as they are found to carry different risk preferences, strategic motives and objectives (Douma, George, & Kabir, 2006;

Singla, George, & Veliyath, 2017). This study argues that inward internationalisation can achieve different levels of conformity depending on the strategic motives and objectives of different owners.

Drawing from organisational learning theory and agency theory, this study posits that experiential knowledge acquired from inward internationalisation positively influences EMNEs' CBA decisions and the effect can be modified by the varying strategic motives that dominant owners want to pursue in the organisation. This study acknowledges that organisational learning leads to the accumulation of experiential knowledge that can cause varying impacts, contingent on who owns the organisation and to what extent the resources fit with the owner's motives and preferences. Therefore, this research aims to examine the agency conflict between principals as the boundary condition of organisational learning gained from inward internationalisation that facilitate EMNEs' adoption of CBA decisions.

1.2 Research Questions and Objectives

Considering the research background and rationale of the study, the following questions are asked:

- How would a firm's prior internationalisation experiential knowledge gained in the home market influence the EMNEs' internationalisation decision through CBA?
- How would a firm's ownership structure influence the impact of their prior internationalisation experiential knowledge gained at home on CBA decision?

The above research questions lead to the following objectives of the study:

- To examine the influence of a firm's inward internationalisation accumulated in the home market on its internationalisation decision through CBA.
- To examine the moderating impact of family ownership on the relationship between inward internationalisation and CBA decision.
- To examine the moderating impact of institutional ownership on the relationship between inward internationalisation and CBA decision.
- To examine the moderating impact of corporate ownership on the relationship between inward internationalisation and CBA decision.

1.3 Research Methodology

To address the above research questions, a conceptual model with testable hypotheses is proposed. The variables examining the proposed relationship are well-established in the literature. The theories underpinning the research questions are organisational learning and agency theory, respectively, which are both in their mature stages. Considering the level of prior knowledge in the field (theories used), a quantitative approach is used to achieve methodological fit (Edmondson & McManus, 2007). The research is conducted in the context of India using a sample of CBAs undertaken by Indian public listed companies. India is an interesting context for this research due to its high volume of outward FDI through CBA as well as the presence of heterogeneous owners who have diverse motives that influence firms' strategic decision.

The study uses secondary data, collected from SDC Platinum, Ace Equity Plus, and company annual reports to conduct quantitative research. The study sample consists of 369 CBAs conducted by 205 public listed companies between the periods 2009 to 2017, forming a panel of 1786 observations. Because of the count nature of the dependent variable, the Negative Binomial (NB) model is used to test the hypotheses, including direct relationships and moderators (Cameron & Trivedi, 2013). The main analysis, along with all the preliminary analyses are conducted using Stata software version 15. The study sample is scrutinized for sample selection bias using the Heckman sample selection technique. To ensure the robustness of the results, several sensitivity and robustness tests are conducted using various period averaged variables, a pre-sample mean test and alternative proxies for the variables of interest.

1.4 Research Contributions

First, this research contributes to the understanding of the EMNEs' risky internationalisation behaviour through CBA. EMNEs are different from AMNEs both in nature and internationalisation process. They do not necessarily internationalise incrementally rather do internationalise rapidly (Luo & Tung, 2007; Mathews, 2002a; Ramamurti, 2012). Extant research, in contradiction, have found that springboard or rapid internationalisation is not limited to EMNEs but apply to AMNEs as well. Simultaneously, not all EMNEs act in a springboard fashion. However, this rapid internationalisation trend is more strongly associated with EMNEs and it has been supported and validated by numerous studies (Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010; Kedia et al., 2012; Li, Li, & Shapiro, 2012). Thus, it is important

to know why EMNEs take risks in their early stages of internationalisation by adopting CBA, the highest form of risky strategy. Prior research has focused heavily on EMNEs' motivations behind choosing CBA rather than the antecedents enabling them in conducting CBA (Buckley, Munjal, et al., 2016c). The comprehensive review presented in this study reveals that, so far, antecedent related research has focused on mainly EMNEs' asset seeking behaviour in their CBA decision, placing limited attention on risk taking behaviour in their CBA decision. The present study adds to this stream of research by focusing on firm-level resources and motivations that influence their risky CBA decision.

Second, a number of studies focus on EMNEs' inward internationalisation and examine its impact on different aspects of internationalisation (Jain et al., 2013; Luo et al., 2011; Satta et al., 2014); however, only one paper examines its impact on CBA decisions in the Chinese context (Luo & Bu, 2018). This present study examines the impact of inward internationalisation on CBA decision in the Indian context. Then, the impact is critically assessed and magnified from a corporate governance perspective to make more specific contributions. Although not the first study to establish the inward internationalisation – CBA relationship, this study is the first in linking the inward internationalisation and ownership structure of these firms to explain their risky CBA decision. In particular, this study examines inward internationalisation – CBA relationship considering the moderating influence of ownership structure. It shows how the presence of particular type of owners changes the influence of inward internationalisation on CBA decision.

Third, the study contributes to organisational learning studies by suggesting that the impact of experiential knowledge may not necessarily be the same across the firms. By doing so, the study answers the critical question "Heterogeneity and typology of EM MNEs" identified by Luo and Zhang (2016 p. 345-346). This question encourages researchers to explore the heterogeneity of EMNEs' ownership in their international expansion. Huber (1991) states that firms can acquire experiential knowledge without affecting outcomes. In particular, this study shows that the acquisition of internationalisation knowledge from inward internationalisation may influence an outcome when it is congruent with the owner's motivation and objectives. This provides interesting evidence that learning from inward internationalisation is heterogeneous rather than homogeneous. This heterogeneity is attributable to EMNEs (knowledge acquiring organisation) who show varying motives, objectives and governance structures depending on their ownership structure.

Fourth, this study introduces ownership structure as the boundary condition on the relationship between inward internationalisation and CBA decisions. As found in the literature review, few studies tested the experiential knowledge heterogeneity across firms (Li & Meyer, 2009; Qunyong, 2017), and the impact of controlling owners (family owners, institutional investors, corporate owners) in supporting or confining the effect of experiential knowledge remains a significant research gap (Kuo et al., 2012). Different organisations have different ability to integrate externally acquired knowledge (Asmussen et al., 2013), including the external knowledge acquired from inward internationalisation. Firms in EE vary across different types of ownership and face the potential conflict of interest between different types of owners (Hoskisson, Hitt, Johnson, & Grossman, 2002). Differences in owner types could lead to different risk preferences, time horizons, and goals that eventually could cause differences in owner's motivation to influence both knowledge absorption and strategic decisions such as internationalization, CBA (Shleifer & Vishny, 1997; Tihanyi, Johnson, Hoskisson, & Hitt, 2003). As owners vary in their strategic objectives, they have the ability to influence the integration of experiential knowledge acquired from inward internationalisation that can influence EMNEs' CBA decision. This study contributes to Principal-Principal (PP) agency theory by extending its findings and suggesting that ownership concentration and identity are not only confined to strategy formulation. Goal incongruence of owners due to PP conflict also decides whether experiential knowledge acquired from inward internationalisation fits with the firm or not in resulting CBA decision.

Fifth, this study contributes to the growing literature on ownership heterogeneity, which acknowledges the importance of owner identity. This study adds ownership heterogeneity as a boundary condition for examining the congruity between different ownership structures and inward internationalisation and resulting varying impact on EMNEs' CBA decision. This study identifies that family ownership and foreign institutional ownership, respectively, weakens and strengthen the impact of inward internationalisation on CBA decision.

1.5 Structure of the Thesis

The thesis comprises six chapters and an appendix. A brief description of each chapter is given below.

Chapter 1 starts with the research background and rationale of the study. Then it introduces the research questions and objectives. Furthermore, a brief review of the adopted methodology and intended research contributions is presented.

Chapter 2 reviews the literature on EMNEs' motivations and antecedents of internationalisation through CBA. The antecedents are grouped based on three perspectives: firm resource, institution and industry perspectives. Later, it focuses on inward internationalisation; an understudied yet important resource based antecedent and its potential heterogeneous impact on firms' CBA decisions. In addition, the heterogeneous nature of ownership is discussed.

Chapter 3 provides an overview of the theoretical underpinning of the research: organisational learning and agency theory. Next, a conceptual model is presented, and hypotheses are developed to justify how inward internationalisation affects EMNEs' CBA decision and how the effect is moderated by the heterogeneous ownership structure.

Chapter 4 focuses on the research design and methodologies used to conduct the proposed research. The chapter starts with the philosophical worldview of the research and the reason for choosing a specific research design. In the following section, a detailed explanation of data sources, sampling procedures and the choice of study context are included. After this, the measurement of the variables and statistical techniques used to estimate the main regression and the preliminary analyses are described.

Chapter 5 presents the data analysis and the results of the study. The first section reports on missing values and outliers. Next, the results of the count model assumptions are presented, along with descriptive statistics, to proceed to the main regression results. The following section provides the result of the negative binomial regression with the inclusion of the Heckman sample selection test. The chapter ends with the sensitivity and robustness test results.

Chapter 6 provides a brief summary and thorough assessment of the main findings. Later the chapter discusses the theoretical and managerial implications of the study and its

contributions to the existing literature. Further discussion cover the issues limiting the scope of the research conducted and identifies potential areas for future research.

1.6 Summary

This chapter gave an overview of the whole study. Starting with the research background and rationale, the chapter then focused on the research questions and research objectives. Later, a discussion of the methodology and intended research contributions was included. The chapter ended with a preview of the thesis structure.

2 Review of the Literature

2.1 Introduction

This chapter reviews the literature on CBA undertaken by EMNEs. The first section clarifies the difference between AMNEs and EMNEs. Next section reviews EMNEs' motives and the antecedents behind choosing CBA for their internationalisation strategy. Then, the discussion focuses on the unique EMNE characteristic of inward internationalisation, which is a potential resource-based antecedent of CBA decisions as well as the interest of the study. Later, based on the heterogeneous impact of experiential knowledge, a research gap is identified. A corporate governance, more specifically ownership structure, perspective is proposed to fill the gap. In the next section, different categories of ownership groups are reviewed followed by a chapter summary.

2.2 Difference between AMNEs & EMNEs

Advanced MNEs has its origins in late 19th century during the second industrial revolution. Firms from North American, British, and Europe expanded their business activities around the world on the basis of intangible assets such as established brands, technology, and managerial expertise. During the 1950s and '60s, their expansion reached to the apex as investment and trade barriers gradually decreased around the world (Vernon, 1979; Wilkins, 2013). Though North American and European MNEs'exhibit significant variations in the expansion strategy and structure and later, during the 1970s and '80s, the rise of Japanese MNEs added more diversity to the global population of MNEs, firms originating from technologically advanced and relatively resource rich countries was likely to share a set of common characteristics. These main features included technological, marketing, and managerial competencies that these MNEs possess and used to overcome liability of foreignness associated with international expansion. The landscape of international trade and investment started to change quickly again in 1990s with the presence of MNEs from third world countries.

Guillén and García-Canal (2009) define these new type of multinationals in the following way: "Since the 1990s, the global competitive landscape is becoming increasingly populated by MNEs originating in countries that are not among the most advanced in the world. These "new" MNEs come from (a) upper-middle income economies such as Spain, Portugal, South Korea, and Taiwan; (b) emerging economies such as Brazil, Chile, Mexico, China, India, and Turkey; (c) developing countries such as Egypt, Indonesia, and Thailand; and (d) oil-rich

countries such as the United Arab Emirates, Nigeria, and Venezuela." These MNEs are known as "unconventional multinationals" (Li, 2003) , "latecomer firms" (Mathews, 2002b), "third world multinationals" (Wells, 1983), "emerging multinationals" (Goldstein, 2007) in the existing literature. These MNEs without owning sophisticated advantages like technological or marketing skills have expanded worldwide in innovative ways and becoming the key players in FDI and CBA (UNCTAD, 2006). Comparison between AMNEs and EMNEs as per Guillén and García-Canal (2009) are given below:

Table 2.1 Comparison between AMNEs & EMNEs

Specification	**AMNEs**	**EMNEs**
Internationalisation Speed	Gradual	Accelerated
Competitive advantages	Strong: Required resources available in-house	Weak: Upgrading of resources required
Expansion path	Single path: From less to more distant countries	Dual path: Simultaneous entry into developed and developing countries
Political competences	Weak: Firms used to operate in stable political environments	Strong: Firms used to operate in unstable political environments
Preferred entry modes	Internal growth: Wholly owned subsidiaries	External growth: Alliances and acquisitions
Organizational flexibility	Low, because of their ingrained structure and culture	High, because of their low international presence

2.3 Motivations and Antecedents of CBA

One of the crucial decisions for MNEs is to establish an effective foreign market subsidiary unit (Brouthers & Hennart, 2007). MNEs' foreign investment mode decision follows two choices: the choice of establishment mode and the choice of governance. Establishment mode refers to establishing a subsidiary from scratch through greenfield strategy or acquiring an existing subsidiary through CBA strategy (Barkema & Vermeulen, 1998; Dikova & Brouthers, 2009). Governance mode refers to MNEs' preference of controlling the full equity (wholly owned subsidiary) or partial equity (joint venture) in the subsidiary (Chen, 2008; Delios & Henisz, 2000). This research focuses on EMNEs establishment modes, in particular their CBA decisions, to examine the impact of inward internationalisation and the boundary conditions of ownership structure.

It is pertinent to note that internationalisation decision and patterns of EMNEs are quite different from AMNEs. Compared to AMNEs, EMNEs adopt bold strategies in their early stages of internationalisation for rapid growth in the international arena (Sirkin, Hemerling, & Bhattacharya, 2008). EMNEs show path departure in the selection of their location as well as the choice of entry mode such as CBA (Athreye & Kapur, 2009; Luo & Tung, 2007; Nayyar, 2008). EMNEs' rapid growth has attracted significant scholarly attention to investigate their motives for internationalisation. This has revealed that a rise in CBA by EMNEs' cannot be explained fully through a traditional analysis of motives (Buckley et al., 2007; Gubbi et al., 2010; Mathews, 2006). Therefore, the applicability of OLI paradigm proposed by Dunning (1980), the traditional dominant theory of internationalisation, has been largely criticized (Mathews, 2002b; Ramamurti, 2012). The OLI paradigm explains MNE internationalisation based on the exploitation of three advantages: Ownership (O), Location (L) and Internalisation (I) advantages.

The Ownership (O) condition states that MNEs need to own some strategic assets that can generate value to overcome cost of multinational production. Unlike AMNEs, EMNEs do not possess the same competitive advantages, and the exploitation of ownership advantages becomes insufficient for explaining EMNE internationalisation (Goldstein, 2007). For instance, Luo and Tung (2007) point out that EMNEs' asset seeking rather than asset exploiting motive pushes them to undertake CBA in the international market. Therefore, applicability of ownership advantage in EMNEs' internationalisation context becomes irrelevant.

The Internalisation (I) advantage states that MNEs need to ensure a gain from keeping the international expansion within the firm. This advantage arises when MNEs' ownership advantage are easy to copy. In absence of ownership advantage, the applicability of internalisation condition to explain EMNEs' internalisation decision falls under the subject of criticism.

The Location (L) advantage arises from MNEs operation in a host country. The location aspect of OLI theory, as encapsulated in Dunning's eclectic paradigm, suggests four primary motivations (Dunning, 1977) - strategic asset-seeking FDI, foreign-market-seeking FDI, efficiency-seeking FDI, and natural resource-seeking FDI. Only the L condition be readily applied to EMNEs context. As put by Yeganeh (2016), such EMNE idiosyncrasies reduce the applicability of the OLI paradigm that is rooted in ownership exploitation and the concept of incremental internationalisation.

EMNEs' internationalisation motives are primarily different from those of AMNEs' (Fortanier & Tulder, 2009; Moghaddam, Sethi, Weber, & Wu, 2014). Recent scholars applying the OLI paradigm revealed that MNEs' ownership advantage is not necessarily originated at home market rather it might be acquired abroad (Buckley & Hashai, 2009). Thus, a main motive for EMNEs to engage in CBA is strategic asset seeking, especially when investing in advanced economies. CBA provides the acquirer firm access to strategic assets such as superior organisational and managerial skills, and patent-protected technologies (Chen, 2008; Cui & Jiang, 2010). EMNEs, lacking such strategic resources, rely on CBA to improve their capabilities and develop competitive advantages. EMNEs require strategic assets to overcome their latecomer disadvantages and compete effectively against foreign competitors both in the home market and abroad (Luo & Tung, 2007).

EMNEs also adopt CBA to ensure faster access to the global market. Market-seeking FDI is a way to respond to host market opportunities through either strengthening the existing market or exploring a new market. Moreover, a home market with limited opportunities also pushes EMNEs to expand abroad. The impact of home institutional weakness may be intensified in the absence of international trade linkages and in the presence of trade barriers with the target market. CBA helps EMNEs to escape from home-market institutional weakness as well as bypass the trade barriers associated with internationalisation (Rui & Yip, 2008). Scholars have found that CBA is an effective means to gain market power and expand the product and consumer market internationally, especially for EMNEs (Buckley et al., 2007; Deng, 2007; Deng & Yang, 2015).

Efficiency seeking is also an important strategic motive for EMNEs engaging in CBA. Efficiency in internationalisation, i.e. economies of scale or scope, can be achieved through accessing lower cost locations to reduce production costs, or taking advantage of market structures, economic systems and policies to increase efficiency. However, from the EMNE perspective, this efficiency-seeking motive is interpreted as gaining synergies rather than low-wage labour (Moghaddam et al., 2014). For instance, China, being one of the providers of low labour cost, considers gaining access to low-cost labour or inputs as an unimportant strategic motive for internationalisation (Buckley et al., 2007). On the contrary, India considers that efficiency gains are the result of synergies in CBA, such as the international integration of production and services (Varma, 2010). Synergy can be achieved through the integration of two firms' complementary resources that are significantly different but mutually supportive, leading to the production of more valuable products (Hitt, Bierman, Shimizu, & Kochhar,

2001). Further, synergy can also be derived from market power resulting from the new combined entities' increased bargaining power in the marketplace with key constituencies including suppliers and customers (Krishnan, Hitt, & Park, 2007).

An EMNE's involvement in CBA is also motivated by its desire to secure a continual supply of natural resources that are either unavailable or in short supply in the home market. Chinese state-owned companies undertake CBA to procure natural resources from host countries (Jongwanich, Brooks, & Kohpaiboon, 2013). Resource seeking motives are especially prominent for MNEs operating in the manufacturing sector where raw materials are crucial for production. For example, ONGC Videsh has acquired petroleum companies in Brazil, Sudan, Russia and Angola to secure raw materials for its production (Kumar, 2008b). Table 2.2 summarises the motives behind EMNEs' CBA.

Table 2.2 Motives of EMNEs' CBA

Motivations	**Key Arguments**	**Key Reference**
Strategic asset seeking	Acquiring technological, R&D, brand assets, and management or marketing expertise to overcome EMNEs' competitive disadvantages in the international market.	(Deng, 2007; Kumar, 2009; Li & Xie, 2013; Pradhan, 2010; Rui & Yip, 2008)
Natural resource seeking	Procuring natural resources through CBA to ensure a continual supply of these resources.	(De Beule & Duanmu, 2012; Deng & Yang, 2015)
Market seeking	Acquiring large firms in the host market helps EMNEs to overcome entry barriers and gain significant market power in that market.	(Boateng, Qian, & Tianle, 2008; Deng, 2007; Deng & Yang, 2015; Knoerich, 2010)
Efficiency seeking	Accessing lower production cost locations to reduce production cost and increase efficiency.	(Dikova, Panibratov, & Veselova, 2019; Varma, 2010)

Therefore, EMNEs' may have various strategic motives but the same ultimate strategic goals for internationalisation – to create value and build sustainable competitive advantage through transforming themselves from domestic to global players for future growth. However, it needs to be stressed that strategic motives underlying EMNEs' CBA are necessary but cannot be sufficient (Nayyar, 2008). Motives drive EMNEs to conduct CBA, but they cannot enable

EMNEs to conduct CBA. Scholars also have explored enabling factors, or antecedents, that have made such CBA activities possible for EMNEs.

Following Peng, Wang, and Jiang (2008), this study groups EMNE CBA antecedents into three categories: resource-based, institution-based and industry-based. Peng et al. (2008)'s strategy tripod considers institution, resource and industry are three important characteristics to explain firm internationalisation.

2.3.1 Resource-Based Antecedents

The resource-based category contains antecedents related to EMNEs' firm-specific resources, expertise and capabilities such as corporate values and norms, managerial background, diversification experience, internationalisation experience, acquisition experience and in-house resources.

2.3.1.1 Corporate Norms and Values

A company's strategic choices echo the corporate norms and values that have been adopted by the company. These norms and values are a direct reflection of top managers' mindsets and are incorporated into the company's mission and vision (Deng, 2009). A top manager's mindset is crucial in scanning opportunities and threats in the foreign market and selecting internationalisation choices, especially for EMNEs who lack international experiential knowledge (Yiu & Makino, 2002). For instance, Hindalco, an Indian flagship company of Aditya Birla Group, was one of India's biggest aluminium manufacturers with a predominant focus on the domestic market by 1999. Hindalco's top managers were dissatisfied with its confinement in the domestic market and aspired to gain global leadership by expanding the aluminium business through CBA in the international market (Kumar, 2009). Therefore, top managers' entrepreneurial orientation and global ambition are likely to be the driving forces for EMNEs' CBA decision (Deng, 2009; Rui & Yip, 2008). Similarly, top managers' national pride exhibiting tendencies drive EMNEs' CBA decision as a means of paying a higher premium compared to developed-economy counterparts (Hope, Thomas, & Vyas, 2011).

2.3.1.2 Management Background

The background of top managers, such as international experience, international education, and management skill, can provide firms with important knowledge and advantages (Barkema & Vermeulen, 1998). Due to institutional weakness, EMNEs are unable to provide effective

managerial education (Ramamurti & Singh, 2009). To compensate for this, the children of controlling shareholders are often educated in advanced economies, or managers with international education are preferred. Most top managers from EMNEs such as Indian Ranbaxy's R&D manager (Athreye & Godley, 2009), India's Sona Steering chairman (D'Costa, 2000) are educated abroad.

Managers with international experience are familiar with the international market and provide important advantages to the firms during internationalisation. Chittoor et al. (2015) examine the impact of CEO international experience on CBA undertaken by India's top 500 MNEs. They argue that international experience reduces CEOs' risk perception and shapes their managerial intentionality, which eventually influences their tendency to internationalise through CBA. Similarly, top managers from EMNEs (i.e., those located in high-tech parks, export processing zones, etc.), through their daily competition with the global giants in the home market, learn various managerial skills such as quality management, conceptual or abstract thinking skills and customer relations (Cheng & Liu, 2006). The management skills embedded in EMNEs enables them to assess the internal and external conditions, thereby directing them to make CBA decisions (Rui & Yip, 2008).

2.3.1.3 International Experience

Learning from prior international experience can influence EMNEs' choice of CBA (Shimizu et al., 2004). EMNEs can gain different types of international experience such as inward internationalisation, experiential market knowledge, and acquisition experience. Different types of international experience, through providing different learning opportunities, further augment different forms of knowledge for firms (Thomas, Eden, Hitt, & Miller, 2007). EMNEs accumulate international experience from the inward investments that are primarily intended to serve an EMNE's domestic market (Child & Rodrigues, 2005). Inward internationalisation enhances EMNEs' understanding of international markets, develops capabilities and increases risk preference in outward internationalisation (Luo & Bu, 2018). This learning experience acts as a stimulus in increasing the likelihood of EMNEs' adoption of CBA in their international expansion (Deng, 2009).

Buckley, Munjal, et al. (2016c) posit that prior operations such as export activities help EMNEs to amass host market-related knowledge. This experiential market knowledge, in combination with other organisational resources, can facilitate EMNEs' internationalisation through CBA. Another core source of EMNEs' learning and international experience is

acquisition in the international market. Rabbiosi, Elia, and Bertoni (2012) have found that prior acquisition experience helps Chinese MNEs to address the liability of foreignness and facilitates their CBA.

2.3.1.4 Firm Characteristics

Consistent with other resource-based antecedents, firm characteristics such as firm size, firm age, in-house financial resources, and technological resources facilitate EMNEs in attaining competitive advantages and promote CBA. Scholars argue that EMNEs' in-house financial, and technological resources significantly influence their CBA decisions (Buckley, Munjal, Enderwick, & Forsans, 2016a; Varma, Kar, Soni, & Suder, 2017). In an EE context, larger firms enjoy economies of scale and scope due to low-cost factors of production. These firms have higher managerial and risk mitigation capabilities compared to smaller firms; therefore these firms are more likely to make CBA decisions (Popli & Sinha, 2014).

2.3.2 Institution-Based Antecedents

Institution-based antecedents include institutionally induced firm characteristics including relational assets, ownership control, acquisition financing, institutional advantages as well as institutional constraints.

2.3.2.1 Relational Assets

EMNEs' reliance on networking and managerial ties help them to develop relational assets. A common phenomenon of emerging economies is the formation of business groups, which are characterised as confederations of firms linked by common ownership and directors interlocks (Khanna & Palepu, 1997). Compared to non-affiliated firms, business group affiliated firms have added advantages as they get access to shared capital, labour and information through these groups (Khanna & Palepu, 2000b). Elango and Pattnaik (2011) confer that group affiliated Indian MNEs rely on group level country experience to minimize risk associated with acquisition decision. In a similar tone, Chittoor et al. (2015) argue that group level accumulated international experience is shareable across the affiliate firms. Affiliates firms' international experience thus enables focal firms to make CBA decisions. Some EMNEs' also rely on central government or state government to develop governmental linkages that can support EMNEs' internationalisation through providing direct financial subsidies and indirect preferential treatments (Hoskisson, Eden, Lau, & Wright, 2000). Firms' possessing strong relational

competence are more capable of offsetting ownership and locational disadvantages while investing abroad (Child & Marinova, 2014) and are more willing to make CBA decisions (Yang & Deng, 2017).

Further, Buckley, Forsans, and Munjal (2012) argue that host and home country linkages need to be taken into consideration as institutional relational assets. Home and host country linkages can be socio-political or economic in nature. Firms based in countries with such linkages can achieve competitive advantage over other firms who are not based in those countries. When this linkage influences firms' internationalisation strategy, then these country-specific advantages can become firm-specific advantages (Murtha & Lenway, 1994). Especially in the context of EMNEs, such linkages are treated as essential competitive tools (Mathews, 2009) and are increasingly utilised to facilitate EMNEs' internationalisation decisions through reducing transaction costs (Buckley, Munjal, Enderwick, & Forsans, 2017).

2.3.2.2 Ownership Control

One unique characteristic of EE is concentrated ownership of different types of owners. Different owners have different objectives that have implications on the way they exercise their power, thereby affecting corporate strategy and performance (Thomsen & Pedersen, 2000). EMNE owners can be both domestic and foreign. Family and state ownership are common in EMNEs who exert substantial control in firms' strategic decision-making.

Family owners, concerned about the family control in the firm, show reluctance in recruiting professional managers or consultants for fear of losing family control (Zahra, 2012). Family managers are inefficient in nature due to insufficient training (Hall & Nordqvist, 2008), and unable to provide support and managerial risk taking motivation to make CBA transactions. Promoters and top management groups with large shareholdings promote EMNEs' learning and asset accumulation through CBA, since they serve the dual purpose of direct board monitoring substitution and managerial risk taking facilitation (Chittoor et al., 2015).

Government involvement through ownership and control is a common phenomenon in EMNEs (Child & Rodrigues, 2005). Government controlled firms benefit from government support such as quick transaction approval (Morck, Yeung, & Zhao, 2008) to undertake CBA in order to secure natural resources as well as strategic assets from overseas host markets

(Zhang, Zhou, & Ebbers, 2011). These firms also exert higher influence on firms' strategic decisions that reflect government objectives and motives (Fortanier & Tulder, 2009).

2.3.2.3 Acquisition Financing

Access to capital is one of the crucial requirements for making a foreign investment, including CBA. In an EE context, the government provides EMNEs with financial support to overcome their capital constraints in the prophase of going abroad through low interest bank loans, financial subsidiaries and tax benefits (Cui & Jiang, 2009; Luo, Xue, & Han, 2010). Moreover, firms can access capital through the financially deep home market (Giovanni, 2005), which, in an EE context, has improved substantially over the past decades. As argued by Froot and Stein (1991) firms, under asymmetric information, prefer to choose internal over external finance to invest abroad and are thus willing to raise funds in their home market. The home equity market (stock and bond markets) along with the banking sector, play a prime financing role in EMNEs' CBA transactions (Jongwanich et al., 2013).

Apart from domestic capital, foreign capital is also crucial in aiding EMNEs' overseas investment. Firms can access foreign capital through borrowing abroad (Nayyar, 2008), or listing in international stock exchanges (Chittoor, Sarkar, Ray, & Aulakh, 2009). Foreign capital, besides facilitating CBA finance, supports EMNEs to overcome the liability of foreignness as well as establish credibility in the host country (Khanna & Palepu, 2004). Alternatively, foreign investors can be listed on the EE stock market and acquire stakes in EMNEs (Douma et al., 2006). EMNEs with foreign investor shareholdings are likely to have better access to financial resources, and are therefore more likely to engage in CBA (Chittoor et al., 2015).

2.3.2.4 Institutional Advantages

In an EE institutional context, government is a core constituent that defines, imposes and validates the fundamental norms and values of acceptable firm conduct (Oliver, 1991). Government interference as a part of the institutional environment exercises an influence on CBA. Opposing government interference is difficult, especially when government authority over business is significantly high and institutional restrictions or support provide the foundation for firms' internationalisation decisions. China, an extreme example of such a context, has established clear direction through its policy about the nature of internationalisation it expects and has compelled Chinese MNEs to follow it (Deng, 2004).

Therefore, firms' adoption of CBA, as a major mechanism of international expansion, may not gain proper momentum without facilitative governmental policy.

For instance, the Chinese government through its implementation of a 'go global' strategy not only actively facilitates and encourages but also enables Chinese MNEs to invest overseas in order to be globally competitive (Deng, 2009). Overseas investment by Indian MNEs was limited, from 1978 to 2004, due to the restrictive – permissive nature of governmental policy (Nayyar, 2008). After 2004, the liberalisation of policy regimes enabled Indian MNEs' rapid expansion to overseas markets through CBA. Institutional advantages in terms of internationalisation-supporting policies are required to enable EMNEs to make overseas investment, including CBA.

2.3.2.5 Institutional Constraints

An EMNE's home institution plays a dual role in facilitating and constraining firms in their internationalisation decisions. For AMNEs, market supporting and highly developed institutions are taken for granted. However, the same assumption cannot be made by EMNEs. EMNEs belong to an institutional environment that has been characterised with institutional voids such as corruption, poor enforcement of law, ineffective government, and inefficient market intermediaries (Khanna & Palepu, 2006). Such an institutional context represents EMNEs' positional and resource asymmetries compared to AMNEs that act as the starting point of internationalisation (Madhok & Keyhani, 2012). The presence of institutional voids in EMNEs' home markets pushes them to engage in CBA as an escape response to those home institutional constraints (Deng, 2009). Considering institutional constraints, EMNEs have to pursue their interests (Oliver, 1997) as institutional arrangements affect their strategic choices (Peng, 2003). For instance, institutional weakness in EMNE home markets enables the grabbing hand (various forms of wealth expropriation) of government, which motivates EMNEs to make CBA in tax haven countries (Chari & Acikgoz, 2016).

2.3.3 Industry-Based Antecedent

Industry-based antecedents include advanced economy multinational enterprises (AMNEs) competition, and industry characteristics.

2.3.3.1 Advanced Economy Multinational Enterprises Competition

EMNEs facing direct competition in their domestic markets from AMNEs is an increasingly common occurrence in recent times. Such encounters provide EMNEs with an opportunity to increase their experiential knowledge (Liu, Xiao, & Huang, 2008) upgrade their productivity and comparative advantage (Chung, 2001) to compete successfully against foreign rivals in their home markets. Besides, upgrading and increased efficiency provide EMNEs with the required confidence to compete with AMNEs in the global market (Nayyar, 2008) and actively seek new markets in other foreign countries (Elango & Pattnaik, 2011). Accordingly, in industries characterised by higher foreign competition, firms are more capable of conducting internationalisation activities.

2.3.3.2 Industry Characteristics

Different industries have different rules, regulations and policies that may influence industry-based antecedents of EMNEs' CBA. MNEs in technology intensive industries, relying on technology-specific competitive advantage, exhibit a lower preference for using CBA to enter into a foreign market. This is because CBA increases the possibility of disseminating their firm-specific advantages and creates complicacy in implementing technology in a pre-existing firm (Barkema & Vermeulen, 1998). Hence, non-technology intensive industries compared to technology intensive industries are more likely to choose CBA to enter into a foreign market (Rienda, Claver, & Quer, 2013). Moreover, MNEs coming from various industries are not all equally capable of making CBA. Depending on the home country's comparative ownership advantage in a particular industry, MNEs that belong to that particular industry tend to conduct more CBA while internationalisation (Lipsey & Feliciano, 2002). For instance, India and China have intensive CBA in the service and manufacturing industries due to their comparative advantages in these industries (Sun et al., 2012). Furthermore, to avoid the high risk and uncertainty associated with CBA, EMNEs' are likely to imitate other EMNEs in the same industry who have already made CBA (Yang & Hyland, 2012). Therefore, industry members' prior CBA activities enable other members to adopt the same strategic move in their internationalisation decisions.

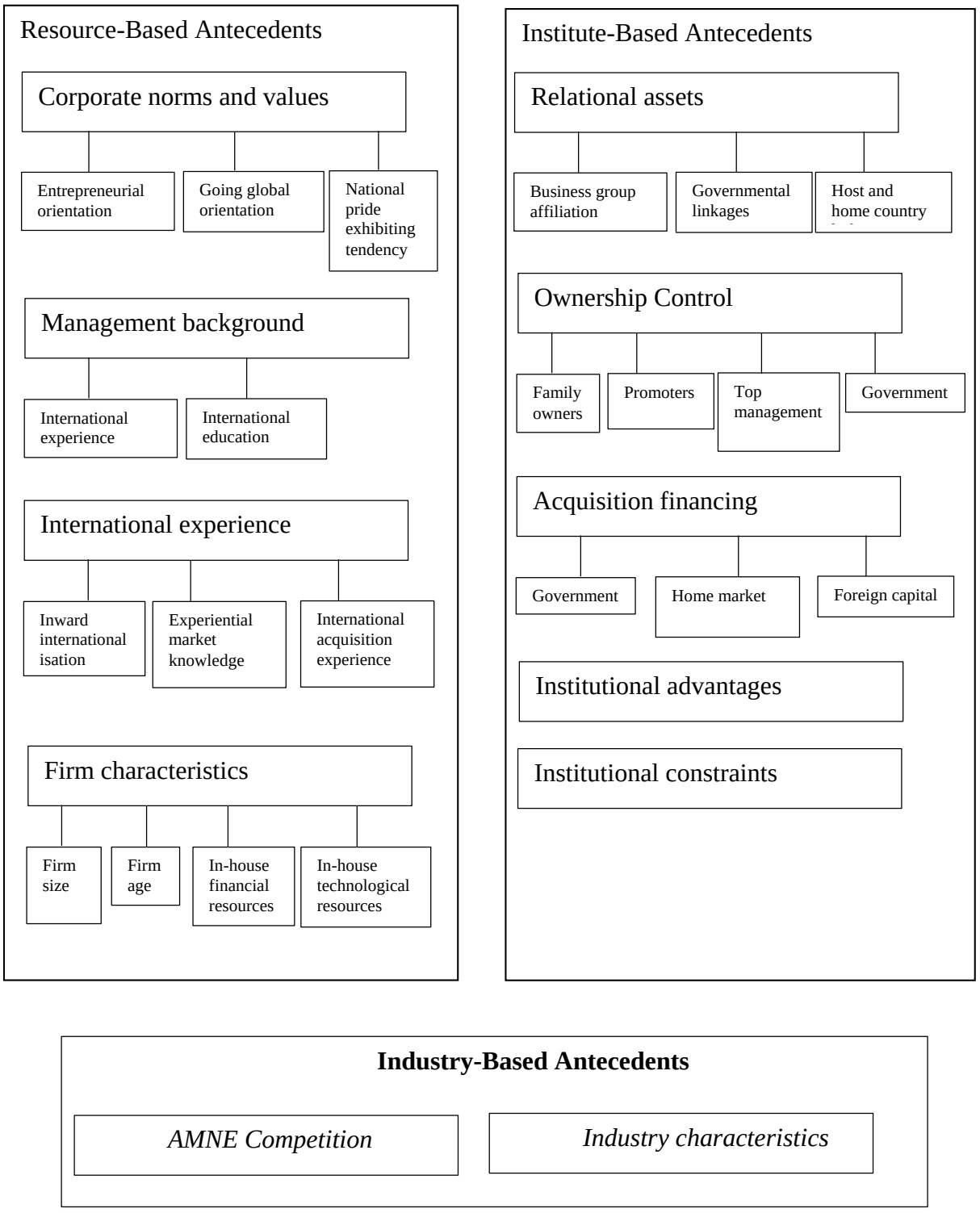

Figure 2.1 Antecedents of EMNEs' CBA

Figure 2.1 compiles the antecedents of CBA for EMNEs' CBA. While compiling the antecedents of CBA, it was notable that most of the research has been conducted on what drives EMNEs to acquire strategic assets from overseas markets. Only a few studies have focused on the risky nature of CBA and what enable EMNEs to make CBA. This study focuses on that by examining the impact of inward internationalisation (a resource-based antecedent) on EMNEs' likelihood of engaging CBA with the boundary condition of ownership structure.

2.4 Inward Internationalisation

Studies related to the internationalisation process place a significant emphasis on experiential knowledge (Blomstermo et al., 2004; Eriksson et al., 1997). MNEs could gain experiential knowledge either through their engagement in international activities (Argote, 2012) or from their network experience (Johanson & Vahlne, 2009). Usually, EMNEs suffer from the absence of international experience in their early stages of internationalisation. However, EMNEs can compensate for this lack through inward internationalisation before going to international markets (Gu & Lu, 2011; Luo & Tung, 2007). Inward internationalisation is defined as the home market companies' link or interaction with foreign companies at the home market companies via joint ventures, strategic alliances, or OEM. Inward internationalisation allows EMNEs to gain international experience at home market through interaction with foreign firms before their international expansion (Liu, Gao, Lu, & Lioliou, 2016). This interaction allows EMNEs to gain experiential knowledge without simultaneously having to deal with the complexity of a foreign environment. This unique experiential learning opportunity exposes EMNEs to foreign business practices and markets (Child & Rodrigues, 2005; Luo & Wang, 2012). Through inward internationalisation, foreign firms share their technological and organisational skills, as well as provide financial and operational assets to the EMNEs. Therefore, EMNEs with strong inward internationalisation usually exhibit greater outward proclivity (Luo et al., 2011).

EMNEs get involved in inward internationalisation through various forms, such as Original Equipment Manufacturing (OEM), International equity venture or alliance, Original Design Manufacturing (ODM) and international licensing (Luo & Tung, 2007; Luo et al., 2011). The OEM route offers EMNEs an opportunity to preserve their identity, achieve economies of scale and gain a reputation for excellence in manufacturing (Luo & Tung, 2007). OEMs also facilitate the accumulation of financial resources, which can be used for future internationalisation. The strategic alliance enables firms to receive tacit knowledge and

international standards from their alliance counterparts (Simonin, 2004). Firms can also create as well as transfer technological and marketing capabilities from their strategic alliance partner (Hitt, Dacin, Levitas, Arregle, & Borza, 2000).

Inward internationalization enables EMNEs to get access to experiential knowledge, particularly internationalisation experiential knowledge that exerts influence on firms' future internationalisation (Eriksson et al., 1997). Experiential knowledge is a driving force in the internationalisation process (Johanson & Vahlne, 1977). Three types of experiential knowledge are appear to be most relevant for firms' international operation (Eriksson et al., 1997). The comparison among three types of experiential knowledge are shown on Table 2.3.

Table 2.3 Types of experiential knowledge

Type of experiential knowledge	**Foreign business knowledge**	**Foreign institutional knowledge**	**Internationalisation knowledge**
Definition	Foreign business knowledge means the experiential knowledge about the market, clients and competitors.	Foreign institutional knowledge means the understanding of the technical and commercial laws and norms that apply in a foreign market.	Internationalisation knowledge concerns about developing and executing an internationalization strategy and internationalize in different countries.
Knowledge includes	• A particular client's way of working • Knowledge about the organization and their decision making • Client's particular needs regarding goods and services • Business knowledge of the resources, capabilities and market behaviors of suppliers, competitors, and local clients and their customers	• Institutional knowledge of government, institutional frameworks, rules and norms • Knowledge of local conditions and opportunities • Knowledge of the language and of the local culture • Import and export of goods and services, local taxes, tariffs, general conditions in the market	• Making contacts • Learning new negotiating and commercial techniques in foreign market conditions • Drawing up procedures for foreign operation modes that can be integrated into outward operations • Effective handling of foreign clients

Outcome	• Helps to reduce uncertainty by enabling to perceive opportunities in foreign markets. • Helps to develop a position in a particular market.	• Increases commitment in specific markets	• Influences on the firms' future internationalizati on • Enables to operate in different market environment.

Inward internationalization is related to internationalisation experiential knowledge, as EMNEs' foreign collaboration in the domestic market enables them to learn about foreign operation characteristics as well as foreign trade techniques (Liu et al., 2016). Besides, knowledge about the effective handling of foreign clients, their technical requirements can also be gained through such collaboration. EMNEs, in dealing with issues such as a new customer base, local competition and foreign operation in the host market, find this knowledge valuable (Buck, Liu, Wei, & Liu, 2007). The more intense collaboration EMNE has with foreign partners at home market, the higher the internationalisation knowledge EMNE can accumulate from collaboration.

Researchers have examined inward internationalisation in various aspects, both empirically and through case studies. Deng (2009) conducted a case study of three leading Chinese firms and argued that inward FDI provided a stimulus for Chinese MNEs' CBA decision. Inward FDI cannot make all the strategic assets available abroad for EMNEs in their home markets. To fulfil the resource gap, Chinese MNEs encourage engaging in CBA in order to acquire strategic assets. Luo et al. (2011) examined 1,355 Chinese private enterprises and revealed that inward internationalisation along with corporate governance advantages and inherited advantages from CBA increased the level of outward internationalisation. Similarly, Luo and Wang (2012) explored how home country conditions influence outward FDI strategies such as scale, timing and location based on a survey of 153 Chinese MNEs. They argued that beyond the well-studied host country impact, the Chinese home country environmental parameter and home country operational characteristics also have a strong impact on their overseas investment strategies. They found that Chinese MNEs' outward FDI strategy was positively associated with Chinese home country operational characteristics such as inward internationalisation.

Similarly, Satta et al. (2014) also examined the impact of inward internationalisation on EMNEs' internationalisation pace. The authors took a sample of 544 subsidiaries located in 90 different nations and argued that cumulative benefits from inward internationalisation boosted EMNEs' managerial skills, marketing knowledge and absorptive capacity. The added benefits gained from inward internationalisation increased EMNEs' internationalisation pace. Moreover, Lyles et al. (2014) examined how learning from inward internationalisation creates an impact on outward FDI performance. They took a sample of 200 Chinese private firms and found an insignificant result for the impact of inward internationalisation on OFDI performance. Recently, inward internationalisation has been examined as one of EMNEs' endogenous forces that makes them take higher risks in entering international markets through CBA (Luo & Bu, 2018). The effect of this endogenous force on EMNEs' risky CBA behaviour is mediated through entrepreneurial risk-taking propensity. Further, Luo and Bu (2018) call for future research to explore other contingencies that may influence inward internationalisation's impact on EMNEs' risky CBA behaviour. In line with the research discussed above, this study assumes that inward internationalisation has significant learning benefits and examines its impact on EMNEs' likelihood to engage in CBA.

2.5 Research Gap

EMNEs have grown rapidly in the international arena through CBA. However, there is limited understanding of their strategic behaviours. Among the various modes of internationalisation, CBA represents the highest form of commitment and requires considerable experiential knowledge for its management. Previous literature suggests that EMNEs undertake CBA to overcome their latecomer disadvantages and to catch up with MNEs from advanced nations. These studies provide explanations about what motivate EMNEs to undertake risky CBA in their initial stages of internationalisation. However, there is a limited understanding of how EMNEs manage their experiential knowledge requirement to undertake CBA. Scholars argue that EMNEs lack requisite international experience (Brouthers et al., 2005; Elango & Pattnaik, 2007) and rely on country based advantages, institutional support and government policies to internationalise. Knowledge deficit increases the perceived cost and risk associated with internationalisation and decreases the likelihood of engaging in foreign investment (Eriksson et al., 1997). Therefore, there is a need to address what compensates for EMNEs' lack of experiential knowledge and what influences their adoption of CBA.

Following the importance of experiential knowledge, this study argues that EMNEs, in the absence of direct experience sources, compensate for their lack of experiential knowledge from external sources. A unique source of EMNE external experiential knowledge is inward internationalisation. Inward internationalisation, an important source of EMNEs' experiential knowledge, is yet to be fully explored in the context of EMNEs' CBA decisions. Rui and Yip (2008) and Deng (2009) qualitatively propose that EMNEs having accumulated inward internationalisation show a higher likelihood to acquire strategic assets in CBA. Recently, Luo and Bu (2018) found evidence that inward internationalisation stimulates EMNEs' risk taking behaviour in conducting CBA and called for future research to explore contingencies to impact the examined relationship. Taking this opportunity, this paper examines the impact of inward internationalisation (antecedent) on EMNEs' likelihood to make CBA decisions (outcome) relying on the arguments of organisational learning theory. Further, the study explores contingencies under which the proposed relationship varies.

Organisational learning theory states that organisational learning occurs when prior experience is coded, interpreted, and sorted in organisational memory, which causes changes in organisational knowledge. This experience can be acquired either through firms' direct experiential knowledge (internal source) or through indirect experiential knowledge (external source). Scholars view change in organisation knowledge in terms of developing rules, routines, and processes (Levitt & March, 1988); firm performance (Argote & Epple, 1990) and firm's future potential behaviour (Huber, 1991). Inward internationalisation, an external source, provides EMNEs unique capabilities, skills, and learning experience, which are coded and sorted in organisational memory and can be retrieved while making internationalisation decisions. Zheng, Khavul, and Crockett (2012) argue that EMNEs experience with foreign MNEs in the domestic market has a positive effect on organizational learning. This organisational learning will be used to guide EMNEs' future entry choice behaviours such as the adoption of CBA.

This study considers experiential knowledge from inward internationalisation as a resource and examines the inward internationalisation (resource based antecedent) – CBA (outcome) relationship. The only study that addresses inward internationalisation and CBA relationship examines the impact via a mediating role of risk-taking propensity (Luo & Bu, 2018). This study provides insights into the mechanism through which inward internationalisation impacts risk behaviours. However, there is still a need for understanding the contingencies of such experiential knowledge acquisition. Specially, whether the benefits

of the same experiential knowledge will remain the same or different across different organisational contexts regarding strategic decision-making specially CBA. The impact of resources is contingent on firms who own and use the resources for strategic actions (Kuo et al., 2012). Therefore, the study examines the boundary condition of firm-specific corporate governance, such as ownership structure on the inward internationalisation (resource based antecedent) – CBA (outcome) relationship.

2.5.1 Understanding the Heterogeneous Impact of Internationalisation Experiential Knowledge

In the context of international business, firms' knowledge acquired from international experience is doubtlessly an essential resource (Rammal, Rose, Mohr, & Batsakis, 2014). Experienced firms can do things or take actions that inexperienced firms cannot do or even think about doing in similar contexts. In addressing the importance of experiential learning, the bulk of extant IB research has examined different kinds of firm experience and their impact on the firm outcome. These studies provide evidence that a broader set of options is available for experienced firms compared to inexperienced firms. Firms with general international experience would be more likely to set up business operations without the help of any partner (Knight & Kim, 2009). Country specific experience facilitates the firm's assessment of potential partners, and thereby increases the probability of creating a joint venture (Luo, 1997). Firms with specific ongoing business experience in a specific market develop institutional knowledge that reduces their barriers towards internationalisation (Chetty, Eriksson, & Lindbergh, 2006). Besides, ample empirical evidence is also available about the impact of firms' international experience on foreign subsidiary financial performance (Luo & Peng, 1999; Nielsen, 2010), subsidiary survival (Gaur & Lu, 2007; Zeng, Shenkar, Lee, & Song, 2013), and even a firm's capability to engage in subsequent experiential learning (Barkema & Drogendijk, 2007).

However, the impact of experiential knowledge may not necessarily be the same for all firms. For instance, some firms with sufficient experience may behave in a bold way, whereas other firms with similar experience may behave in a conservative way. Yet most earlier studies predicted a homogeneous impact of experience across firms. Few scholars address the heterogeneity of experience across firms (Kuo et al., 2012; Li & Meyer, 2009). This study aims to fill the gap by examining the heterogeneous impact of inward internationalisation across EMNEs on influencing their CBA decisions.

As put by Li and Meyer (2009), the impact of experience is distinguished as competence-building and partner-selection effects that vary between contexts (e.g. location). They found that predicted effects hold true in some host countries but do not in other host countries. This provides a potential reason why experienced firms act differently in different contexts. Kuo et al. (2012) explain international experience heterogeneity by comparing family and non-family firms. International experience influences family and non-family firms differently in terms of their strategic decision-making. Unlike experienced non-family firms, experienced family firms would be more likely to choose wholly owned subsidiaries over joint ventures to protect their socio-emotional wealth. Relying on experience heterogeneity, Qunyong (2017) explores how CEO power moderates the impact of experience on Chinese firms' entry mode choice. He finds that, due to the presence of principal-principal conflict in China, CEOs will use their power to make low risk strategic decisions despite having international experience.

This trend of research focuses that availability of experiential knowledge does not guarantee an impact unless it is applied in the appropriate context or its importance is realised by the firms' decision-makers. Scholars examining the heterogeneous impact of experiential knowledge also assume that experiential knowledge may have a varying impact across firm characteristics, corporate governance as well as different types of controlling shareholders (Kuo et al., 2012). However, these varying influences are still unknown and warrant potential research attention. This study focuses on how corporate governance (ownership structure) brings about such a heterogeneous impact of experiential knowledge.

2.5.2 Understanding the Importance of Heterogeneity from the Perspective of Corporate Governance

Corporate governance directs the allocation and deployment of firm resources in strategic investment, including CBA. With efficient corporate governance, firms' resources and capabilities are expected to be fully utilised to engage in economically viable strategic investment (He, Mahoney, & Wang, 2009). Similarly, whether externally sourced experiential knowledge would integrate with and add value to the organisation or not depends on the recipient organisations and their respective corporate governance structures (Asmussen et al., 2013; Minbaeva, Pedersen, Björkman, & Fey, 2014). Therefore, it is interesting to explore the heterogeneous impact of inward internationalisation from a corporate governance perspective.

Corporate governance is often associated with boards of directors, though other corporate governance mechanisms exist to govern or control firms. Corporate ownership, among the various forms of corporate governance mechanisms, is an increasingly influential mechanism (Connelly, Hoskisson, Tihanyi, & Certo, 2010) and has varying influence in different institutional contexts (Johnson, Schnatterly, Johnson, & Chiu, 2010). Ownership suggests the distribution of power and control in a firm. Ownership structure determines different owners' types of resource sharing with the firm and their relative powers in influencing a firm's strategic objectives (Douma et al., 2006; Strange, Filatotchev, Buck, & Wright, 2009). Ownership structure has a key role in defining firms' operational motives, as owners have the power to influence strategic decisions (Bouzgarrou & Navatte, 2013). Besides, owners' control over the availability and deployment of resources is likely to affect the efficient and inefficient use of firm resources (Seth, 2004); hence, affecting a firm's ability to make strategic CBA decisions.

In the context of emerging economies, ownership structure serves a significant role in both knowledge absorption and major strategic decision making such as CBA (Kim et al., 2008; Shleifer & Vishny, 1997). As one important characteristic of EMNEs is the higher prevalence of a specific type of owner (Cuervo-Cazurra, 2012), the presence of dominant owners can influence EMNEs' managerial control. For instance, unlike firms in advanced economies, some EMNEs are state owned and mainly controlled by politicians; many EMNEs are family owned mainly managed and controlled by family members. Therefore, due to the differences in the desire of their owners, EMNEs may pursue non-business objectives in strategic decision-making. Their varying objectives spur their inclinations to implement their control mechanisms to influence strategic decisions.

Considering that owners vary in their strategic objectives (Strange et al., 2009), they determine the internal integration of experiential knowledge to be useful in influencing firms' strategic action. The heterogeneity aspect of experiential knowledge is remarkable as it hints that experience alone is not sufficient for making strategic decisions. It also focuses attention on the potential and realized value of experiential knowledge. Having experiential knowledge indicates the potential value a firm can achieve. However, to what extent the potential value matches with the realized value depends on the motivation of organization members – owners in particular. Thus, the impact of inward internationalisation depends on the congruity of internationalisation knowledge created by that experience with the recipient organization's ownership structure. Cuervo-Cazurra (2012) also urges researchers to conduct more studies

focusing on ownership attitude and impacts on firms' strategic decision-making, particularly from an EMNE perspective. Ownership structure thus leads to the differential impact of inward internationalisation.

2.5.3 Why Differentiate Across Different Owner Groups?

The classical agency theory assumes that agents are opportunistic, and they have a tendency to serve their own interests rather than firms' interests (Jensen & Meckling, 1976). Their opportunistic behaviour causes conflicts of interest between the agent (manager) and the principal (owner) within an organisation, known as principal-agent (PA) conflict. The opposing theoretical perspectives stewardship theory provides an alternative explanation of managerial behaviour (Donaldson & Davis, 1991). It argues that managers work as stewards whose interests are closely aligned with the organisation's interests. Rather than being concerned about protecting self-interest, they focus on the continuity of the business, and the overall welfare of the business. Therefore, managers would be less likely to take actions that hurt owners' interests.

However, these two streams of research rely on some common assumptions. Both of the theoretical lenses assume that shareholders regardless of types hold similar motives of shareholders' value maximization (Ramaswamy et al., 2002). In addition, both believe that shareholders' behaviour is not endogenous to the context; rather it is context-free. This belief fails to consider ownership types, their varying motives and potential conflicts between different principals in the context of emerging economies. Studies challenging these assumptions find evidence that different group of owners tend to have different goals and expectations that drive them to behave in different ways (David, Kochhar, & Levitas, 1998; Gedajlovic & Shapiro, 2002). Taking consideration of this unobserved perspective, the principal-principal (PP) agency problem focuses on different principals' (owners) related conflict.

Emerging economies are known as having institutional voids such as weak property rights, underdeveloped capital markets and insufficient institutional protection for minority shareholders (Khanna & Palepu, 1997; Peng et al., 2008). The existence of concentrated ownership along with weak institutions is the main source of principal-principal (PP) conflict in the context of emerging economies. PP conflict highlights the conflict of interest between majority and minority shareholders due to goal incongruence (Dharwadkar, George, &

Brandes, 2000; Su, Xu, & Phan, 2008). The PP perspective, though sharing a common theoretical root with the PA perspective, assumes different constraints on managerial decision-making. Managers, being appointed by majority shareholders, work to pursue the interests of the controlling shareholders. According to the PP agency perspective (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008) the majority of shareholders are more concerned about protecting their self-interest rather than the overall welfare of the shareholders. Such behaviour leads to expropriating the minority shareholders and depriving them of their due returns on investment. Therefore, PP conflict has strong implications for EMNEs' strategic decision-making.

Following the argument of PP agency perspective, strategic management researchers further acknowledge that the identity of owners is equally important, as not all owners are alike. Ownership groups are different from one another depending on the goals that they pursue and the extent of monitoring that they are involved in the organisation (Monks & Minow, 1995). Therefore, owner concentration, and varying identities need to be taken into consideration as they exhibit varying goals, risk perceptions, and investment horizons. Dominant owners' varying expectations also encourage them to seek the private benefits of control. Such inclinations cause differences in owners' motivation and their subsequent impact on strategic decision-making such as CBA (Tihanyi et al., 2003).

Earlier scholars addressing the impact of firms' ownership structures on strategic decision-making primarily focus on the separation of ownership and control by professional managers (Amihud & Lev, 1999; Baysinger & Hoskisson, 1990; Baysinger, Kosnik, & Turk, 1991; Denis, Denis, & Sarin, 1999). Recent strategic management scholars consider the relationship from the perspective of different categories of ownership, their varying interests and ways to influence firms' strategic decisions (Chen & Yu, 2012; Hu & Cui, 2014; Tihanyi et al., 2003). These studies found a significant family, institutional, state, blockholder and managerial influence on firms' strategic decision-making.

However, in the absence of adequate external institutions, listed companies from emerging economies rely on internal mechanisms as a means of corporate governance. In emerging economies, the two most common types of owners are families and the state. For instance, China is known for dominant state ownership (Hu, Tam, & Tan, 2010) whereas, the presence of large family conglomerates is evident in India (Saez, 2014). Furthermore, government-controlled institutional shareholdings are common in emerging economies whose objectives and incentives differ significantly from those of private shareholdings. As a result,

the effects of ownership on strategic decision-making tend to be different from the perspective of emerging economies.

Previous studies find that the ownership structure of EMNEs has a significant impact on their strategic orientation. This eventually influences their attitude towards growth (Cui, Meyer, & Hu, 2014). Since owners vary in terms of their motives and risk preference, majority owners' preferences tend to be monitored by different minority owners who also encourage the majority owners to take strategic action such as CBA to maximize value for shareholders. If all the owners have a similar risk preference, then their motivations are synchronised, resulting in no motivational conflict. However, some owners, in reality, are risk-averse and some are risk takers. That in turn significantly affects the firm's strategic decisions.

PP theory argues that dominant risk aversive owners may discourage firms from undertaking value-maximizing CBA decision as it may hurt their investment. To resolve the misalignment problem, minority owners can monitor and motivate management behaviour to reflect dominant owners' preference to pursue value-maximizing activities congruent with minority owners' expectation. Therefore, the owner's identity and their interaction may influence the owner's motivation to undertake strategic actions, including CBA.

2.6 Ownership Categories

Different scholars have categorized owners in different ways. For instance, based on the nature of an owner's relationship with the investing organization, Brickley, Lease, and Smith Jr (1988), identified three groups of owners. Pressure-sensitive owners, being passive monitors, follow the decision of firm managers. Pressure-resistant owners, being active monitors, influence the firm's management. Pressure-indeterminate owners, lack a clearly defined relationship and play both active and passive roles depending on the situations.

On the other hand, Thomsen and Pedersen (2000) identified five large categories of owners: institutional investors, families, banks, governments and corporate owners based on the differential ownership preferences and objectives that they bring to the organisation. Again, considering both owners' motives and voting rights, owners are categorised into four groups: families, states, widely held financial institutions, widely held corporations (Claessens, Djankov, & Lang, 2000; La Porta, Lopez-de-Silanes, & Shleifer, 1999). All the classifications put forward empirical evidence that the identity of the owner has important implications for corporate strategy.

As this study focuses on owners' differential motives and objectives, Claessens et al. (2000) classification is more appropriate. However, this classification was conducted from a broader perspective that might mask the subtleties in the fundamental motivational differences between owners. Considering this fact, Douma et al. (2006) further make a distinction between institutional and corporate investors, incorporating foreign and domestic perspectives. According to them, domestic and foreign investors, despite being the same class of shareholders, have different motives and expectations for their investment. An aggregation of these investors into a common class of shareholders may provide biased results that can only be rectified by analysing them separately. Singla et al. (2017), relying on the same categorisation, empirically examine the nuances associated with different owners' motivation in determining a firm's internationalisation strategy.

Few studies have looked at the varying impact of different categories of owners on CBA decisions. Chittoor et al. (2015) examine the impact of promoters and foreign institutional owners in shaping Indian firms' propensity to undertake risky CBA decisions. Moreover, a review article conducted by Boyd and Solarino (2016) on ownership reveals that the extant literature on ownership categories mainly covers family and institutional owners. These authors urge researchers to address multiple owner types in future studies (Boyd & Solarino, 2016, p. 16). Following the similar categorisation of Douma et al. (2006) and Singla et al. (2017), this study distinguishes five dominant types of ownerships, namely family, domestic institutional, foreign institutional, domestic corporate and foreign corporate ownership, which are prominent in the public sector of emerging economies.

2.6.1 Family Ownership

In emerging economies, ownership concentration can occur through family ownership. Prior finance, management, accounting and various social science researchers confirm that family owners are risk-averse in attitude (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) given the large proportional investment of the family's wealth in a single organisation (Schulze, Lubatkin, & Dino, 2003; Zahra, 2012) and the undiversified nature of their holdings (Anderson & Reeb, 2003; Faccio & Lang, 2002). Family owners also share a strong personal attachment and identification with the firm (Anderson, Mansi, & Reeb, 2003; Thomsen & Pedersen, 2000) that forms their socioemotional endowment in the firm.

Family ownership enables strong monitoring rights where family owners are capable of monitoring and controlling managers from pursuing opportunistic as well as shareholders' value-destroying activities (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Shleifer & Vishny, 1989). Therefore, family owners' exhaustive monitoring activities back up earlier scholars' findings that increased family ownership may reduce the potential PA conflict within the firm (Jansson, Larsson-Olaison, Veldman, & Beverungen, 2016; Purkayastha, Veliyath, & George, 2019).

Family owners are often associated with the PP problem of minority shareholder expropriation. Their increased ownership provides them with the power and influence to control the corporate governance process as well as corporate decision-making (Villalonga & Amit, 2006). Family owners, apart from financial objectives, may pursue personal objectives such as prevention of socioemotional wealth that can contradict with firms' profit maximization objectives (André, Ben-Amar, & Saadi, 2014). They also have a strong desire to pass their family wealth or business to their next-generation (Berrone, Cruz, & Gomez-Mejia, 2012). Their economic and non-economic objectives combined with their controlling power causes PP conflict leading to the expropriation of minority shareholders' wealth.

Besides expropriation, goal incongruence due to PP conflict makes family owners significantly risk-averse through avoiding strategic choices that may increase the risk of their investments (Kim & Gao, 2013; Mazzola, Sciascia, & Kellermanns, 2013). Prior studies find evidence that family owners are more concerned about future uncertainty (Bianco, Golinelli, & Parigi, 2009), leading to fewer investments. They also hamper firms' profit maximization through undertaking sub-optimal investments (Zhang, 1998). Family owners' risk aversion is further noticeable in undertaking internationalisation (Chen, Hsu, et al., 2014; Claver, Rienda, & Quer, 2008; Fernández & Nieto, 2005), choice of establishment mode such as CBA (André et al., 2014; Boellis, Mariotti, Minichilli, & Piscitello, 2016; Miller, Le Breton-Miller, & Lester, 2010), and committing resources to R&D investment (Block, 2012; Chen & Hsu, 2009; Munari, Oriani, & Sobrero, 2010).

Furthermore, family owners' risk averse attitude is not limited to strategic choices, rather it translates into the avoidance of all the strategic actions that may dilute their control in the investing firm (Caprio, Croci, & Del Giudice, 2011). They also show reluctance to borrow funds through debt financing for fear of losing control over the firm, which may lead to severe financial constraints (Hanazaki & Liu, 2007). They tend to adopt conservative management

policies, and therefore rarely allow outsiders to buy controlling stakes (Bauguess & Stegemoller, 2008; Klasa, 2007). In the presence of family owners, board independence is significantly compromised (Van Essen, van Oosterhout, & Carney, 2012). To maintain direct control over the investing firm, they may be ready to sacrifice a certain degree of firm profitability (Claver et al., 2008). All these actions explain family owners' risk-averse behaviour and subsequent exercise of their influence and control to shape the strategic directions of the firm.

2.6.2 Institutional Ownership

Institutional ownership is another major form of investment in the equity market. Institutional owners usually invest equity that has been collected from other investors and, in return, they are bound to provide the promised returns to these beneficiaries (Ingley & Van der Walt, 2004). Institutional investors, during the second half of the twentieth century, became a significant part of western equity markets (Gillan & Starks, 2003), whereas their presence and activism became prominent in emerging economy capital markets in recent times. For instance, institutional investors have flourished in China since the 1990s, and most prolifically insurance companies, securities investment funds, and foreign institutional investors have become the major institutional investors in the Chinese equity market since 2005 (Huang & Xie, 2016). Similarly, institutional shareholders, account for more than 25% of the share, and are dominant players in the Malaysian share market (Othman & Borges, 2015). Domestic pension funds have also emerged as main investors in Chilean public limited companies (Iglesias-Palau, 2000). In India, foreign institutional investors were allowed to invest in the stock market after economic liberalization in 1991, before that Indian institutional investment primarily came from domestic institutions (Khanna & Palepu, 2000a). This evidence suggests the growing participation of institution investors in emerging economies in recent time.

Prior strategy literature on institutional ownership explores its impact on various aspects of strategic decision-making such as corporate R&D (Graves, 1988), FDI location choice (Lien & Filatotchev, 2015), internationalisation (Chen, Hsu, et al., 2014), and higher risk entry modes such as CBA (Craninckx & Huyghebaert, 2015; Gaspar, Massa, & Matos, 2005; Rhoades & Rechner, 2001). Apart from the strategic choices, institutional ownership also has impacts on firms' operating performance (Alfaraih, Alanezi, & Almujamed, 2012; Cornett, Marcus, Saunders, & Tehranian, 2007; Han & Suk, 1998) as well as merger & acquisition performance (Bi & Wang, 2015; Zhou & Lan, 2018).

However, the benefits of institutional investors are rarely examined in the context of emerging economies (Oehmichen, 2018). This is because the rise of institutional investors in the emerging economy stock market is a recent phenomenon. Besides, empirical evidence on the benefits of institutional investors is mixed or even neutral (Gupta, 2019). This may be because those studies have ignored the heterogeneity of institutional investors and rely on the assumption of homogeneous owner preferences. Nevertheless, various ownership constituencies may have heterogeneous preferences regarding strategic choices that may further affect firm performance differently. Recent research also has identified that institutional ownership constituents differ in terms of their time horizons and incentives, (Hoskisson et al., 2002) and governance preferences (Tihanyi et al., 2003) thereby showing conflicting preferences for corporate strategy.

Recognising the varying motivations of different institutional ownership constituencies, a number of studies categorise financial institutions as domestic and foreign institutions and examine their impact on strategic choices. For instance, Tihanyi et al. (2003) find that foreign institutional investors, compared to domestic institutional investors, hold different investment preferences that encourage foreign investors to provide their global investment experience as well as access to strategic expertise and knowledge to focal firms while expanding internationally. In India, foreign institutional investors are also found to have high motivation and capabilities to exert a positive impact on the focal firm's internationalisation, which is significantly different from domestic institutional investors' negative impact (Singla et al., 2017). The differential effect of foreign and domestic institutional investors is further noted in Taiwanese firms' decisions to undertake FDI (Lien, Piesse, Strange, & Filatotchev, 2005). In addition, assuming differential risk preferences Panicker et al. (2019) argue that foreign and domestic institutional investors' risk perception may contribute to their behavioural differences regarding their preference for internationalisation.

Similarly, Andriosopoulos and Yang (2015) note the positive influence arising from the presence of foreign institutional investors on the focal firm's decision to engage in CBA. Equipped with superior monitoring capabilities and globally diversified portfolios, foreign institutional investors, tend to encourage focal firms to undertake high-risk entry strategies for internationalisation; whereas domestic institutional investors tend to support low-risk entry strategies due to their coalitions with risk-averse family owners (Filatotchev, Strange, Piesse, & Lien, 2007). Foreign and domestic institutional investors exhibit divergence in their stock

preferences (Ferreira & Matos, 2008) as well as in their impact on focal firm operating performance in India (Douma et al., 2006; Panda & Leepsa, 2018) and Taiwan (Filatotchev, Lien, & Piesse, 2005). This divergence effect has also found in the merger and acquisition performance of Chinese MNEs (Ma, 2019).

Considering all the evidence, it can be suggested that foreign and domestic institutional investors may have heterogeneous investment objectives that can be translated to focal firms' varying strategic choices depending on the focal firms' varying institutional ownership structure. Therefore, this study distinguishes between foreign and domestic institutional investors.

2.6.3 Corporate Ownership

Corporations are one of the largest group of blockholders in emerging economies (Claessens et al., 2000). Despite being the largest blockholder and potentially different from other blockholders such as institutional owners, comparatively little is known about corporate owners (Allen & Phillips, 2000). By definition, corporate owners are widely held corporations who act as a financer of the start-up firms or corporations to support their core business. They typically have a business relationship with the focal firms in the form of supplying raw materials or buying finished products (Thomsen & Pedersen, 2000). Moreover, they may also be linked with the focal firms through cross holdings or pyramidal shareholding structure (Sarkar & Sarkar, 2000). As a result, corporate owners' exhibit increased dependence on focal firms and are more inclined to achieve nonfinancial goals than financial goals (Hellmann, 2002).

Prior strategy literature on corporate ownership explores its impact on various aspects of a firm's key strategies (e.g. investments in R&D (Ashwin, 2012), organisational change (Janowicz, Piaskowska, & Trojanowski, 2004), diversification strategy (Colpan, Yoshikawa, Hikino, & Del Brio, 2011)) and/or firm profitability (Gedajlovic & Shapiro, 2002). One notable point is that earlier studies have treated corporate owners as homogeneous. Though, as per Thomsen and Pedersen (2000), the identity of owners, along with their divergent objectives, have important implications for corporate strategy and risk-taking. Corporate owners, based on their country of origin, can be classified as domestic & foreign corporate owners. Owner homogeneity may provide misleading findings, especially in the context of emerging economies where different forms of corporate ownership structure exist (Zou & Adams, 2008).

Therefore, from the perspective of emerging economies, a thorough understanding of corporate ownership is essential.

Another notable point is that foreign ownership has gained more attention compared to domestic ownership in emerging economies (Choi, Lee, & Williams, 2011; Choi, Park, & Hong, 2012; Hu & Cui, 2014). Besides, these studies explore the impact of foreign ownership by either focusing on foreign corporations or aggregating both corporate and institutional ownership. However, Douma et al. (2006) present evidence against such aggregation as the benefits of foreign ownership are substantially attributable to foreign corporations along with foreign institutions. In addition, in the perspective of emerging economies, the domestic corporations comprise an important category of owner due to their pyramidal and cross holding that may exert important mechanisms of exercising control (Singla et al., 2017). They also perform a significant role in a firm's strategic decision-making.

Understanding the nuances of both categories, recent studies show that foreign and corporate owners may have different objectives and risk preferences that may influence the focal firm's key strategic decisions, thereby affecting firm performance. For instance, Zou and Adams (2008) find evidence that domestic corporate ownership tends to have a higher impact on equity risk and returns compared to foreign corporate ownership, which is found to have little effect on it. Similarly, the divergent preferences of foreign and domestic corporate shareholders show a dichotomous impact on the focal firm propensity to internationalise (Singla et al., 2017). As a result, domestic and foreign corporations are considered as two different categories of owners in this study.

2.7 Summary

This chapter reviewed the evolving CBA antecedent and motivation research in the context of emerging economies and pinpointed the limited understanding of EMNEs' strategic behaviour especially their decisions to undertake risky CBA in the absence of direct/internal international experience. Focusing on this limitation, this study proposes that EMNEs can compensate for a lack of international experience through the accumulation of experiential knowledge from inward internationalisation. However, the impact of experiential knowledge may not necessarily be homogeneous, and it may vary depending on various ownership categories. The next chapter presents the theoretical underpinning and hypotheses development for the proposed conceptual framework.

3 Hypotheses Development

3.1 Introduction

The literature review conducted in the previous chapter reveals a limited understanding of the antecedents of EMNEs' risk-taking CBA decisions. Based on that understanding, this study proposes a potential resource-based antecedent (inward internationalisation) – outcome (EMNEs' CBA) relationship and a boundary condition, ownership structure, that facilitate or inhibit the proposed antecedent-outcome relationship. Both theoretical lenses, organisational learning theory and agency theory, are presented first. Then, the proposed conceptual model and hypotheses development are discussed. Lastly, the chapter finishes with a concluding summary.

3.2 Theoretical Underpinnings

Wacker (1998) cites (Sutherland, 1976, p. 9) in defining theory "as an ordered set of assertions about a generic behaviour or structure assumed to hold throughout a significantly broad range of specific instances". This research primarily employs two theoretical frameworks: organisational learning theory, and agency theory to develop the arguments. Brief explanations of the two theoretical frameworks are given below.

3.2.1 Organizational Learning Theory

Deriving insights from behavioural theory (Cyert & March, 1963), Fiol and Lyles (1985) define Organisational Learning (OL) as the way to change organisational knowledge through the accumulation of organisational experience. OL theory states that firms learn from their past actions and events. It implies that learning begins with experience that eventually changes organisational knowledge (Levitt & March, 1988). This knowledge, incorporating both tacit and explicit components, can manifest itself as either change in cognition or change in behaviour.

Considering the difficulty of defining and measuring the concept of knowledge at the organisational level of analysis (Hargadon & Fanelli, 2002), prior researchers have used different perspectives on how OL changes organisational knowledge. Some researchers suggest that OL causes change in the organisational knowledge embedded in rules, routines, and processes, that occurs as a function of experience (Levitt & March, 1988; Miner &

Haunschild, 1995); whereas other researchers focus on changes in organisational members' cognition (Huff & Jenkins, 2002). Another group states that learning changes firms' performance characteristics, which indicates firms' knowledge acquisition (Argote & Epple, 1990; Dutton & Thomas, 1984). Acknowledging that knowledge can be acquired without causing a change in behaviour, another group views learning as a way to change a firm's potential future behaviour (Huber, 1991). This study mainly associates organisational learning with EMNEs' experiential knowledge from inward internationalisation which will guide EMNEs' future entry choice behaviour.

One main stream in OL literature focuses on the acquisition of organisational knowledge not previously possessed by the organisation (Huber, 1991). Organisational knowledge is classified as objective knowledge and experiential knowledge (Penrose, 2009) which is similar to the distinction of explicit and tacit knowledge (Nonaka, 1994). Objective knowledge can be acquired easily through training or from published data sources (Polanyi, 1961); whereas experiential knowledge cannot be acquired, taught or transferred easily (Eriksson et al., 1997). Huber (1991) identifies five different processes, (1) congenital learning, (2) vicarious learning, (3) experimental learning, (4) grafting, and (5) searching and noticing to acquire objective and experiential knowledge. Recent research has also made a distinction between internal and external sources for acquiring knowledge (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Prashantham & Young, 2011). Integrating Huber (1991)'s organisational theory of learning Fletcher and Harris (2012) developed a framework to understand how different types of organisational knowledge are sourced.

	Internal source of knowledge	External source of knowledge
Experiential knowledge	i. Direct experience	ii. Indirect experience: vicarious learning & grafting
Objective knowledge	iv. Internal information	iii. External search

Figure 3.1 New knowledge acquisition sources
Source: Fletcher and Harris (2012, p. 634).

Among objective and experiential knowledge, relatively more importance has been given to experiential knowledge, especially internationalisation experiential knowledge and its impact on internationalisation. Since organisations can learn from various types of experience that may have varying impacts on organisational outcomes, Huber (1991) has explained acquisition of experience from both a direct and indirect dimension. Direct experience, referred

to as first-hand/own experience by Huber (1991), is an experience that is acquired directly by the focal organisational unit. Although organisations vary in their rate of learning, there is substantial evidence that organisations learn from their accumulated direct first-hand/own experience (Dutton & Thomas, 1984). This learning can occur as a result of organisations' intentional efforts or unintentional operations in the market where they learn from the outcome of their past decisions and apply it in making their present decisions.

On the other hand, indirect experience, also known as second-hand experience, is acquired indirectly from other units. Vicarious learning and grafting are two ways of acquiring it (Huber, 1991). In vicarious learning, firms learn by observing their partners in the network, or through joint ventures, cooperative alliances, or licensing (Chandler & Lyon, 2009; Welch & Welch, 1996). Grafting is an effective way of acquiring experiential knowledge through hiring people with knowledge that an organisation does not possess or by acquiring business units (Huber, 1991). OL theory emphasises that knowledge acquisition takes place in different forms as well as from different sources that may change organisations' future potential behaviour.

Organizational learning theory believes that learning gained from prior experience helps to develop skills and capabilities. For effective learning to take place, firms require absorptive capacity (Cohen & Levinthal, 1990). Absorptive capacity is defined as a set of organisational routines and processes by which firms acquire, assimilate, transform and exploit external knowledge (Zahra & George, 2002). Here, acquire, assimilate, transform and exploit refer to recognition of the value of externally generated knowledge, analysis and interpretation of the obtained information, development and refinement of routines through acquired and assimilated knowledge, and application of knowledge for commercial purposes, respectively (Kim, 1997). In other words, absorptive capacity being an example of organizational learning, showcases an organization's relationship with new external knowledge (Sun & Anderson, 2010). Subsequently, the new acquired knowledge guides firms' future potential behaviours.

Experiential knowledge helps firms to overcome the liability of foreignness and overcome operational uncertainties (Gao, Pan, Lu, & Tao, 2008; Guler & Guillén, 2010). Consequently, it also facilitates firms' speed of internationalisation (Casillas & Moreno-Menéndez, 2014). Existing studies reveal that experiential knowledge associates positively with various strategic decisions like entry mode (Barkema et al., 1996; Chang & Rosenzweig, 2001; Dow & Larimo, 2011), locational choice (Baum, Li, & Usher, 2000; Chang, 1995; Delios

& Henisz, 2003; Erramilli, 1991), CBA decision (Muehlfeld, Rao Sahib, & Van Witteloostuijn, 2012; Tran & Rios–Morales, 2015) and divestiture decision (Peruffo, Marchegiani, & Vicentini, 2018). International experience can be of various types: experience in variety of institutional environments (Powell & Rhee, 2016), experience in institutionally similar countries (Perkins, 2014), experience in ongoing business (Chetty et al., 2006), host country experience (Gaur & Lu, 2007; Luo & Peng, 1999), and partner-specific experience (Hoang & Rothaermel, 2005). This research explores the impact of inward internationalisation experience in EMNEs' future strategic mode decisions.

3.2.2 Agency Theory

The fundamental focus of classical agency theory is the conflict of interest due to the separation of control from firm ownership (Eisenhardt, 1989; Jensen & Meckling, 1976) among shareholders, managers, and creditors (Jensen & Smith, 1985). Shareholders (principals) recruit managers (agents) to administer the activities of the organisation on behalf of them (principals). Grounded in economics, agency theory assumes agents to be rational and self-interested individual and to possess goals which are not aligned with those of other principals (Eisenhardt, 1989). This self-serving behaviour of the agent causes an 'agency problem' (known as principal-agent (PA) conflict) because shareholders and agents often hold different risk preferences and interest goals.

However, in emerging countries where concentrated ownership is predominant, the traditional PA conflict is of less concern (Claessens et al., 2000; Dharwadkar et al., 2000). The concentrated ownership structure of EMNEs gives rise to another kind of agency problem between majority and minority shareholders, known as the principal-principal (PP) conflict (Young et al., 2008). This is due to the presence of weak institutional and legal systems in emerging economies that cannot protect minority shareholders' interests and the resulting goal incongruence between minority and majority shareholders (Peng & Heath, 1996). PP conflict focuses on the fact that principals cannot be treated as a single entity with common goals since owners differ in terms of their risk preference, cost of monitoring and investment motivations.

The majority and minority shareholder conflict can take various forms such as risk aversion, resource expropriation and nepotism (Ashwin, Krishnan, & George, 2015; Young et al., 2008). In EMNE business settings, majority shareholders (controlling shareholders) usually use their control of ownership to gain private benefits through the expropriation of the minority

shareholders. The poor enforcement of property rights also instigates controlling shareholders to extract private benefits from the firm at the expense of exploiting minority shareholders (Dyck & Zingales, 2004). These private benefits can range from pecuniary such as a lower pay out of stocks (Claessens et al., 2002), and tunnelling of firms' assets and profits (Bertrand, Mehta, & Mullainathan, 2002; Luo, Wan, & Cai, 2012), to non-pecuniary such as maintaining the prestige and social status of controlling shareholders (Holderness, 2003; Weifeng, Zhaoguo, & Shasha, 2008).

Controlling shareholders exercise their ownership power through direct participation in the board or appointment of representatives to board and management positions (La Porta et al., 1999). The root cause of the conflict between majority and minority shareholders, in the context of emerging economies, is the varying ownership motives and risk preferences that persuaded the controlling shareholders to exercise monitoring benefits to advance their parochial strategic interests rather than the financial interests of the minority shareholders. However, such PP conflicts tend to be aggravated in the presence of other large shareholders who also have control and capability to contest the controlling shareholders' influence, thus balancing controlling shareholders' strong power and action (Li & Qian, 2013).

Most of the previous research using agency theory has largely focused on PA conflicts while ignoring PP conflicts. Given the prominence of PP conflicts within the EMNEs, a burgeoning stream of research on the PP agency problem of EMNEs has emerged in recent years. Relying on the PP perspective, researchers show controlling shareholders' expropriation evidence through firms' weak corporate governance such as board independence (Lefort & Urzúa, 2008; Li, Lu, Mittoo, & Zhang, 2015), resistance towards corporate takeovers (Li & Qian, 2013), and reduced corporate divestures (Oehmichen, 2018; Wu, Xu, & Phan, 2011) thereby reducing firm performance (Shan & McIver, 2011). In addition, scholars support the existence of second dominant owners who may mitigate the expropriation minority shareholders by encouraging corporate risk-taking (Mishra, 2011) and increasing firm value (Attig, El Ghoul, & Guedhami, 2009).

This study focuses on the PP conflict because of its close relevance to emerging economies. Besides, classic agency theory fails to accommodate the different type of owners' varying motives and control capabilities that may affect managerial decision-making and eventually, firm performance. Evolving literature explores, within the PP conflict framework, the varying interests of different type of owners and their potential impacts on investing

firms. These researchers find support for the notion that different type of owners may have a different impact on corporate risk-taking (Barry, Lepetit, & Tarazi, 2011; Haque & Shahid, 2016), business growth (Yang & Meyer, 2019) and diversification (Lien & Li, 2013; Ramaswamy et al., 2002). Furthermore, owner heterogeneity also has a varying impact on a firm's strategic decision making such as innovation (Chen, Li, Shapiro, & Zhang, 2014; Singh & Gaur, 2013), internationalisation (Fernández & Nieto, 2006; Hu & Cui, 2014; Singla et al., 2017), CBA (Chen, Hobdari, & Zhang, 2019; Chen, Musacchio, & Li, 2018), and eventually firm performance (Andres, 2008; Bruton, Filatotchev, Chahine, & Wright, 2010; Douma et al., 2006).

In summary, drawing from agency theory, this study addresses the impact of PP conflict arising from ownership structure on the relationship between inward internationalisation and CBA decisions.

3.3 Conceptual Model and Hypotheses Development

The proposed conceptual model is presented in Figure 3.2. The first hypothesis (H_1) represents the baseline hypothesis, where the inward internationalisation influences EMNEs' CBA decisions. This study conceptualises experiential knowledge acquired from inward internationalisation as being able to increase a firm's probability of undertaking CBA. This base hypothesis is further followed by the moderators. Experiential knowledge, especially externally sourced, becomes relevant to organisation when it fits with recipient organisations' dominant logic and values. Considering owners' varying strategic objectives, the internal integration of experiential knowledge to be useful may also vary. Therefore, this study considers heterogeneous owners' motivations/preferences arising from the PP agency conflict as the moderator of the proposed antecedent – outcome relationship. Relying on the heterogeneous ownership structure, the first moderator is family ownership (H_2), the next two moderators are domestic and foreign institutional ownership (H_3, H_4) and the last two moderators are domestic and corporate ownership (H_5, H_6). These moderators explain the owners' differential motives and their interaction with the firm's inward internationalisation on EMNEs' CBA decision.

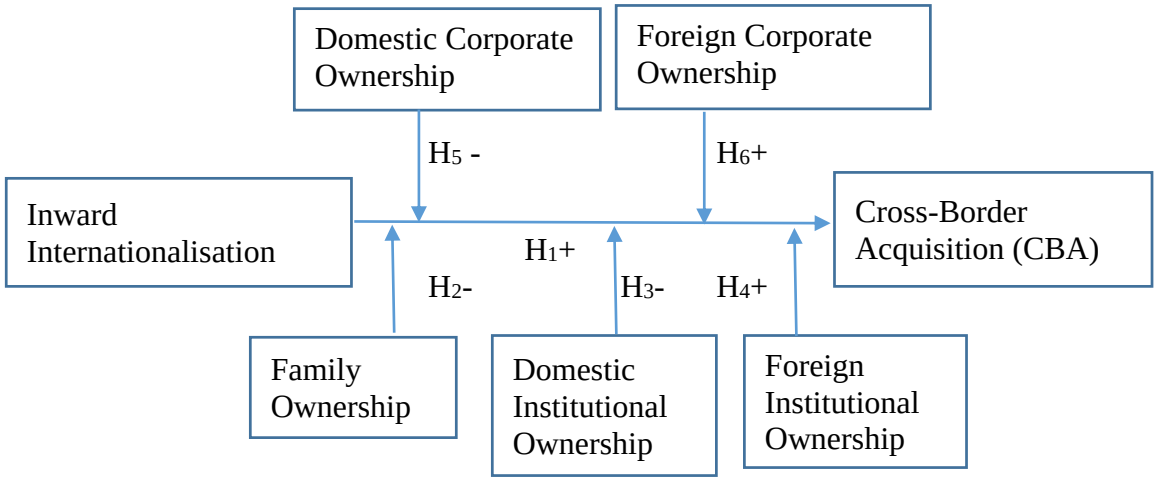

Figure 3.2 Conceptual Model

3.3.1 Inward Internationalisation and Cross Border Acquisition

EMNEs are involved in inward internationalisation with foreign firms in various forms such as OEM, international licensing, and strategic alliances. Scholars positively associate organisational learning with EMNEs' experience from their foreign partners in the home market (Zheng et al., 2012). Organisational learning theory assumes that prior experience helps firms to acquire knowledge that enables them to shape their potential future behaviour (Huber, 1991). Following the argument of organisation learning, this study posits that learning from inward internationalisation develops knowledge to change EMNEs' future entry decisions.

Learning from inward internationalisation supports EMNEs to develop knowledge and competence in international expansion. For example, OEMs help EMNEs to preserve their own identity, gain international reputation and financial assets (Child & Rodrigues, 2005). Strategic alliances allow transfer of tacit knowledge about production and distribution to the EMNEs. Alliance partners also provide business advice and market knowledge to build referral trust and solidarity as well as to reduce the liability of outsidership (Zhou, Wu, & Luo, 2007). With their accumulated knowledge and competence, EMNEs are more capable of evaluating opportunities for new projects (Barkema & Vermeulen, 1998), and assessing risk (Chang, 1995) associated with international expansion. Many EMNEs move into outward FDI only after gaining sufficient experience from their foreign partners (Luo et al., 2011). Hence, learning from inward internationalisation increases EMNEs confidence in their decision-making as well as reduces their fear of adverse mode selection in internationalisation.

The organisational learning perspective suggests that strategic alliances play a vital role in building firms' capability (Kale, Dyer, & Singh, 2002). Strategic alliance is a complex organisational process that requires multilevel internal approval, a search for potential partners, and assessment of contracts, negotiations, and communication. It also requires considerable managerial attention to execute and sustain the relationship with partners (Gulati, Khanna, & Nohria, 1994; Ring & Van de Ven, 1994). Alliance experience enables firms to develop relational and managerial capabilities essential to maintain an inter-firm relationship. Although these capabilities are idiosyncratic, they exhibit common features that are associated with effective processes across firms (Eisenhardt & Martin, 2000). Moreover, forming strategic alliances helps firms to develop routines and processes related to that particular type of partnership/relationship. Knowledge earned from prior alliances can be internalised and applied outside of alliance activities (Harrison, Hitt, Hoskisson, & Ireland, 2001). Wang and Zajac (2007) argue that alliance capabilities can be applied both to similar and related organisational process such as acquisition.

Although alliance and acquisition show some differences regarding time orientation, control and coordination, and deal-making processes; alliance experience helps to develop transaction-specific routines (Wang & Zajac, 2007). Similarly, Zollo and Reuer (2010) identify that both alliance and acquisition processes require similar capabilities like partner selection, negotiation and conflict resolution, and post-transaction integration. Most of the post-transaction completion issues and solutions are similar for both transactions. Given the high similarities between both transactions, firms are able to develop and store knowledge about alliance processes and draw applicable inferences when conducting an acquisition (Levitt & March, 1988). Therefore, firms can develop organizational knowledge and capabilities, which are highly relevant in executing acquisition through repeated alliance experience (Cho & Arthurs, 2018). The resulting managerial experience from such corporate development activities eventually facilitates deal completion in future CBA (Very, 2005).

Several scholars, provide empirical evidence that learning from alliance experience helps to develop knowledge and routines to acquire abroad, focusing on task similarities between alliance and acquisition (Zakaria, 2013; Zollo & Reuer, 2010). These findings are consistent with the theory of absorptive capacity from a multi-task perspective (Cohen & Levinthal, 1990). The absorptive capacity perspective implies positive learning effects across the activities and states that experiential knowledge gained from one specific area may be applied to the related domain. For example, Nadolska and Barkema (2007) argue that prior

strategic alliance experience helps MNEs to evaluate, select and deal with administrative problems related to acquisition and enable them to make more acquisitions per year. Lin, Peng, Yang, and Sun (2009) posit that accumulated knowledge from alliance learning leads to CBA by enhancing the tempo of the acquisition process. Similarly, Popli and Sinha (2014) find that cross-border alliance experience enables EMNEs' to accumulate managerial experience, process management skills and routines, which increases their international competitiveness. They also argue about the high degree of interdependence between strategic alliances and acquisitions, hence linking prior strategic alliance experiences with Indian MNEs' likelihood to move early in the CBA wave.

Overall, inward internationalisation activities in the form of OEM, joint venture and corporate alliance provide EMNEs with the opportunity to acquire technological and managerial skills and develop learning experience and capabilities from their global counterparts in the home market (Li, 2007), which later enables EMNEs to undertake internationalisation in some unconventional ways. Such exposure helps to boost up EMNEs absorptive capacity in accumulating international knowledge (Guthrie, 2005), deepening their understanding of the international market and developing international experience (Luo & Rui, 2009). Further, it increases EMNEs ability to deal with uncertain foreign markets by reducing the liability of foreignness (Luo & Tung, 2007). In particular, inward internationalisation allows EMNEs to know what knowledge is required to operate in a different environment.

Additionally, inward internationalisation offers an inter-organisational learning opportunity where firms can explore their learning by collaborating with different organisations and creating variety in their experience (Holmqvist, 2004). EMNEs' foreign collaboration in the domestic market enables them to learn about foreign operation characteristics as well as foreign trade techniques (Liu et al., 2016). Besides, knowledge about the effective handling of foreign clients, their demands and technical requirements can also be gained through such collaboration. EMNEs, in dealing with issues such as a new customer base, local competition and foreign operation in the host market, find this knowledge valuable (Buck et al., 2007). Despite lacking direct experiential knowledge, EMNEs can gain competitive advantages through knowledge accumulated from inward internationalisation when operating abroad (Luo & Tung, 2007). Knowledge gained from a variety of experiences can be applied more easily in new or different situations and contexts (Zollo & Reuer, 2010), and helps firms to build confidence in dealing with uncertainty (March, 1991).

Firms having related prior knowledge are better able to control unknown situations and execute firm activities; hence they are willing to accept more risks in making their strategic decisions (Shapira, 1995). Therefore, EMNEs' with international experience will be bold towards internationalisation, ignoring the potential threats associated with international markets and operations (Carpenter, Pollock, & Leary, 2003). The experience gained from foreign ties in the home market spreads to domestic firms as Firm-Specific Advantages (FSA), which can be enlarged and leveraged globally (Xia, Ma, Lu, & Yiu, 2014). For instance, EMNEs with inward internationalisation experience have a higher capacity to absorb knowledge in their acquisitions, which enhances their competitive advantage by combining existing resources with acquired resources (Madhok & Keyhani, 2012).

Ultimately, prior experience helps EMNEs to shape internationalisation strategy as well as their attitude toward risk (Guler & Guillén, 2010). Following the logic of organisational learning theory, this study assumes that EMNEs' prior exposure to foreign firms enables them to take advantage of internationalisation knowledge when making their entry mode decision regarding internationalisation. Therefore, this study proposes that inward internationalisation increases EMNEs' propensity to choose CBA for their internationalisation.

H_1: Inward internationalisation has a positive effect on EMNEs' cross-border acquisition decision.

3.3.2 The Moderating Role of Family Ownership

In emerging economy ownership structure, family ownership plays a crucial role. Family owners are different from other large shareholders in that they maintain their ownership stakes through several generations in the firm (Mackie, 2001). They also hold distinctive non-financial objectives in the form of socio-emotional wealth including family identification with the firm, emotional attachments, binding social ties, family control and influence, and renewal of family bonds (Berrone et al., 2012), which diverge from shareholders' traditional financial objectives (Habbershon & Williams, 1999). Family owners usually make a disproportionate investment in firm activities to retain their control over the firm. Their control mechanism stretches from maintaining cross-holdings, and pyramidal ownership (Faccio & Lang, 2002) to influencing the strategic direction of the firm (Chua, Chrisman, & Sharma, 1999). They also hold, within the family comfort zone, undiversified or closely correlated portfolios (Miller et al., 2010).

Prior literature provides mixed evidence about family owners' impact on engaging in risky projects such as internationalisation. However, a few studies show the positive impacts citing family owners' altruism, loyalty, commitment towards the firm, family ties, social capital and business ownership as the driving force behind family owners' motivation to engage in risky internationalisation projects (André et al., 2014; Chen, Hsu, et al., 2014). More studies have found evidence of family owners' negative impact on undertaking risky strategies. Family owners, when it comes to decisions regarding internationalisation, tend to be relatively conservative. Empirical research on family owners' negative impact on internationalisation mentions this conservativeness arising from family owners' tendency to be risk averse. Their risk averse nature is also attributable to their lack of portfolio diversion that may limit cash flow variability in the firm (Anderson et al., 2003). A recent meta-analysis conducted by Arregle, Duran, Hitt, and Van Essen (2017) suggests that family firms are less internationalised compared to non-family firms and this tendency is higher for family controlled firms than nonfamily controlled firms.

According to agency theory, managerial risk taking propensity depends on the equity ownership where managers with higher ownership stakes show greater risk aversion behaviour (Denis, Denis, & Sarin, 1997; Zajac & Westphal, 1994). Consequently, a large investment by family owners in a firm may lead to their risk averse attitude, since they also have to bear the long-term financial risk associated with their investment. They are concerned about survival and stability of the firm to ensure an enduring legacy for future generations (Miller & Le Breton-Miller, 2005). Hence, family owners typically pursue family interests in their strategic decision making that are not necessarily aligned with the interests of the firm or of other shareholders (Allen & Panian, 1982; Bianco, Bontempi, Golinelli, & Parigi, 2013). They are likely to resist expanding international markets through risky entry modes such as mergers and CBA (Schulze, Lubatkin, Dino, & Buchholtz, 2001) considering the high environmental and organizational uncertainties associated with these forms.

Their risk perception associated with high-risk foreign entry strategies is augmented by their insufficient experience and knowledge to operate in the international market. Besides, internationalisation also requires an accumulation of capital from external capital markets that may bring these owners under the scrutiny of external regulators and investors (Bhaumik et al., 2010). Since these owners prefer debt to external equity, this tendency rations firm capital (Thomsen & Pedersen, 2000). These reasons push firms to choose risk aversive strategies further limiting the firm's growth & profitability.

In addition to financial concern, family owners are also concerned about ownership control. Family owners, being more averse in order to control risk, may not want to allow outsider firms to capture authority and control over the firm (Mishra & McConaughy, 1999). Such a situation is aggravated in the absence of sufficient managerial abilities within the family. Successful internationalisation requires skilful managers to configure firm specific resources effectively (Graves & Thomas, 2006). However, family owners tend to avoid hiring professional managers who may also cause goal conflict, information asymmetry, or corrode family owners' authority. Hiring professional managers can also increase their control concern (Zahra, 2012) due to the higher probability of managerial opportunism that is particularly common in economies with weak protection for property rights (Zhang & Ma, 2009). In sum, family owners' reliance on inefficient family members as managers may increase the risk of failed outcomes and consequently discourages risk taking through international investment.

Regarding international expansion, family owners are relatively conservative in their decision making (Gomez-Mejia, Patel, & Zellweger, 2018). Bounded with ownership control, these owners focus on domestic or nearby operation rather than global operation (Banalieva & Eddleston, 2011). Family owners perceive additional risk to make large investments in foreign market due to their trust issues with outsiders and the risk of managing relationships with new foreign affiliates (Caprio et al., 2011). Additionally, these owners are afraid of losing their family characteristics in foreign context while transferring family business models which are deeply embedded in the home country culture (Gallo & Sveen, 1991). Concerned about a dilution of ownership control, they are reluctant to undertake larger scale CBA (Boellis et al., 2016). Many scholars have reported family owners being less actively involved in undertaking CBA (Chen et al., 2019; Denicolai, Hagen, Zucchella, & Dudinskaya, 2019; Gomez-Mejia et al., 2018). Even when they support a CBA, they prefer a cash payment to finance that CBA to avoid external influence in the controlling power (Chang & Mais, 2000) and prefer to conduct only small transactions. Therefore, family owners are generally less motivated to undertake a risky CBA strategy despite its long-term profitability.

Greater equity ownership enables family owners to exercise greater control in the firm's management through their participation on the board. Their influence on a firm's strategic decision-making increases with the family members' higher accumulated shareholding (Carney, 2005). This strategic control empowers family owners to select and appoint the staff management and supervisory board, or even manipulate the board into making certain strategic decisions that retaining their interests. They are also reluctant to hire outside managers and

incorporate their opinions in strategic decision making (Gomez-Mejia, Makri, & Kintana, 2010). Since family owners' financial goals are associated with firm performance, they are likely to represent their own interests, which may not align with those of other shareholders, on the board. In order to maximize their own benefits, they prefer to monitor firm management and exercise power to alter the board's decisions to undertake conservative strategies regarding international expansion. They also have the power to add, direct or dispose of a firm's resources without considering other shareholders (Carney, 2005).

Accordingly, family owners' conflicts of interest with other shareholders reduce the availability of firm specific resources. For instance, they may withdraw scarce resources from a profitable project to serve family objectives (Demsetz, 1983; Kock, Lee, Min, & Park, 2016). With increased ownership stakes, family owners' ability to deploy resources in making strategic decisions also increases (Zahra, 2003). Family owners generally pursue low risk strategies, thereby mobilizing firm resources to enable short-term low risk strategies. Besides, harder budget constraints and managerial motives make firms shift their focus from a global orientation to a domestic orientation (Chen, Huang, & Chen, 2009). In such a context, the impact on inward internationalisation to promote CBA in the international market is likely to be reduced.

Overall, given family owners' low risk taking motivation, there is a lack of congruity between family ownership and experiential knowledge, limiting the impact of inward internationalisation on CBA decisions. Therefore, this study predicts that family ownership negatively moderates the positive relationship between inward internationalisation and CBA.

H_2: Family ownership negatively moderates the positive relationship between inward internationalisation and cross-border acquisition.

3.3.3 The Moderating Role of Domestic Institutional (DI) Ownership

Domestic Institutions (DI) consist of financial institutions, banks, mutual funds, and insurance companies. DI investors are major sources of capital for EMNEs, as they mostly rely on external financing (Dwivedi & Jain, 2005). Domestic institutions in emerging economies are mostly government-owned (Douma et al., 2006). Moreover, these DIs, through a complex web of informal networks, are most often related to controlling families in the firms (Filatotchev et al., 2005). As pressure-sensitive institutions, DIs are likely to have a business relationship with investee firms. That means most of these investors also serve a creditor role simultaneously in

the investee firms. For instance, domestic banks may have provided loans to the same focal firms in which they have already invested (Kochhar & David, 1996). In a sense, domestic banks' income is largely dependent on investee firms by either earning interest from loans to investee firms or by obtaining fee income for meeting the financial needs of investee firms. As these focal firms are a major source of a banks' income, banks are usually more concerned about the focal firms' performance.

Two different schools of thought are evident in existing studies on the governance role of DI owners. The first is that DIs are passive monitors whose monitoring efforts are compromised (Ferreira & Matos, 2008; Gillan & Starks, 2003). They usually remain loyal to corporate management to protect their business relationship with focal firms. In addition, DIs' government ownership reduces their monitoring potential significantly as government-controlled institutions in emerging economies, unlike advanced economies, do not actively participate in firms' strategic decisions (Ramaswamy et al., 2002). Rather than influencing the focal firms' strategic choices, they support the agendas proposed by the focal firm's management. As a result, they are unable to show their activism in the focal firm's governance role and tend to behave as passive investors (Tihanyi et al., 2003). The policy emphasis in these government-owned DIs is on social welfare and encompasses the support of domestic social causes (Cappelli, Singh, Singh, & Useem, 2010). Earlier studies also report a detrimental impact on investee firms' performance due to their overlapping long term business and investment relationship with DIs (Chang & Hong, 2000; Mitton, 2002). From a pressure-sensitive investor perspective, DI owners fall in the low motivation category where they are not motivated to take up risky strategic choices.

The second school of thought is that DI owners are active monitors. It is argued that DI owners strengthen their equity holders' role in the investee firms through their creditor relationship (Sarkar & Sarkar, 2000). As creditors, their rights need to be insulated from investee firms' adverse strategic choices. In many emerging economies, creditors' rights are formalised through allowing them to represent the institution on the board in the form of nominee directors (Nachane, Ghosh, & Ray, 2005). DI owners need to serve the dual role of holding equity as well as significant lending to the investee firms to be entitled to board nomination. Therefore, DI owners with dual holdings can effectively participate in focal firms' operation and significantly influence their strategic decision making processes (Sarkar, Sarkar, & Sen, 2008).

In addition, the overlapping relationship between institutions and focal firms warrants an increased commitment by the former, which makes it difficult for them to leave the relationship without incurring a cost (Aguilera & Jackson, 2003). Therefore, dual holding DI owners focus on controlling a firm's strategic decisions through active monitoring to protect their own interests in liability (Pan & Tian, 2015). This leads to DI owners' critical assessment of different investment options, strategic involvement in decision making as well as monitoring over managerial actions. Institutions as creditors would usually prefer the focal firms to invest in low-risk strategic choices. Such strategic choices would not hurt focal firms' performance; thereby reducing the possibility of loan default as well as ensuring the steady supply of interest income over the loan amount (Firth, Lin, & Wong, 2008). Their low-risk propensity is also evident in their negative association with the level of focal firms' internationalisation through voting, activism, and dialogue with management (Panicker et al., 2019). Overall, DI owners fall in the low motivation category where they are not motivated to take up risky strategic choices from the capacity of creditors' as well.

Largely, DI owners, regardless of their active and passive governance roles, show low risk-taking propensities. Such tendencies dissuade them from undertaking risky strategies in internationalisation, including CBA. These features of DI ownership create a challenging environment for management to use firm resources to undertake risky CBA decisions. The lack of congruity between DI owners' motivation and accumulated experiential knowledge reduces the impact of inward internationalisation. In other words, the impact that inward internationalisation could potentially have on undertaking CBA is likely to be obsolete due to DI owners' low motivation towards the strategic decisions. Hence, inward internationalisation is less likely to lead to a CBA decision as their DI ownership increases. Therefore, this study hypothesizes that DI ownership negatively moderates the positive relationship between inward internationalisation and CBA.

H_3: Domestic Institutional ownership negatively moderates the positive relationship between inward internationalisation and cross-border acquisition.

3.3.4 The Moderating Role of Foreign Institutional (FI) Ownership

Similar to DI owners, Foreign Institutional (FI) owners consist of foreign financial institutions, mutual funds, and investing companies. Although similar to DI owners, FI owners do not have a strong business relationship with their investing firms and exert greater influence on investing firms' strategic decisions (Hoskisson et al., 2002). These owners provide financing advantages to the investing firms with the objective to create shareholder value and liquidity. Their performance is measured in terms of financial success through comparing results with a stock market index or similar category competing institutions. FI owners are mainly pressure-resistant with superior monitoring abilities (Brickley et al., 1988).

Regarding investing in companies, FI owners are very selective and usually prefer actively traded, large, high-visibility and high-valued companies (Falkenstein, 1996; Kang, 1997). They usually rely on stock market-based measures of performance to judge focal firms' suitability as an investee. This indicates that firms performing better in the stock market are attractive targets for FI investors. These owners are also known for quick entry and exit from an investment. These owners tend to become dissatisfied and withdraw their investment by selling their stakes if the focal firms fail to maintain short-term capital market gains. As a result, FI investors are likely to continue their investment in good performing focal firms and support focal firms' profit-oriented strategies.

FI owners take an active stance in improving focal firms' corporate governance (Aggarwal, Erel, Ferreira, & Matos, 2011) as well as shaping firms' long term strategic decisions (Hoskisson, Johnson, & Moesel, 1994). These owners are likely to view engagement in foreign expansion as a profit-generating strategy rather than an unreasonably risky strategy and may favourably support the decision. For instance, internationalisation through FDI enables firms to stabilize earnings, as market returns in different geographic regions are less likely to be correlated (Ning, Kuo, Strange, & Wang, 2014). The announcement of FDI may raise the share price of investing firms reflecting the investors' expectation of potential synergies stemming from FDI. The rise in the share price is also evident with the announcement of FDI in the form of CBA (Bhagat, Malhotra, & Zhu, 2011) since it acts as a strategic lever to create value through facilitating the internalization of tangible and intangible resources (Gubbi et al., 2010). In particular, foreign investors react positively to the announcement of a focal firm's CBA decision (Ning et al., 2014). Undertaking CBA, consequently, can lead to short-term financial gain as well as long-term profitability. Increased stock price and profit potential

associated with CBA are likely to fulfil FI investors' desire to create shareholder value. Therefore, FI owners will motivate focal firms to undertake risky CBA.

FI owners tend to trade a high volume of shares extensively. They also exhibit herd behaviour that creates a snowball technique, eventually impacting stock prices (Kamesaka, Nofsinger, & Kawakita, 2003). Therefore, these owners can influence the focal firms' strategic decision making, even holding relatively small stakes (David, O'Brien, Yoshikawa, & Delios, 2010). Focal firms are pressured to follow FI owners' interests to retain their investment in the firm. Further, these owners rely on both exit strategy as well as voice to communicate their interest clearly to management (Ahmadjian & Robbins, 2005). FI owners, being pressure-resistant institutions, hold significant control on monitoring management. Their monitoring can promote managers to make a long-term investment. This is due to FI owners' disciplinary effect on focal firms' corporate insiders. These owners persuade managers to pursue risky strategies via actively voting for their shares, diplomacy, or even confrontational proxy fights. The presence of FI owners even compels independent directors to perform a proactive monitoring role and to take steps to fulfil FI owners' interest (Colpan et al., 2011; Desender, Aguilera, López-puertas-Lamy, & Crespi, 2016). Focal firms, hence, have been responsive to FI owners' expectations about strategic risk-taking by conducting CBA.

FI owners, as part of their global portfolio, hold shares in the focal firms to earn profit and diversify their portfolios. Their diversified global portfolios enable them to diversify the risk associated with long-term strategic choices (Bena, Ferreira, Matos, & Pires, 2017). FI owners with diversified global portfolios are more inclined to encourage managerial risk-taking through their superior monitoring ability. They are not directly involved in the strategic decision-making nor can they influence major strategic decisions. Scholars find empirical evidence that FI owners' risk-taking attitude positively influences the extent of EMNE internationalisation (Filatotchev et al., 2007; Panicker et al., 2019), export intensity (Filatotchev, Dyomina, Wright, & Buck, 2001; Filatotchev, Stephan, & Jindra, 2008), outward FDI (Bhaumik et al., 2010), and CBA (Ferreira, Massa, & Matos, 2009) which may lead to firm growth & performance.

When FI owners are more active in monitoring management, they may hold management responsible for making the best use of firm resources. Moreover, FI owners prefer a risk-taking attitude in their strategic decision-making. Therefore, a high level of congruity exists between FI owners' objectives and experiential knowledge from inward

internationalisation. A focal firm is more capable of integrating experiential knowledge from its inward internationalisation and using it to undertake their CBA decisions. Hence, this study hypothesizes that FI ownership positively moderates the positive relationship between inward internationalisation and CBA.

H_4: Foreign Institutional ownership positively moderates the positive relationship between inward internationalisation and cross-border acquisition.

3.3.5 The Moderating Role of Domestic Corporate (DC) Ownership

Domestic corporate owners form one of the largest groups of owners in the context of emerging economies (Claessens et al., 2000). Domestic corporate owners are non-financial corporates who invest their equity in other firms. Though independent from focal firms, domestic corporations are usually linked to focal firms through cross-holdings or intra-corporate holdings in the context of emerging economies. In addition, they are usually business partners with transaction or business relationships with focal firms (Zou & Adams, 2008). These owners are more inclined to achieve nonfinancial goals while investing their equity stakes in other firms (Hellmann, 2002). Unlike financial goals, non-financial goals focus on developing capabilities, accessing resources, and gaining control rights, as well as exercising property rights. In other words, domestic corporates prefer to pursue strategic interests over financial interests. Strategic interests are pursued through means such as enhancing firm's core competencies (Douma et al., 2006) along with regulating competition between firms, protecting managerial autonomy (Aguilera & Jackson, 2003).

Corporate owners primarily acquire ownership stakes in a firm to continue the business relationship as it is difficult to specify all the terms and conditions contractually (Allen & Phillips, 2000). Firms may show opportunistic behaviour to break off or change the terms of the relationship without a credible commitment. This is especially important in emerging economies where contractual protection is weak (Cuervo-Cazurra, 2012). Such investment may facilitate the alignment of the interests of both firms to develop a joint business relationship. Forming joint business relations also ensures continuous access to resources. Equity ownership by DCs helps them to build long-term relationships with firms and at the same time, help the firms to reduce the monitoring cost associated with an alliance or venture between respective corporate owners and firms (Allen & Phillips, 2000). This indicates that domestic corporates, with the aim to improve their competitiveness in the domestic market by reducing demand-

supply uncertainty and increasing accessibility to resources, invest in other home country firms. DC owners' strategic objectives are driven by such goals.

Domestic corporates generally prefer well-performing focal firms for acquiring stakes (Janowicz et al., 2004) to achieve benefits from economies of scale and scope as well as synergies. In other words, the performance of focal firms is an indication of a focal firm's capability to succeed, and hence a firm yielding high returns would be a more attractive target for domestic corporate than a poor performer. Investment in poorly performing firms may be deemed less attractive due to the high risk associated with restructuring and improving the competitiveness of such firms. Thus DC owners, while acquiring stakes in focal firms, exhibit a risk averse attitude in order to sustain their competitiveness and create shareholder value.

Similarly, domestic corporates can be affected by a focal firm's risky strategic decisions regarding internationalisation (Singla et al., 2017). The underlying reason is that a focal firm's choice of risky strategic decision can harm its existing business, which eventually can put DC owners' future in danger. For instance, undertaking CBA requires a significant investment of valuable resources that may affect domestic corporates' availability and access to resources. In addition, domestic corporations' links with focal firms through cross-holdings or intra-corporate holdings result in most of their resources being tied up with the focal firm's investment. Moreover, higher failure rates associated with CBA (Shimizu et al., 2004) may hurt focal firms' profitability, which in turn can adversely affect the DC shareholders value. Failure of focal firms' strategic choices may reduce DC owners' resources. All of the above scenarios explain the risk aversion motive of the DC owner, which will discourage them from investing in internationalisation through CBA. DC owners fall into the low motivation category.

Domestic corporates have higher motivation to influence and monitor strategic managerial decision-making since they get cash flow rights directly from their investment (Sun & Tong, 2003). Given DC owners' engagement in related business, they are well equipped with the necessary resources and mechanisms that ensure effective monitoring of management. Their representatives, who in turn select members for the management team, are elected to the board as well as a supervisory committee (Xu & Wang, 1999). Compared to other investors, domestic corporates are more effective in monitoring or influencing management (Allen & Phillips, 2000) through selecting board members with relevant business expertise and/or professional backgrounds (Peng, 2004).

Accordingly, domestic corporates exercise their control rights to pursue their strategic interests (Aguilera & Jackson, 2003). Their incentive to control increases with their equity size. This is due to a domestic corporate's stake having a direct effect on their cash flow rights. Hence, increased ownership augments DC owners' willingness to exercise control rights as they are more severely affected by the focal firm's performance (Bethel & Liebeskind, 1993). Through their control, they are tempted to pursue their own goals that might hamper the dispersed shareholders. This scenario is common in the context of emerging economies where the rights of the latter are inadequately protected. Again, forming intra-corporate holdings provides these owners' with additional means to control the focal firm. With higher control, DC owners influence firm performance through shaping the focal firm's strategic choices.

DC owners' risk-averse motives towards CBA and strict monitoring place obvious limitations on the management's ability to choose risky strategic decisions. In such conditions, low levels of congruity of experiential knowledge from inward internationalisation with the strategic objectives of DC owners reduces the impact of the former's experiential knowledge. Accordingly, focal firms' accumulated inward internationalisation experience is more likely to be unexplored in CBA decisions because of a lack of ownership motivation. In other words, ownership motives limit strategic decisions, which in turn limit a firm's capability and resources to pursue that strategic choice.

Overall, DC owners' low risk-taking motivation and higher monitoring as well as control of management may not enable the focal firm to efficiently integrate the experiential knowledge from inward internationalisation to be useful to conduct CBA. This may limit the impact of inward internationalisation on CBA decisions. Therefore, this study predicts that DC ownership negatively moderates the positive relationship between inward internationalisation and CBA.

H_5: Domestic Corporate ownership negatively moderates the positive relationship between inward internationalisation and cross-border acquisition.

3.3.6 The Moderating Role of Foreign Corporate Ownership

Foreign corporate (FC) owners are foreign industrial corporations who invest their equity in domestic firms. These owners tend to make investments in foreign firms related to their core businesses (George & Kabir, 2012). FC shareholdings involve both acquiring equity ownership as well as establishing a range of relationships and business activities (Child, 1996). Therefore,

their investment motive goes beyond gaining financial benefits to capturing new markets through developing globally competitive advantages & capabilities (Douma et al., 2006). Market expansion motive is particularly dominant for FC owners in the perspective of emerging economies. Besides, they are also motivated by a resource seeking mandate due to the cheap labour available in emerging economies. Considering the relatively low production cost, FC owners think of emerging economies as a supply platform to serve their global operations (Chhibber & Majumdar, 1999). For FC owners, investing in emerging economy firms is a favoured strategic choice to be competitive in the global market place.

Since FC investment in the domestic market relates to its core business, such investment provides managerial and technological expertise to the focal firms to enhance organizational capabilities. They tend to focus on developing technological capabilities of domestic focal firms (Choi et al., 2011). They also encourage focal firms to invest in more R&D activities. FC owners are not merely foreign investors; they are strategic investors who consider overseas success as their overall corporate success (Luo, 2007). Similarly, foreign corporates' related investment in both domestic and foreign firms provides them with the required experience and know-how to create a standard for domestic firms' performance compared to other foreign firms' performance where they have invested. Their active involvement results in successful business activities. The presence of corporate owners is positively associated with both the focal firm's performance and labour productivity (Claessens & Djankov, 1999), as well as innovation performance (Choi et al., 2012).

Contrary to other shareholders, FC owners are deemed as less risk averse as they seek global competitive advantages. They have already established their foothold in the overseas market through their investment. Their prior exposure to international markets enables them not to perceive internationalisation as a risky strategy. Foreign corporations operating in emerging markets often follow an analyser strategy, which is a balance between cost control and efficiency with risk-taking strategy (Luo & Park, 2001; Peng, Tan, & Tong, 2004). Their analyser orientation indicates that they are externally and internally driven to utilize both their and the focal firms' competitive advantages while maintaining efficiency in strategic decision-making. Accordingly, FC owners may prefer to partner with emerging economy focal firms to conduct outward FDI in overseas markets.

For instance, FC owners want emerging economy focal firms in which they have invested to expand to other emerging economies where the focal firm's home country

experience and business model may be used more appropriately (Singla et al., 2017). In an interview, Shinzo Nakanishi (MD, Maruti Suzuki) highlighted the important role played by Maruti Suzuki India Ltd in Suzuki's global operations (as cited in Singla et al., 2017). Maruti Suzuki, having expertise in manufacturing small cars, will be manufacturing such cars exclusively for export to Europe. Maruti Suzuki's expertise and experience will be more fungible for the European market and contribute to Suzuki's worldwide sales. Similarly, empirical studies prove that FC owners increase the focal firms' propensity to conduct risky outward FDI in emerging economies (Hu & Cui, 2014). Therefore, FC owners are categorized as highly motivated risk-taking owners who undertake risky strategic decisions.

FC owners consider control over focal firms' strategic decision and operations crucial as they significantly transfer financial, technological, and organizational capabilities to focal firms. The extent of their control on focal firms is dependent on the degree of transferred resources and capabilities (Chhibber & Majumdar, 1999). Without significant control, they may not find it worthwhile to invest and use the focal firm as their global supply platform. A study conducted by Dhar (1988) found that FC owners, holding control rights in emerging economy firms, are linked with business activities beyond mere equity participation. These owners participate in consultancy and marketing arrangements, the appointment of foreign directors to boards and managerial resource sharing. FC owners play an active corporate role in formulating effective strategic decisions in emerging economies. They have sufficient resources to monitor the management and representatives on the board to control managerial decisions (Zou & Adams, 2008). Therefore, strategic control enables FC owners to contribute to effective decision-making.

FC owners' ability to exercise strategic control also increases with their increased shareholding. Focal firms' management usually reacts to strategic control abiding by FC owners' demands. FC owners are also interested in a focal firm's resource allocation (Connelly et al., 2010). Being highly motivated owners, foreign corporates are likely to explore the overseas market through risky CBA strategy. They also support focal firms' internationalisation, including CBA choice through their international market experience and managerial expertise (Bhaumik et al., 2010). FC owners are willing to allocate a focal firm's firm-specific resources to efficiently undertake their strategic choices. In such a scenario, there is a high level of congruity between FC owners' motivation and experiential knowledge accumulated from inward internationalisation. The presence of FC owners will enable

managers to realise the value of firms' inward internationalisation experience in their strategic decision-making.

Overall, FC owners' high risk-taking motivation and higher monitoring as well as control of management may enable the focal firm to productively utilise resources for conducting CBA. This may facilitate the impact of inward internationalisation on CBA decisions. Therefore, this study predicts that FC ownership positively moderates the positive relationship between inward internationalisation and CBA.

H_6: Foreign Corporate ownership positively moderates the positive relationship between inward internationalisation and cross-border acquisition.

3.4 Summary

This chapter, based on the organisational learning and agency theory, proposed the conceptual model and explained the anticipated hypotheses derived from the conceptual model. The conceptual model showed the baseline relationship between inward internationalisation (resource-based antecedent) and the resulting outcome (CBA decision). Organisational learning theory was used to explain the accumulation of internationalisation experiential knowledge from inward internationalisation. Then, the boundary conditions and motivations of the various ownership groups were explained to show the moderation effect on the proposed antecedent-outcome relationship. Agency theory supported the boundary condition to explore the interaction of inward internationalisation and motivations of the various ownership groups on EMNEs' CBA decisions. The proposed conceptual model relied on the logic that experiential knowledge needs to be internally integrated with owners' strategic motives to be useful to influence the firms in undertaking internationalisation strategy. Therefore, the proposed antecedent–outcome effect is strengthened or weakened depending on the owner's divergent motivations. In the next chapter, the proposed research methods used to undertake the study are presented.

4 Research Design and Methodology

4.1 Introduction

This chapter highlights the research approach used in this study to test the hypotheses proposed in the previous chapter. At the beginning, it describes the philosophical worldview of the adopted research approach. Later, it describes the research design and estimation methods that are used to collect and analyse the data. In particular, the chapter covers the sampling and data collection processes, the measurement of variables and the statistical techniques used in the research.

4.2 Philosophical Worldview

The framework of a research approach consists of the intersection of three components: philosophical worldview, research design and methods (Creswell, 2013). Planning of a study relies on a researchers' thorough understanding of the philosophical worldview that they would like to contribute to the study, the research methods that relate to that worldview and the specific methods required to carry out the research. The interaction of these three elements within a study ensures a proper research framework.

Creswell (2013, p. 6) cites Guba (1990, p. 17) in defining worldviews as "a basic set of beliefs that guide action". He further explains "worldviews as a general philosophical orientation about the world and the nature of research that a researcher brings to a study" (Creswell, 2013, p. 6). A number of beliefs can guide research actions including beliefs about the nature of the social world, what more can be known, what knowledge is valued, how research needs to proceed, how to know, and who can be a knower. These beliefs, together, form the philosophical substructure of the research decisions ranging from topic selection to ultimate research findings' presentation as well as dissemination.

Authors used different terms such as epistemologies and ontologies (Crotty, 1998), or paradigms (Guba & Lincoln, 1994; Lincoln, Lynham, & Guba, 2011) to explain the worldviews. Depending on a researcher's type of worldview or belief, a qualitative, quantitative, or mixed research method is adopted in their studies. There are multiple worldviews or believes that researchers can bring to inquiry among which Creswell (2013) highlights four major philosophical worldviews (1) postpositivism, (2) constructivism, (3) transformative, and (4) pragmatism.

Postpositivism believes in existence of a universal generalisation, however, also acknowledges that absolute truth can never be found. It applies a quantitative approach to measure and understand knowable reality. Constructivism, on the other hand, believes in people's subjective interpretation and understanding of social phenomena in the construction of reality. It favours the collection and interpretation of qualitative data stemming from human perspectives and experiences to understand a particular social reality. Next, transformative philosophy assumes that research is an engaged, politically and socially responsible process that has the power to reform and change the lives of participants, institutions and researchers. By linking social and political actions in the research enquiry, it focuses on the improvement of marginalized peoples. Last, pragmatic philosophy relies on both subjective and objective assumptions to focus on the outcomes of action. It takes a mixed method approach to derive knowledge about the research problem. This research adopts a postpositivism world view.

4.2.1 Postpositivism

Originating from natural sciences, postpositivism adopts an objective, patterned and knowledge-based reality (Leavy, 2017). The term postpositivism is used as it challenges the positivist perception of accurate and certain nature of knowledge (Phillips & Burbules, 2000) and represents thinking after positivism. In particular, it focuses on probability rather than certainty. The post-positivist worldview assumes that reality is objective and can be described by measurable properties which are independent to the instrument of the researchers (Myers, 2013). Moreover, it assumes research as a process of making claims and using data and evidence to test them.

The post-positivist assumptions, being the reflection of a traditional form of research, are more useful for quantitative than qualitative research. Post-positivist worldviews hold both reductionist and deterministic philosophy (Creswell, 2013). The deterministic lens focuses on identifying the causes that determine effects or outcomes, while the reductionist lens focuses on the need to reduce ideas to a small set of testable variables that comprise research questions and hypothesis. In line with the postpositivism approach, the study suggests an objectified understanding of firms' strategic decisions in the international market with a social conditioning interpretation. Further, it believes that the understanding of reality exists independently of subject experience and needs to be framed in a dynamic social context to develop observable phenomena within a social world (Wahyuni, 2012).

This study aims to investigate firms' strategic behaviour in an organisational context that is a part of a dynamic socio-cultural environment. In doing so, the research proposes a relationship among variables through testable hypotheses. This study investigates the influence of ownership heterogeneity on the causal effect of inward internationalisation on firms' CBA decisions. For this purpose, it relies on data and evidence to discover the objective truth and uses statistical techniques to test the hypotheses. This study also acknowledges that reality is always imperfect and fallible, since researchers' are constrained through their usage of theory, the adequacy of their background knowledge, and the establishment of relationships among variables that can influence their research (Mertens, 2014). Therefore, the theoretical perspective of this research is post-positivist.

4.2.2 Research Design

Denzin and Lincoln (2011) define research design as a flexible set of guidelines that connects the theoretical paradigm with two perspectives, first, to strategies of enquiries and second, to the method of collecting empirical material. Creswell (2013) addresses the strategies of enquiries as types of enquiries. He further explains that types of enquiries provide directions for procedures in research design. Researchers need to concentrate on compatibility with various research elements such as research question, research design and prior knowledge in the field to ensure the appropriateness of research design (Bono & McNamara, 2011; Edmondson & McManus, 2007).

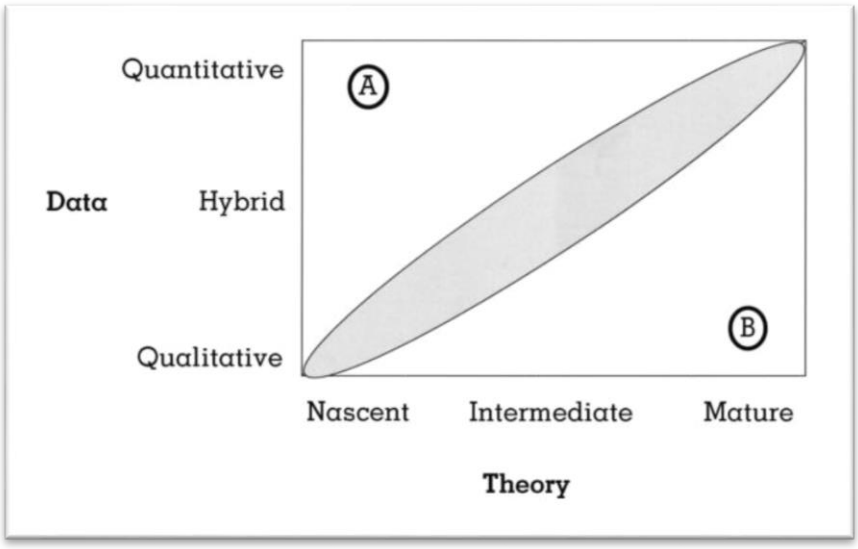

Figure 4.1 Methodological fit
Source: Edmondson and McManus (2007, p. 1168)

The research design or methodology serves a critical role in the study as it influences readers' level of confidence on the conclusion derived from the study (Bono & McNamara, 2011). A framework (Figure 4.1) developed by Edmondson and McManus (2007) shows the interplay between three theoretical approaches (Nascent, Intermediate and Mature) and three sets of methods (Quantitative, Hybrid and Qualitative) to achieve the methodological fit that lies along the diagonal in this figure. For instance, nascent theory entails a qualitative design as it requires exploration of phenomena, intermediate theory requires a hybrid (mix of qualitative and quantitative) design to accomplish its dual aims, and mature theory involves quantitative design. As marked in Figure 4.1, points A and B explain two situations: the usage of quantitative data for nascent theory and the usage of qualitative data for mature theory. Both of the situations fail to achieve methodological fit and eventually provide non-significant contribution. Congruence between the level of prior knowledge and methodological approaches ensures compelling new contributions to the literature.

This study addresses research questions concerning organisational learning theory and agency theory. Both theories are in their mature stages, and with the help of these theories, this study analyses the impact of experiential knowledge on EMNEs' CBA. It has specified and testable hypotheses to examine the relationship of well-developed constructs. The proposed variables and constructs of the study are well established in the existing literature and are used to explain various phenomena. Edmondson and McManus (2007) argue that a quantitative approach is more suitable for mature theories than a qualitative approach. Therefore, following the logic the appropriate research design for this study is quantitative.

The quantitative approach is appropriate for researchers to test a predetermined hypothesis and to determine factors that may cause a particular outcome (Creswell, 2013). This approach examines the relationship between constructs by investigating a large number of observations (Edmondson & McManus, 2007). Considering the research question and the number of observations of the study, a quantitative approach appears suitable. Further, a quantitative approach can fall into two categories: experimental and non-experimental. An experimental treatment is usually administered through groups of people in order to determine whether a specific treatment influences an outcome, whereas a non-experimental approach is conducted to compare two or more groups/variables in terms of the cause or assess their degree of association. Since this study measures the relationship between two or more variables through correlation statistics, it follows a non-experimental correlational research design (Creswell, 2013).

4.3 Sampling and Data Collection

4.3.1 Context of the Study

Indian MNEs' growth through CBA in international market makes India an interesting context to investigate EMNEs' CBA decision. India plays an active role in the world economy. Further, India is one of the fastest growing emerging economies. India's share in world FDI outflow has been increasing since the 2000s. The increasing trend of Indian FDI outflow is also evident in Table 4.1. India's FDI outflow reached USD 11,037 million in 2018 up from USD 336 million in 2000 (UNCTAD, 2002, 2019). The rising Indian outward FDI activity has been accompanied by a major change in entry modes. Pre-1990s as well as during the 1990s, greenfield investment was the main mode of investment for Indian MNEs. After the 1990s, CBA emerged as their primary mode of investment for outward FDI (Kumar, 2008b). The increasing CBA trend has occurred due to restructuring of the Indian economy that took place during the 1990s (Pradhan & Abraham, 2005).

Table 4.1 FDI outflow By India (Millions of Dollars)

Year	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
India	336	2978	15933	12456	8486	1679	11783	7572	5072	11141	11037

Source: Computed from UNCTAD

The high volume of Indian outward FDI through CBA contributes significantly to world outward FDI. In particular, MNEs from emerging economies have played a critical role in the fundamental global shift towards CBA since 2002, with India leading the CBA market (Kearney, 2008). Indian MNEs are snapping up established companies at an astonishing rate, from two CBAs in 1990 to sixty three CBAs in 2018 (Figure 4.2). Indeed, the value of Indian CBA has continuously accelerated from USD 57.6 million in 1990 to USD 1.1 billion in 2018 (Figure 4.3). The impact of the 2008 global financial crisis on Indian CBA is also evident – it led to a sharp decline in both the number and value of Indian CBAs in 2008 and 2009. In 2010, Indian MNEs recovered their CBA investment with one hundred and forty three CBA deals worth USD 26,642 million. In spite of the upward trend in the number of Indian MNEs in 2010, their net number and value of CBA was significantly low compared to the pre global financial crisis period.

There are several reasons that prompt us to consider Indian MNEs as a valid context to investigate. Firstly, CBA is the preferred mode of internationalisation for most Indian MNEs (Athukorala, 2009; Buckley & Munjal, 2017; Buckley, Munjal, et al., 2016b). Due to their distinctive preference for CBA, Indian MNEs occupy a distinct position in international business compared to MNEs from other emerging economies (Athreye & Kapur, 2009). Further, in recent years, some iconic CBA decisions undertaken by Indian MNEs have drawn significant scholarly attention to study of the internationalisation behaviour of Indian MNEs. Examples of some noteworthy CBA by Indian MNEs include Tata Motors' acquisition of Jaguar and Land Rover, Bharti Airtel's acquisition of Zain telecom, and Tata Steels' acquisition of Corus Steel. Indian MNEs' have been involved in CBA in a wide range of industries such as automobiles, pharmaceuticals, telecommunications, power and energy, and information technology in multiple host countries.

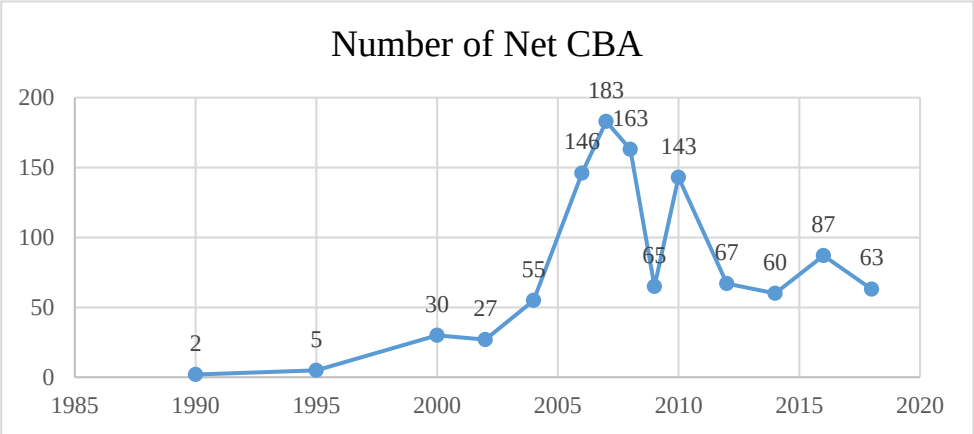

Figure 4.2 Number of CBAs by Indian MNEs
Source: Computed from UNCTAD cross-border M&A database WIR2019.

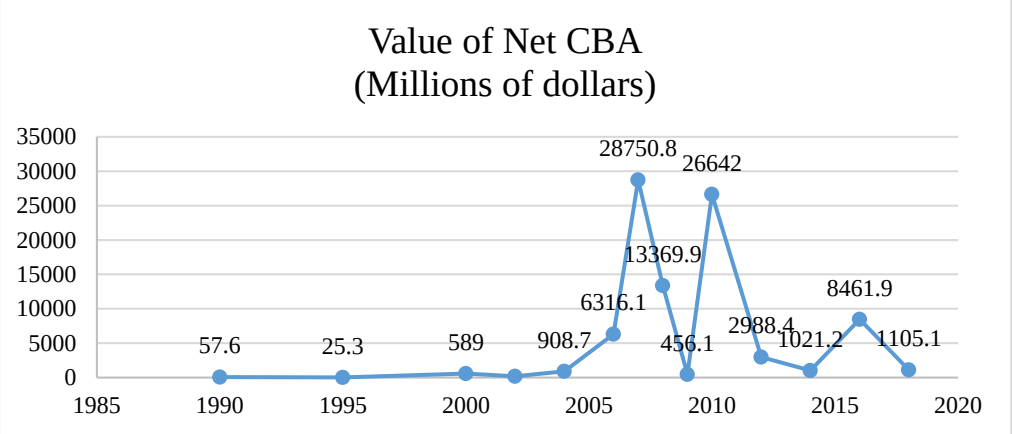

Figure 4.3 Value of CBA by Indian MNEs
Source: Computed from UNCTAD cross-border M&A database WIR2019.

Secondly, prior to 1991, India followed a stringent regulatory foreign investment policy. Since 1991, the Indian government regulatory body initiated economic reform with the aim to attract foreign investors and allow Indian entrepreneurs to explore their potential overseas. The economic reform was gradually implemented through a series of measures such as abolishing licensing requirements for new or expanding business, reducing corporate tax rates and import duties, liberalising credit policies, privatising restricted industries, and creating statutory bodies to monitor market activities (Gaur & Delios, 2015). Indian corporations have utilised these restructuring exercises mainly by undertaking CBA to acquire capabilities as well as to create a strong presence in the foreign market. Similarly, policy liberalisation escalates the arrival of foreign firms who have discovered India as a prime investment destination (Kar, Barai, Suzuki, & Minakshi, 2015). India has seen progressive liberalisation of outward investment policy along with the inward investment policy in last three decades. This makes India an appropriate context to examine the effect of inward internationalisation that is major source of experience for EMNEs on their CBA decision (Kumar, 2008a).

Thirdly, India is very rich in various forms of corporate ownership. Indian MNEs exhibit higher ownership heterogeneity due to firm ownership or shareholding differences and unique governance features that increase the importance of incorporating owners' attitudes in strategic decision making. For example, Domestic Financial Institutions (DFI), due to their commitments to both client firms (firms with whom they transact) and government, do not function similarly to their counterparts in developed economies (Ramaswamy et al., 2002). Moreover, relative power positions and the presence of different types of owners make it hard for a particular type of owner to influence firms' strategic decisions in isolation (Singla et al., 2017). Further, according to the Indian Company Act-, section 372A, investment decisions over 60% of a company's net worth require the approval of its shareholders (Krishnakumar, 2013). However, many large acquisitions undertaken by Indian MNEs such as the Bharti-Zain, Tata Steel-Corus deal were routed via *Special Purpose Vehicles* as these bypass the requirement of shareholder approval for such an investment. Therefore, it raises concerns around shareholders' interest protection and their impact on strategic CBA decisions. Hence, India is an interesting context to examine the role of ownership heterogeneity in the context of strategic decision-making.

4.3.2 Data Sources

This study relied on multiple existing databases to collect data. The existing literature reveals that four popular databases are used for acquiring CBA data: Securities Data Corporation (SDC) Platinum, Bloomberg, ZEPPHYR and Mergerstat database. Among the four databases, the Mergerstat database and ZEPPHYR provide limited data coverage compared to other leading databases. The Mergerstat database provides acquisitions-related information with a special focus on the USA. For instance, the Mergerstat database covers acquisition deal in which at least one significant party, either the acquirer, the target or both, is a USA company (Zimmerman, 2006). The ZEPHYR database covers acquisitions both inside and outside the USA. It is particularly useful to study European acquisition transactions as they are covered from 1997 onwards; North American transactions are covered from 2000 forward; and global coverage begins in 2003 (Zimmerman, 2006).

Among the four databases, SDC platinum covers more transactions than any other sources and covers international deals from 1985 to the present time (Ma, Pagan, & Chu, 2009). SDC Platinum is a widely used database for CBA research both in the context of developed and emerging economies (Gaur, Malhotra, & Zhu, 2013). Researchers (Buckley, Munjal, et al., 2016a; Chittoor et al., 2015; Elango & Pattnaik, 2011; Gaur et al., 2013) have used the SDC Platinum database for the context of emerging economies. CBA data was collected from Thomson Reuters's SDC Platinum database. The SDC database was also used to collect inward internationalisation data. It provides data about joint ventures and licensing agreements. Prior studies like Aulakh, Jiang, and Li (2013) and Popli and Sinha (2014) have also sourced licensing as well as joint venture data from SDC.

Researchers dealing with firm level studies in the Indian context usually rely on Prowess and Capitaline databases. These are the commonly used databases for collecting financial data of Indian public listed companies (Bhaumik et al., 2010; Buckley, Munjal, et al., 2016b; Elango & Pattnaik, 2011; Gaur, Kumar, & Singh, 2014). Recently, scholars have also been using the Ace Equity Plus database by Accord Fintech Pvt. for Indian firm level financial data (Bapat, 2018; Bhatt & Bhattacharya, 2015, 2017; Gambhir & Sharma, 2015; Singh & Yadav, 2015). Similar to Prowess and Capitaline databases, Ace Equity Plus provides a convenient interface for extracting financial data for a large number of companies. In addition, this database contains ownership data of all the Indian public listed firms. Ace Equity Plus database provides detailed information about the identity of each owner along with the fraction

of shareholdings owned by a particular type of owners. Therefore, the firm level financial and ownership data in this study has been collected from the Ace Equity Plus database Ltd.

However, Indian firm-level corporate governance data is not available in any of the Prowess, Ace Equity Plus and Capitaline databases. The corporate governance data such as board size, board independence, CEO duality and CEO international education were hand collected and compiled from each firm's annual reports. The annual reports were obtained from the Bombay Stock Exchange (BSE), Report Junction website or the company website.

4.3.3 Sampling

The study examined the heterogeneous impact of inward internationalisation on ownership structure. The study aimed to draw on a sample of CBA conducted by Indian public listed firms. The study excluded CBA by private and unlisted public firms. A two-stage Hackman test was conducted to check whether the selected sample suffered from the sample selection bias. The test results confirmed the absence of selection bias, which will be explained in detail in Chapter 5. CBAs conducted by Indian subsidiaries of foreign MNEs were also precluded from the study. Their preference to follow different internationalisation strategies compared to Indian MNEs was a reason to exclude them from the study (Fisman & Khanna, 2004).

The study covered the period from 2009 to 2017. The time-frame was chosen for several reasons. Firstly, before 2000, the number of CBAs undertaken by Indian MNEs was insignificant, as the Indian Government only progressively initiated its economic reforms to relax regulations regarding outward investment after 1991 (Kar et al., 2015). Second, clause 49 of the Securities and Exchange Board of India (SEBI), which is a standard for corporate governance of all listed firms, came into existence in early 2000 and was gradually implemented between 2000 and 2004 (Panicker et al., 2019). Thus, listed firms are expected to reflect major corporate governance changes (mainly regarding board composition) after the implementation period onwards. Third, Indian MNEs started to disclose their ownership data in their annual reports only after 2002.

The last and most important reason is global financial crisis. During 2007-2008 the crisis affected international trade and transactions worldwide. Although advanced and emerging economies had a similar impact of financial crisis (Arner & Schou-Zibell, 2011), post-financial crisis recovery remains uneven between the economies. Post-financial crisis, MNEs from emerging economies became increasingly ambitious in acquiring strategic assets through CBA

compared to their counterparts in advanced economies (Yang & Stoltenberg, 2014). The underlying reason was that western MNEs faced a new wave of organizational restructuring, triggered by the global financial crisis that required liquid capital to fund their operations (Luo et al., 2010). Accordingly, governments from emerging economies promoted policies that nurtured MNEs to go global through CBA. For instance, Indian MNEs, in order to take advantage of attractive valuations in distressed markets, acquired companies in western economies ("Indian companies," 2013). Considering all these factors, the post-financial crisis period provides an ideal time-frame for this study.

To form the sample, the study extracted CBA observations from SDC platinum that fulfilled the following criteria.

- CBAs that were effective during the period 2009-2017.
- CBAs conducted by Indian MNEs.
- The targets were non-Indian firms operating in the international market.
- The status of the CBA was completed.

First, all the CBAs made by Indian MNEs from 1st January 2009 to 31st December 2017 were obtained from the SDC platinum database. Literature shows that EMNEs' internationalisation decisions are also reliant on ownership structure (Hu & Cui, 2014). Keeping that in mind, each CBA observation was carefully checked to include only public listed firms. The Bombay Stock Exchange (BSE), the leading stock exchange in India, is the main stock exchange used in the study. Firms listed in the BSE are appropriate for this research because they show a good balance in composition of their size, age and ownership structure, degree of internationalisation and industry diversity (Chittoor et al., 2015). Here, firms were dropped for the years when they were not publically registered or delisted from the stock exchange.

This process generated a list of 205 public listed companies that made 369 CBAs from 2009 to 2017. Table 4.2 displays the distribution of Indian MNEs' CBAs across the selected period. The collection of data generated a panel dataset of firm-year spells. 205 firms undertaking CBA over a span of 9 years generated a set of (205*9) 1845 firm-year observations. However, after incorporating the missing values across the predictors the base panel reduced to 1675 observations.

Table 4.2 Distribution of CBAs across the selected period

Year	No of CBA
2009	39
2010	78
2011	63
2012	35
2013	24
2014	33
2015	39
2016	41
2017	17
Total	369

4.4 Measurement of Variables

Literature shows two types of measurements, archival-based proxy and survey-based perceptual measures, are used to measure the variables required to address the research questions. Archival proxies have long played a central role within strategic management research. "An archival proxy is a quantitative measure that is used to represent a theoretical construct that is relevant to the design and completion of a research study." (Ketchen Jr, Ireland, & Baker, 2013, p. 32). Strategy researchers show an increased use of archival data from 1980s to the 2000s, whereas their use of surveys and laboratory studies declined (Boyd, Takacs Haynes, Hitt, Bergh, & Ketchen Jr, 2012). Understanding why this so is easy as i) data sources of archival proxies are independent of researcher inference and interpretation ii) archival proxy allows replication and comparison across studies iii) reduces the problems associated with managerial biases iv) reduces non-respondent bias. This study used archival proxies which are robust and widely used in prior literature to measure the variables of interest.

The dependent variable, CBA, was conceptualized as a strategic decision and assessed through archival proxy in prior literature (Buckley & Munjal, 2017; Zou & Simpson, 2008). The dependent variable was measured through archival proxy. Similarly, the independent variable, inward internationalisation, was used to measure the experiential knowledge. It is widely accepted that "Experiential knowledge is an abstract and difficult to measure construct; and thus, virtually all studies use some measure of experience as a proxy experiential knowledge" (Dow & Larimo, 2011, p. 326). Lastly, ownership structure proxy was used to measure owner's motivation. Prior literature shows that type of ownership structure is a proxy

for owner motivation, risk reference, investments and owner conflict (Panicker et al., 2019; Singla et al., 2017). An overview of all the variable definitions and measures are given below.

4.4.1 Dependent Variable

The dependent variable of this study is CBA undertaken by EMNEs. The variable was operationalised through counting the number of CBAs made yearly by each firm at a particular period of time (2009–2017). The operationalization allowed capturing the varying impact of international experience on CBA. Scholars use such measurement frequently in CBA antecedent research (Buckley, Munjal, et al., 2016a; Malhotra, Sivakumar, & Zhu, 2011a; Nadolska & Barkema, 2007; Varma et al., 2017; Yang & Deng, 2017).

The CBA related dependent variable has been constructed in a several ways. One group of authors considers the value of acquisitions (aggregate amount) in operationalizing the dependent variable. (Buckley et al., 2012; Buckley et al., 2017). The aggregate approach suffers from the limitation of extreme transaction sizes (extraordinarily large and small CBA values) that manipulate the measure and cause an uneven or unfair treatment of each CBA (Dikova et al., 2010). The majority of the CBA observations does not have an acquisition value listed in SDC Platinum. Using the value of acquisitions (aggregate amount) will reduce the sample size significantly, further increasing the probability of non-representativeness bias. However, some authors consider both the value of acquisitions and number of acquisitions (Buckley et al., 2012; Buckley, Munjal, et al., 2016c) for the construction of the dependent variable.

Another group of authors operationalise CBA as a dichotomous variable, which equals 1 if firms have conducted a CBA, or 0 if otherwise. Such a construct is seen in the works of the following scholars: Chen (2008), Chittoor et al. (2015), Collins, Holcomb, Certo, Hitt, and Lester (2009) and Galavotti, Cerrato, and Depperu (2017). Table 4.3 summarizes the selected measurement of dependent variables in the CBA antecedent research.

Studies that aimed to address the acquisitive behaviour of EMNEs used the count number of CBAs as the dependent variable (Zou & Simpson, 2008). The count number of CBA is a flow measure of a firm's CBA activities. Besides capturing the time varying impact, recent scholars argue in favour of this flow measure to overcome the partial criticism of using aggregate CBA value as an overarching measure to capture CBA activities. The approach of using the count number of CBAs increases the validity of the results by allowing the adoption

of more accurate data as well as showing the overall level of CBA activity. For this reason, in this research the dependent variable is the count number of CBA.

As mentioned in Section 4.2, Thomson's SDC platinum database was used to collect CBA deals undertaken by Indian MNEs that cover international CBAs dating back to 1985. SDC collects its acquisition related information from sources such as trade publications, statutory filings, newswire reports, and proprietary surveys and is available in English and foreign languages (Chidambaran, Krishnakumar, & Sethi, 2018). SDC provides comprehensive information related to each transaction including acquiring firm type (public or private firm), acquisition type, premium paid, acquiring and target firm industries, and so on. The study ensured that all acquired CBA transaction were completed, the nationality and name of the acquirer and target were known, the ultimate acquirer parent were recognised as Indian. Then, the name of the ultimate acquirer parent was matched to the names of Indian publicly listed firms in Ace equity database.

Table 4.3 A brief review of methods and methodology

Author	**Acquirer Country Setting**	**Dependent Variable (DV)**	**DV Measurement**	**Method**
Buckley, Munjal, et al. (2016c)	India	Acquisitions undertaken by Indian MNEs	Number and value of CBA	Generalized Least Square (GLS) Negative Binomial (NB)
Chittoor et al. (2015)	India	International acquisitions	Dummy variable that takes a value of '1' if a firm 'i' conducted an international acquisition in the year 't' or earlier within the study period, otherwise '0'.	Probit model
Chen (2008)	Japanese subsidiaries in the USA	Probability of acquisition	Probability of acquisition Yi (or Yj) will take the value of 1 if the ith partial entry (or the jth full entry) is an acquisition, otherwise 0 if a greenfield investment.	Binomial logistic models
Collins et al. (2009)	USA	International acquisition	Dummy variable (company*country) that takes a value of '1' if a firm acquired a target in the host country within the study period, otherwise '0'.	Logistic regression
Varma et al. (2017)	India	M&A deals.	'Number of M&As' in a year by a company	Poisson regression
Yang and Deng (2017)	China	CBA deals	The number of completed CBAs by firms in each host market	Negative Binomial (NB) regression
Zou and Simpson (2008)	Many - China	Cross-border M&As	Volume of foreign acquisitions in an industrial sector	Poisson model

Galavotti et al. (2017)	Many - Many	Cross-border acquisition	Dummy variable that takes a value of '1' if a firm was acquired in an international market, and '0' if the acquisition took place in the domestic market within the study period.	Logit estimates
Malhotra et al. (2011a)	Emerging economies & USA	CBA Numberi,j	The completed count number of CBAs by firms from country j in a target country i within the study period.	Poisson regression
Buckley, Munjal, et al. (2016b)	India	Foreign acquisitions undertaken by Indian MNEs	Number and value of CBA	Generalised Least Square (GLS) method Negative Binomial (NB)
Zhang et al. (2011)	China	Acquisition Completion	Dummy variable that takes a value of '1' if an announced acquisition deal is completed in the international market and '0' if it took place in the domestic market within the study period.	Logistic regression
Buckley, Yu, et al. (2016)	China	Transaction volume of CBA	Transaction volume *yct* is the real CBA volume in host country c in year t.	Heckman's two- stage

4.4.2 Independent Variable

The independent variable of this study is inward internationalisation. Inward internationalisation is an MNE's accumulated experience from foreign firms in the domestic market. Scholars Luo et al. (2011), Luo and Wang (2012), Satta et al. (2014), Zhou et al. (2007) conceptualize inward internationalisation with the dimensions strategic alliance, Original Equipment Manufacturing (OEM), International licensing for technology, Original Design Manufacturing (ODM), and equity joint ventures. Table 4.4 summarizes the measurement of the inward internationalisation variable used by a selection of researchers.

In line with the previous research, the Inward Internationalisation construct was composed as the firm's count number of inward internationalisation activities such as strategic alliance, joint venture, and international licensing in the domestic market since 1999. This study considered all the completed strategic alliances. Strategic alliances with statuses such as pending, renegotiated, rumoured, or seeking to form were not considered. In panel database, all these measures were collected for each acquiring firm by year. Thus, inward internationalisation was calculated by counting the number of inward internationalisation activities from 1999 to time t for each acquiring firm. This was done so following the prior literature where experiential knowledge is measured by counting the firm's number of activities from an earlier time period to construct the complete stock of inward internationalisation experience for each of the observations in the analysis (Nadolska & Barkema, 2007; Zollo & Singh, 2004).

Then, the inward internationalisation variable is lag by one time period. This time lag is reasonable to expect as a firm's experiential knowledge gained in time t will have an impact on firm's CBA decision in later years. 1 year time lag was introduced between the explanatory variables and the dependent variable for time lag effect and to minimise endogeneity. This one-year time lag (t-1) is consistent with prior work (Bhaumik et al., 2010; Chari, 2013; Elango & Pattnaik, 2007).

The strategic alliance database of SDC Platinum was used to collect data on firms' inward internationalisation activities. SDC Platinum provides deal specific data from as far back as 1986. However, SDC only started its systematic data collection procedure for tracking strategic alliance specific deals around 1989. Moreover, due to inadequate corporate reporting requirements the data would not efficiently track all the deals entered into during the 1990-

1993 period. Yet, SDC provides a comprehensive source of information on such deals compared to other databases. SDC provides contract specific information such as participating firms' identification information and whether a deal is a joint venture or a licensing agreement. The study listed all the alliances entered into in the Indian economy since 1999 and focused on analysing those agreements involving at least one foreign partner.

Table 4.4 Inward Internationalisation Measure

Author	Journal	Measures	Data source
Li, Yi, and Cui (2017)	Strategic Management Journal	The respondents were asked the degree of their firm's involvement in inward activities (a) importing foreign products and services (b) acting as sales agents for foreign products (c) introducing foreign capital (d) forming joint ventures (e) introducing foreign products or manufacturing equipment.	Survey data in China
Hernández and Nieto (2016)	International Business Review	Researchers check whether the firm has taken following inward activities in the domestic market such as importing foreign products, outsourcing or FDI to acquire inputs.	'Internationalisation of European SMEs, European Commission, DG Enterprise and Industry, 2010'' database that is based on a survey of the internationalization of SMEs from 33 European countries
Luo and Wang (2012)	Global Strategy Journal	Inward internationalisation was a composite score of three dimensions: (1) number of international joint ventures at home; (2) number of years involved as Original Equipment Manufacturer (OEM) for the foreign firm before the firm's active involvement in OFDI; and (3) number of countries to which the products have been exported. To create the final measurement these three items were standardized and combined to get the average value.	Survey data in China
Liu et al. (2016)	International Business Review	A seven-point Likert scale was used to measure the extent of firms' collaboration behaviours in the domestic market: (1) engaged as original equipment manufacturer (OEM); (2) introduced foreign capital; (3) established a joint venture with a foreign company; (4) introduced foreign products or manufacturing equipment; (5) introduced foreign technologies; (6) set-up foreign franchising	Survey data in China

		business. The proxy is created by conducting a factor analysis of six items.	
Luo et al. (2011)	Management International Review	Count number of inward internationalisation activities such as original equipment manufacturing, international licensing for technology, cooperative alliances, equity joint ventures, etc. that the firm has conducted.	Survey conducted jointly by three national organizations: All China Industry and Commerce Federation, Chinese Academy of Social Sciences, and The United Front Work Department of the CPC Central Committee on Chinese private firms in 2004
(Satta et al., 2014)	Journal of International Management	Inward internationalisation was calculated computing a firm's average number of ties (i.e., equity agreements) with foreign partners per year in domestic subsidiaries.	Drewry Shipping Consultants database
(Lyles et al., 2014)	Management and Organization Review	Inward international experience was measured through two variables: (1) number of foreign partners; and (2) a dummy variable, foreign partners from the host country.	National research firm in Beijing
(Luo & Bu, 2018)	Global Strategy Journal.	It was measured through two variables: the count number of joint ventures or cooperative alliances involved in the domestic market before undertaking OFDI, and the count number of years a firm had participated in exporting, OEM, assembling foreign products before undertaking OFDI. Each count measure was divided by the maximum numbers in the sample to create the ratio variable. Finally the inward internationalisation measure was created by combining the average of these two ratios.	Survey data in China

4.4.3 Moderating Variables (Ownership Structure)

This study used five different categories of ownership as moderating variables. In the literature, ownership variables were measured as the percentage of shareholdings owned by the each type of owners (Douma et al., 2006; Kim et al., 2008). Different categories of ownership and their varying influence on firms' strategic decisions are prominent in recent strategic management literature (Chen & Yu, 2012; Hu & Cui, 2014; Singla et al., 2017; Tihanyi et al., 2003). Following earlier studies, this study also used the fraction of shareholding to measure the moderating variables. Researchers argue to use mean-centred (or z-standardized) predictor variables rather than raw ones before creating the interaction terms (Dawson, 2014). The choice between mean-centering and z-standardization mainly depends on researchers' personal preference as these methods produce identical findings with minor advantages to each. Here, the z standardized technique (deducting the mean from the value of the original variable and then dividing by the standard deviation to have a mean and standard deviation of 0 and 1 respectively) was used to create the interaction terms. All the shareholding data were collected from Ace Equity Plus database. The proxies used for the moderating variables are given below.

4.4.3.1 Family Ownership

Family ownership was measured as the percentage of family shareholding in the firm. This study conceptualised family ownership as the shareholding by both individuals / hindu undivided family owners and promoter corporate bodies. Corporate promoters were included as several Indian families maintain their controlling rights in the other Indian firms through intercompany cross-holding and pyramidal shareholding structure (Sarkar & Sarkar, 2000). Under-cross holding structure a publicly-traded company owns stock in another publicly-traded company. A pyramidal structure allows the family owners to use the resources of the firm they already control to set up a new firm. With a pyramidal structure, family owners can access the original retained earnings as well as share the new firm's non-diverted payoff with original firms' minority shareholders. In Indian public listed companies, family shareholding is the largest component of shareholdings as seen in the descriptive statistics.

4.4.3.2 Domestic Institutional Ownership

Domestic Institutional (DI) ownership was measured as the percentage of domestic institutional shareholding in the firm. Following earlier scholars, this study conceptualised DI as the

shareholding by domestic financial institutions / banks, mutual funds, venture capital funds, alternate investment funds, provident funds / pension funds, stressed assets stabilisation fund and state finance corporations (Singla et al., 2017). DIs, through a complex web of informal networks, are most often related to controlling families on the firms (Filatotchev et al., 2005). In particular, domestic institutions in India are largely government-owned and heavily regulated (Douma et al., 2006). Besides, most of the prominent business families have strong connections with the political elites of India. Such connection would in turn influence the functioning of these predominantly government-owned institutions. Therefore, family firms and DI institutions, though informally connected, are separate identities and would not overlap with each other.

4.4.3.3 Foreign Institutional Ownership

Foreign Institutional (FI) ownership was measured as the percentage of foreign institutional shareholding in the firm. In India, foreign corporations are required to register as foreign institutional investors with the Securities and Exchange Board of India (SEBI) in order to trade in the Indian equity market. FI investors are only allowed to invest in various funds, asset management companies, charitable interests and charitable societies (Rai & Bhanumurthy, 2004). Following the criteria, this study conceptualised FI as the shareholding by foreign provident funds / pension funds, investment trusts, banks, venture capital funds, university funds, and asset management corporations.

4.4.3.4 Domestic Corporate Ownership

Domestic Corporate (DC) ownership was measured as the percentage of domestic corporate shareholding in the firm. Domestic Corporate investors are non-promoter domestic corporate bodies investing in a firm. A firm has both promoter and non-promoter shareholding. Indian corporate bodies which are non-promoters are considered as DC owners. These DC owners may be affiliated to business groups. But DC owners' affiliated business group is certainly not the same business group as that of the focal firm (i.e., the firm where DC owners are investing). Therefore, DC and family ownership variable would not overlap with the each other in this study. On average, DC ownership accounts for a high percentage of shareholding in Indian listed firms.

4.4.3.5 Foreign Corporate Ownership

Foreign Corporate (FC) ownership was measured as the percentage of foreign corporate shareholding in the firm. Foreign Corporate investors are non-promoter corporate bodies primarily involved as alliance partners or technology collaborators in emerging markets (Ramaswamy et al., 2002). Therefore, FC ownership not only represents financial investment but also technical and managerial collaboration with Indian firms. The average of FC ownership is smallest among all the categories of ownership (shown in descriptive statistics), as few firms have foreign corporates as shareholders.

4.4.4 Control Variables

The use of control variables is a widely accepted and routine trend in nonexperimental research. Researchers use control variables in the study in an attempt to reduce the error terms in the result, or rule out variable bias and alternative explanations of the findings, or increase the statistical powers of the model (Schmitt, Klimoski, Ferris, & Rowland, 1991; Schwab, 2013). However, selection of control variables needs to be critical to ensure inclusion of proper controls alongside the exclusion of superfluous ones.

In a study, the selected control variables should be correlated with the dependent variable as well as the hypothesized independent variables; concurrently they should not be more important than a hypothesized one or a mediator (Becker, 2005; James, 1980). Control variables that satisfy the above three criteria can be included in the study. A balanced number (not too many nor too few) of control variables are recommended to use in the study (Bono & McNamara, 2011). This study controlled for the underlying variables. All the variables were lagged by (t-1) concerning the dependent variable.

4.4.4.1 Firm Size

Firm size is treated as a proxy of financial and managerial firm resources. The strategy literature posits different possible firm size effects such as easier accumulation of and access to financial resources, better availability of information, greater convenience in information processing, etc (Mutinelli & Piscitello, 1998). The size of a firm indicates a firm's capability to invest in the research & development, and advertising & promotion that are essential for venturing to an international market. Resources act as a buffer against the threat of failure (Audia & Greve, 2006), which encourages managers in large firms to take risks and bear uncertainty associated

with FDI. Given the availability of resources which can be invested both in pre and post-acquisition stages, large firms are more likely to choose acquisition strategy for their international venture (Laamanen & Keil, 2008).

Firm size was used to control the size effect in the study. Similar studies on the antecedents of CBA used firm size as a means of controlling firm level heterogeneity (Buckley, Munjal, et al., 2016c; Galavotti et al., 2017). Firm size was operationalised as the total sales of the firm, which is commonly used in strategy research (Chittoor et al., 2015; Singh & Delios, 2017; Thomas et al., 2007). Total amount of assets (Pan et al., 2014; Wu & Salomon, 2016), total number of employees (Hitt, Hoskisson, Ireland, & Harrison, 1991; Lin et al., 2009; Trichterborn, Zu Knyphausen-Aufseß, & Schweizer, 2016) are also used in conventional research as a measure of firm size. However, a commonly used proxy, total sales, was used to ensure consistency with existing research. Moreover, this study also used alternate proxies of firm size (log transformed total assets) to check robustness of the findings. Total sales and assets data were collected from Ace Equity Plus database.

4.4.4.2 Firm Age

Firm age is likely to influence a firm's involvement in FDI (Pradhan, 2004). Older firms are expected to accumulate valuable managerial and business experience over time. This accumulated experience gives the older firms a monopolistic advantage over the younger firms and hence older firms are more inclined to venture to the international market. Firm age was operationalised as total years since inception. Following earlier studies, subsequent reincorporation of firms or changes of ownership were not taken into consideration in this process of measuring firm age (Buckley, Munjal, et al., 2016a; Gaur et al., 2014; Guillén, 2002). Data on a firm's incorporation was collected from both Ace Equity Plus database and annual reports.

4.4.4.3 R&D Intensity

The study attempted to capture the existing firm level heterogeneous technological capability and resources. The proxy used for a firm's technological capabilities was R&D intensity (Arregle, Miller, Hitt, & Beamish, 2013; Delios & Henisz, 2000). R&D was operationalised as the ration of annual R&D expenditure to total sales. Theory suggests that firms' with higher R&D intensity have less propensity to conduct acquisition, as firms can acquire technological

resources through acquisition instead of investing in R&D (Blonigen & Taylor, 2000; Heeley, King, & Covin, 2006). Data on R&D expenditure was collected from Ace Equity Plus database.

4.4.4.4 Prior Firm CBA Experience

Strategy researchers generally control if the firm has prior participation in the foreign market (Buckley, Munjal, et al., 2016a; Collins et al., 2009). Such firms are expected to have better knowledge of foreign market and higher risk bearing capability associated with risky internationalisation modes (Gaur et al., 2014). This study controlled the firm's foreign market engagement aspects through the firm's prior CBA experience.

Following earlier studies (Liou, Chao, & Yang, 2016; Yang, 2015), this measure was operationalised through the cumulative number of CBAs of the focal firm prior to the focal acquisition. It is known that all the measures, in panel database, were collected for each acquiring firm by year. Therefore, 9 yearly prior CBA data were collected for each acquiring firm. For example, in the start of the sample year 2009, firm X's number of CBA is 2 and its prior acquisition experience is calculated as 0. In the next year 2010, firm's number of CBA is 0 and its prior experience is calculated as 2. In year 2011, firm's number of CBA is 3 and its prior experience is calculated as (2+0 = 2). In year 2012, firm's number of CBA is 1 and its prior experience is calculated as (2+0+3= 5). This calculation goes on up to 2017. The source of prior firm CBA experience data was SDC platinum database.

4.4.4.5 Financial Slack

Availability of organisational slack promotes firms' risk taking by encouraging managers to choose risky strategic moves such as CBA (Lang, Stulz, & Walkling, 1991). This implies that organizational slack resources will positively increase a firm's propensity to undertake CBA. Following Gubbi et al. (2010), this study operationalised organizational slack as a firm's equity to debt ratio. Information on firms' slack resources was collected from Ace Equity Plus database.

4.4.4.6 Prior Performance

Prior firm performance may impact a firm's propensity to conduct acquisition. Strategy scholars suggest controlling prior firm performance to address the differences in firm performance before conducting a CBA (Haleblian, Kim, & Rajagopalan, 2006). Strong financial performance implies that a firm has more resources and capabilities to undertake

foreign investment. Moreover, good performance may cause managerial hubris that may push firms to pursue a risky acquisition strategy (Lin et al., 2009).

Firm performance is a well-established control variable in internationalisation research and it is commonly measured as a firm's Return on Assets (ROA) (Collins et al., 2009; Xia et al., 2014). Following earlier studies, this study calculated ROA by net income to total assets. Information on firms' ROA was compiled from the Ace Equity Plus database.

4.4.4.7 Board Size

Agency theory argues that large boards are inefficient in strategic decision making. This can be attributed to two reasons – the free-riding behaviour of individual members (Golden & Zajac, 2001) and slower decision making processes (Mueller & Barker III, 1997). A CEO can easily control larger boards through coalition building and selective provision of information within the board. Due to less group cohesiveness and slow decision-making processes, larger board tends to adopt less risky strategic decisions (Nakano & Nguyen, 2012).

In contrast, resource dependence perspective argues in favour of large boards that are required to pursue new strategies when the firm faces environmental turbulence and uncertainty (Zahra & Pearce, 1989). Given the high uncertainty in the international market, firms face a higher risk in deciding on their internationalisation strategy. In such scenarios, firms require additional resources from the external environment to deal with the risk and uncertainty associated with internationalisation. A board is a means of sourcing knowledge, experience and resources from other organizations in the environment. Therefore, a larger board tends to support firms' risky internationalisation decisions.

To control the board's influencing impact, board size was added as a control variable. Board size was operationalised as total number of directors on the board. Data on board members was obtained from the annual reports downloaded from the Sansco and BSE website.

4.4.4.8 CEO Duality

CEOs get duality power by holding multiple titles, specifically both the position of board chair and CEO. According to agency theory, a too powerful position of the CEOs allow them to engage in opportunistic behaviours in strategic decision-making for a number of reasons. First, CEO duality limits a board's effectiveness in controlling and monitoring managerial activities (Boyd, Gove, & Hitt, 2005). Second, CEOs with dual positions have a high influence on the

nomination of the directors of the board (Ruigrok, Peck, & Keller, 2006). Since, a CEO-chairman may not be subject to critical evaluation by board of directors; they are less motivated to initiate risky strategic decisions such as CBA. This research calculates CEO duality through a dummy variable (1 if CEOs also hold the position of board chair in the firm, 0 if not) (Boyd, 1995; Singh & Delios, 2017). CEO duality status was obtained from the annual reports downloaded from the Sansco and BSE website.

4.4.4.9 CEO International Education

International Business literature considers CEO demographic dimensions such as overseas education a critical component in a firm's internationalisation decision, given the role of individual competence in risk perceptions (Herrmann & Datta, 2006; Tihanyi, Ellstrand, Daily, & Dalton, 2000). Therefore, this study controlled for CEOs' overseas education using a dummy variable. Following Chittoor et al. (2015), this study operationalised CEO's international education dummy as 1 if a CEO had a degree from an overseas educational institution, 0 if not. CEO international education data were manually collected from annual reports and the RelSci Pro database.

4.4.4.10 Board Independence

Hu et al. (2010) cite Mallin (2007, p. 102) in defining board independence as having "no relationships or circumstances, which could affect the directors' judgement." Board independence depends on the proportion of independent directors on the board. The presence of independent directors can support the shareholders through the controlling and monitoring function of the CEO (Coles & Hesterly, 2000). The CEO has less influence on independent directors and hence the board can perform independently. Independent directors may not be able to evaluate a firm's strategic plans, as they are not usually involved in a firm's decision-making process. Rather, they rely on outcome based monitoring mechanisms such as financial performance to evaluate managers and their strategic plans. Such reliance may discourage managers from undertaking long-term risky strategic projects such as CBA (Ruigrok et al., 2006). Therefore, independent directors may reduce the likelihood of conducting acquisition.

Board independence was operationalised as the ratio of independent directors to total directors (Singh & Delios, 2017; Xie, 2014). Data on board composition was compiled from the annual reports downloaded from both the Sansco and BSE website.

4.5 Estimation Method

4.5.1 Main Analysis

This research examined the causal relationship between the inward internationalisation of the firm and cross-border acquisition undertaken by the focal firm. This relationship is further moderated by the ownership structure. Regression analysis is used to determine the effect of two or more independent variables on a dependent variable (Hoetker, 2007). The selection of appropriate regression method depends on both the number and nature of the dependent and independent variables (Field, 2013). Accordingly, one count dependent variable (number of CBA conducted by EMNEs) and one count independent variable (inward internationalisation) in this research make count regression analyses most appropriate. Poisson and Negative Binomial (NB) regression are commonly used models for the count regression (Cameron & Trivedi, 2013). Linear regression is inappropriate due to its inability to account discreteness, non-negativity and the count distribution nature of data. Table 4.3 displays the method frequently used method by researchers in examining CBA deals.

A statistical model is appropriate if it correctly identifies the signals in the data and suitably fits the data by accounting the main sources of variation (Venables & Ripley, 2013). Therefore, statistical models need to be selected based on key data properties. Count models have components to match the count data properties – the mean model, which implies how the mean changes as a function of predictors and the variance model, which implies a particular mean–variance relationship (Warton, Lyons, Stoklosa, & Ives, 2016). However, count data may display several possible distributional patterns and hence cause a number of possible mean-variance relationships. For instance, counts may be equidispersed (mean and variance are equal) or overdispersed (variance is greater than mean) or underdispersed (variance is lower than mean) (Cameron & Trivedi, 2013). As each of the above situations requires a different type of count model, it is essential to check the distributional assumption before specifying a count model.

In Poisson distribution, a restrictive property is that counts need to be equidispersed. A violation of the equidispersion assumption raises a similar concern around the violation of the Ordinary Least Square (OLS)'s homoscedasticity assumption (Bertrand, Mucchielli, & Zitouna, 2007). The Poisson model is unable to account for overdispersion, therefore overdispersed counts can be modelled through the Negative Binomial (NB) model by adding a

gamma distributed error term (Lindén & Mäntyniemi, 2011). After checking the nature of dispersion present in the count variable (results presented in section 5.3.1) through the Likelihood Ratio (LR) test, it was found that the study has overdispersed counts. The LR test asserts the presence of overdispersion and recommends the NB model if α differs significantly from zero. Hence, NB regression was used. Compared to the over-restrictive poisson model, the NB model provides a better fit for count data. Besides, it accounts for omitted variable bias along with estimating heterogeneity (Cameron & Trivedi, 1986). Later the Voung test was also performed to validate the choice of NB regression over zero-inflated NB regression.

In NB regression, researchers model the log of a dependent variable (Y) as a function of the independent variable(s) (X_1). This study will follow the below mentioned NB regression model depicted in Byers, Allore, Gill, and Peduzzi (2003).

$$\log \lambda i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \ldots + \beta_k x_{ik} + \sigma \varepsilon i.$$

In the equation, λi is the log of the expected outcome variable $y_{i.}$ β_0 is the constant, and X_1 represents the independent variable, inward internationalisation. B_1 represents the coefficient attached to the independent variable. X_1 and σεi is the disturbance term. To explore the association between CBA and the predictors, the following NB regression was conducted.

$$CBA_{it} = a + b_1(\text{Inward Internationalisation})_{it-1} + b_2(\text{Family Ownership})_{it-1} + b_3(\text{DI Ownership})_{it-1} + b_4(\text{FI Ownership})_{it-1} + b_5(\text{FC Ownership})_{it-1} + b_6(\text{DC Ownership})_{it-1} + b_7(\text{Firm Size})_{it-1} + b_8(\text{Firm Age})_{it-1} + b_9(\text{Prior Acquisition Exp})_{it-1} + b_{10}(\text{Financial Slack})_{it-1} + b_{11}(\text{Prior Firm Performance})_{it-1} + b_{12}(\text{R\&D intensity})_{it-1} + b_{13}(\text{Board Size})_{it-1} + b_{14}(\text{CEO Duality})_{it-1} + b_{15}(\text{Board Independence})_{it-1} + b_{16}(\text{CEO In'l Education})_{it-1} + b_{17}(\text{Inward Internationalisation} * \text{Family Ownership})_{it-1} + b_{18}(\text{Inward Internationalisation} * \text{FI Ownership})_{it-1} + b_{19}(\text{Inward Internationalisation} * \text{DI Ownership})_{it-1} + b_{20}(\text{Inward Internationalisation} * \text{DC Ownership})_{it-1} + b_{21}(\text{Inward Internationalisation} * \text{FC Ownership})_{it-1}$$

Where CBA is the number of CBA made within a fiscal year. The key explanatory variable of interests are

- Inward Internationalisation
- Family Ownership
- FI Ownership = Foreign Institutional Ownership
- DI Ownership = Domestic Institutional Ownership
- FC Ownership = Foreign Corporate Ownership

- DC Ownership = Domestic Corporate Ownership
- Firm Size
- Firm Age
- Prior Acquisition Exp = Prior Acquisition Experience
- Prior Firm Performance
- Financial Slack
- R&D Intensity
- Board Size
- CEO Duality
- CEOIn'lEdu = CEO International Education
- Board Independence

4.5.2 Preliminary Analysis and Techniques

4.5.2.1 Treatment of Missing Data

For researchers, dealing with missing data is a challenge primarily resulting from an error in data collection process, an omitted data entry or missed responses from the respondents. Missing data is defined as the valid values, which are missing from one or more variables thereby reducing the sample size available for the analysis. There is a variety of classifications or mechanisms of missingness in the dataset. Statisticians commonly mention three types of missingness: Missing Completely At Random (MCAR), Missing At Random (MAR), and Missing Not At Random (MNAR) (Graham, 2009).

If the cases for which the data are missing are indistinguishable from the cases with complete data, then the missingness is MCAR. For instance, the observed values of Y are strictly a random sample of all Y values without any unobserved mechanism leading to bias in the observed data. This type of missingness is probably easiest to understand. MAR is those missing values, which are conditionally missing at random. In other words, if the missing values of Y depend on X, but not on Y then the missingness is MAR. If the value of a variable that's missing is related to the reason of its missing, then the missingness is termed as MNAR. For instance, uneducated or lowly educated people are missing on education in the survey, These missing values further can be differentiated through ignorable and nonignorable missingness (Graham, 2009). MCAR and MAR falls into the category of ignorable missing

data, while MNAR lies in the category of nonignorable missing data. Unlike MCAR and MAR, MNAR missingness yields biased parameter estimates and makes them nonignorable.

Hair Jr, Black, Babin, Anderson, and Tahtam (2006) suggested a four-step process to identify and treat missing data. The process starts with identifying the type of missing data and whether they are ignorable or not. Ignorable missing data is part of research design and controlled for directly by the researchers. In the next step, considering the nonignorable missing data, the extent and patterns of missing data are assessed to know whether the missing data are large enough to warrant action. Missing values below 10 percent in the variables can generally be ignored without imputation, provided that a sufficient number of observations with no missing values is available for the selected statistical technique. Variables with over 50 percent of missing values are considered a high level of missing data, and should therefore be deleted from the analysis. However, variables with 20 to 30 percent of missing values are candidates for remedies, as they are substantial enough to affect the result. To choose the appropriate remedy, then, the missing data process is diagnosed to ascertain the level of randomness. Last of all, based on the randomness of the data, appropriate remedies are selected to replace missing data with values. In section 5.1, the missing data analysis is presented.

4.5.2.2 Checking for Outliers

Outliers, observations with large residual values, are a pervasive methodological concern to both micro and macro levels of management research, though clear guidelines on how to deal with outliers is scarce (Aguinis, Gottfredson, & Joo, 2013). Following Aguinis and Edwards (2014), this research identified three types of outliers; namely error, interesting and influential outliers and followed handling techniques consistent with the type of outlier.

Error outliers are the observations or data points that lie a distance place from other observations within the dataset. These could appear due to inaccuracy and inconsistency in the preparation, coding, transcribing, computing or sampling procedure. The dataset of this study was checked thoroughly to make sure no such outliers were present due to inaccuracies.

Interesting outliers are the observations taking an abnormal distance from other observations, though not by error, by default containing valuable or unexpected accurate data. Univariate, Bivariate and Multivariate approaches are used to identify outliers. Each method helps the researchers to get a unique perspective on the observations and has a threshold level for detecting outliers. These type of outliers may be handled through removal, transformation

or change of score of the cases (Field, 2009). Researchers don't remove cases without a valid reason (Aguinis et al., 2013; Hair Jr et al., 2006). It is suggested that the decision to remove an outlier must be made based on the researcher's training, reasoned argument, and thoughtful consideration. Keeping the suggestion in mind, this study evaluated the extreme values within the dataset through the univariate approach. The univariate approach uses the standardized value of the observation to compare across variables. The threshold levels are standard score $\pm$ 2.5 and $\pm$ 4 for smaller and larger samples consecutively (Hair Jr et al., 2006).

An influential outlier is defined as a data point that alters the fit of the model and the parameter estimates through its presence. Residuals of influential outliers are not large enough; therefore focusing only on large residual values would leave them undetected. In contrast to other outliers, the handling of influential outliers depends on particular statistical techniques such as regression, SEM and multilevel modelling. This study used regression analysis to detect influential outliers through evaluating the residuals.

Regression diagnostic has three main types of diagnostic statistics to detect influential outlier namely leverage, distance and influence statistics (Cohen, West, & Aiken, 2014). Leverage statistics detect cases where the observed values of the outcome variable are extremely over predicted values. These statistics are calculated from a special Hat matrix (h) with a cut-off point of $2(k + l)/n$ and $3(k + l)/n$ for large and smaller samples respectively to identify high leverage points (Hoaglin & Welsch, 1978; Stevens, 2012). Here, $(K +1)/n$ is the average leverage where k is the number of predictors and n is the number of observations. In this study, k is 21 and n is 1623. So following $2(k+1)/n$ the calculated Hat matrix cut-off point is (44/1623 = .0271).

Distance statistics detect cases that have a large distance between predicted and observed values on the outcome variable. Internally studentized and externally studentized residuals are commonly used, though externally studentized residuals are nearly always the preferred measure of this distance (Cohen et al., 2014). Externally studentized residuals, also termed as studentized deleted residuals, are calculated by dividing unstandardized residuals with standard deviation. The recommended cut-off point is a value less than ±2.0 (Field, 2009). This measure successfully diagnoses observations causing higher standard errors and a lower significance of individual coefficients.

Third statistics, influence statistics, combines information of previous leverage and distance statistics to detect cases with large influence on regression coefficients. Two

commonly considered measures of influence are DFFITS or Cook's D (Coxe, West, & Aiken, 2009). Both of them are deletion statistics that compare the change of predicted score in a regression equation when cases are included versus excluded in the dataset. As both measures are viewed interchangeably, use of either measure gives the desired result. This study used Cook's D to assess aggregate change on the regression coefficient depending on each case's inclusion or exclusion in the analysis. Cook's D statistics follow the rule of thumb cut-off point of a value of 1 (Field, 2009). The results of outlier detection are explained in section 5.2.

4.5.3 Assumption of Data Analysis

Before conducting any regression analysis, it is required to check the assumptions of regression to avoid biasness and ensure accuracy. Count data, due to their nature, violate the homoscedastic and normally distributed error data assumptions of linear regression. The natural model for count data is poisson regression with the key assumptions of equidispersion, non-normal conditional distribution and heteroskedasticity (Coxe et al., 2009; Wooldridge, 2010). Some modified variants of the poisson model such as the NB model, the zero inflated model, and the hurdle model also follow the same assumptions to model count data. The following section discusses the assumptions associated with the count model and the corresponding results are presented in next chapter.

4.5.3.1 Assumption of Equidispersion

The restrictive assumption of poisson regression is equidispersion that is equality of conditional mean and variance. In real life count data, this equidispersion property is often absent, creating a situation of overdispersion (conditional variance exceeds mean) or underdispersion, (conditional mean exceeds variance) (Cameron & Trivedi, 2013). As both issues imply different types of count regression models, it is critical to check the presence of over or underdispersion and choose the appropriate model to account for it accordingly. This assumption was tested by comparing the mean and variance of the count outcome variable. The likelihood Ratio (LR) test for both poisson and NB regressions associated with the count model is used to check for the presence of overdisperssion (Bertrand et al., 2007). The LR test indicates the existence of equidispersion or overdispersion through the overdispersion parameter alpha**.** When alpha is zero, the test asserts equidispersion, reinforcing both the poisson and NB regression equivalent. Alternatively, the test posits overdispersion and recommends NB regression, when alpha is significantly different from zero.

However, the standard NB model is not efficient when the outcome variable shows the presence of excess zero counts (Soh, 2010). Zero-inflated NB regression is a better estimation technique to handle such excess zero counts. The Voung test is used to discriminate between NB regression & zero-inflated NB regression (Greene, 2003). The Voung test compares the regression by checking z statistics. An insignificant z statistic suggests a preference for the standard NB model over the zero-inflated NB model. Moreover, a Voung test with zip option validates the choice between a zero-inflated NB model and a zero-inflated poisson. Inclusion of a zip option with a Voung test provides an LR test of alpha, which suggests a zero-inflated NB model if alpha is significantly different from zero.

4.5.3.2 Assumption of Non-normality

Unlike OLS linear regression, count regression does not require the normality assumption (Byers et al., 2003; Cameron & Trivedi, 2013). The underlying reason is that count data are often zero and can never be negative. In addition, count data distribution is often positively skewed as it has many scores or counts of zero. A histogram depiction of the outcome variable, presented in section 5.3.2, indicates the right skewed nature of the distribution. Exceptionally, the data from individual count variables can be normally distributed only if the average count in the sample is 10 or higher (Cohen et al., 2014).

To check the normality assumption, the shape of the distribution measured via skewness and kurtosis is usually used. Moreover, statistical tests such as the Shapiro-Wilk test are used to assess normality. The null hypothesis of Shapiro-Wilk test assumes that the sample came from a normally distributed data. The significance of the test ($p \leq 0.05$) indicates a rejection of a null hypothesis that is non normally distributed data (Field, 2009). Compared to other normality tests such as the Kolmogorov-Smirnov test (K-S), the Shapiro-Wilk test is powerful enough to detect differences from normality. The Shapiro-Wilk test can find significant results even when the K-S test fails to find significant results. However, with a large sample size, this test may provide significant results even with a slight deviation from normal distribution. Therefore, this test should be interpreted along with histograms, values of skewness and kurtosis, and Q–Q plots.

A Q–Q plot, instead of plotting every individual score, plots the quantiles of the data set. In a Q–Q plot, expected values (values expected if distribution were normal) are plotted against observed values (actual values) in the dataset. In the case of normally distributed data, observed values (plotted as individual points) should fall exactly along expected values (plotted

as straight diagonal line) (Field, 2009). Any deviation from the straight line indicates a deviation from normality. Both the Shapiro-Wilk W and the Q–Q plot are conducted to check the normality of the distribution.

4.5.3.3 Assumption of Heteroskedasticity

A typical property of count models is heteroskedasticity (Cameron & Trivedi, 1986). Heteroskedasticity is expected to present in count data quite often and presence of heteroskedasticity is out of researchers' control. Presence of heteroskedasticity makes OLS regression application inefficient as it produces biased standard errors and tests of significance (Coxe et al., 2009). Prior to the development of count models, researchers tend to use a suboptimal strategy with OLS regression by transforming the count outcome variables (Walters, 2007). Although transformation of the outcome variable can reduce the effect of heteroskedasticity, it cannot be completely eliminated.

The poisson model is based on the assumption that, within a given stratum of the covariates, the mean is equal to the variance and quantified by the parameter lambda (Jewell & Hubbard, 2006). By default, this model permits a level of heteroskedasticity through selection of the correct error structure. This means variance is allowed to increase with the increase of mean such that it equals the mean. Moreover, the NB model allows for over-dispersion and greater heteroskedasticity compared to the poisson model.

To check the presence of heteroskedasticity, the Breusch-Pagan and White test are most frequently used. A significant test indicates the presence of heteroscedasticity (Doh, Bunyaratavej, & Hahn, 2009).

4.5.3.4 Assumption of Linearity

Specialised count models such as Poisson and NB regression also belong to the family of analyses termed as Generalized Linear Model (GML) (Wooldridge, 2010). The GLM models the natural logarithm of the predicted count as a linear function of predictor variables. GLM models regression in such a way that there is a linear form in the regression equation. Regression analyses belonging to the GLM family have this same property. Hence, NB regression is "linear in the logarithm" (Coxe et al., 2009).

The predictor variable score of these linear equations are in a less familiar transformed metric rather than in the same metric as the observed dependent variable scores. The transformed metric for NB regression is logarithm of counts than observed counts. The count

model's linearity assumption is tested through the Box and Tidwell (1962) procedure. This procedure requires performing a log transformation of the continuous predictor variables and creating interaction terms between continuous predictors and their respective log-transformed variables. Next, the significance level of the interaction term is checked by running a regression to validate the linearity assumption. A statistically significant interaction term indicates that the original continuous independent variable has failed to meet linearity assumption. That means the original continuous independent variable is not linearly related to the dependent variable.

Although correcting for multiple comparison is not common practice in general regression, Tabachnick, Fidell, and Ullman (2007) suggest applying the Bonferroni correction while interpreting the terms in regression assessing linearity. The Bonferroni correction is used to correct the multiple-comparison problem. This problem occurs when several statistical tests-dependent/independent are performed simultaneously. The Bonferroni correction uses a new critical value for significance (p-value) calculated based on all the terms in the model including the intercept (Tabachnick et al., 2007). According to the correction, any result is not considered as statistically significant until its p-value goes below the newly calculated value.

Two steps to calculate Bonferroni correction are - first, choose the preferred p-value cut-off; second, divide the p-value cut off by the number of tests performed including intercepts (Field, 2009). The results of the linearity assumption are presented in section 5.3.3.

4.5.3.5 Assumption of Multicollinearity

Another important assumption of NB regression is multicollinearity, which is the state of intercorrelations among the independent variables. Multicollinearity generally occurs when two or more supposedly independent variables are highly correlated to each other and may affect the magnitude of an estimated regression coefficient. It also causes difficulty in assessing the relative impact of independent variable in explaining variation on the dependent variable. Therefore, it is essential to check for collinearity as it indicates a greater sampling error and increases the risk of generating faulty inferences in addition to unstable regression results.

Researchers recommend using Variance Inflation Factor (VIF) to test collinearity among the variables (Field, 2009; Mansfield & Helms, 1982). VIF statistics measure how much the variance of the coefficient is inflated due to collinearity. A VIF test is carried out by running a regression followed by VIF. All the variables need to fall within the general benchmark value of VIF to be considered as uncorrelated and not prone to the biasing effect of collinearity. In

general, a VIF value greater than 10 certainly indicates a serious collinearity problem (Myers & Myers, 1990), however some authors use a more conservative VIF cut-off value of 2.5 suggested by (Allison, 2012) as their benchmark (Cui, Li, & Li, 2013). A VIF table is presented in section 5.3.4. Further, the correlation coefficient matrix is also used to support the collinearity assumption.

4.6 Summary

This chapter outlined the research approach of the study where data is collected from secondary sources. The obtained data were subjected to negative binomial regression analysis. Next, the preliminary data analyses techniques and assumptions of data analysis were discussed in detail. The findings of the regression analysis are outlined in the next chapter.

5 Data Analyses and Results

5.1 Introduction

This chapter presents the results of the data analyses. The chapter starts with the results of the preliminary analyses followed by an assessment of the NB model. It then presents the main regression results. Lastly the sensitivity and robustness results are presented.

5.2 Preliminary Analyses Results

5.2.1 Missing Data

First, the study identified the type of missing data. A careful inspection of the dataset revealed that some firm level and CEO level variables (CEO international education) in this study had missing values. The missing values were closely assessed to confirm that data was not missing due to typographic errors or research design.

Next, the extent and pattern of missing values were tabulated to identify the pattern of missingness and percentage of missing values per variables. It was found that missing data appeared in the data set in a random order without any particular sequence. For instance, information related to the CEO international education variable (only 3 cases) was missing in some instances, as information was unavailable via any source. Such loss of information could occur for various reasons: a firm's strict privacy policy, annual reports did not publish the full bio of the CEO, or the CEOs were not known enough to make it to external databases.

Firm related ownership variables show missing values within the range between 4.78% to 5.19%. Foreign Institutional (FI) ownership, Family ownership, Domestic Corporate (DC) Ownership, Domestic Institutional (DI) ownership, Foreign Corporate (FC) ownership have 5.19%, 5.09%, 4.78%, 5.09% and 4.78% of missing data respectively. Ownership data was sourced from the Ace equity database. Information for these parameters was missing due to the unavailability of data in the database. Indian MNEs do not report ownership data in their annual reports.

Another firm-related variable, R&D expenditure (R&D intensity), was collected from the Ace equity database and also showed missing values for a few years for some firms. Ace equity provides information that listed firms are required to disclose in their annual reports. According to the Indian Companies Act 1956, listed firms are obliged to report all heads of

expenditure accounting for more than 1% of their sales turnover (Kumar & Aggarwal, 2005). Hence, management discretion is relied upon to disclose any expenditure that accounts for less than 1% of turnover in their annual reports and Ace equity does not report it for all firms in all years. Missingness determined through country, industry or firm characteristics appears as MAR (Koh, Reeb, Sojli, & Tham, 2016). Thus, missingness of R&D expenditure in the dataset was MAR and fell into the ignorable missing data category.

Researchers use multiple approaches to treat missing data: for instance, deleting missing cases (Lee, Pandit, & Willis, 2013), setting zero to missing values (Richardson, Sloan, Soliman, & Tuna, 2005) or using both approaches to different variables (Bloomfield, Gerakos, & Kovrijnykh, 2017). This study used both approaches to treat missing data. According to Hair Jr et al. (2006), if the variables have missing data below 10% then those missing values can be ignored without imputation. As the maximum percentage of missing values in this study was far below 10%, this study ignored the missing values without any further remedies. For R&D expenditure, the missing values were set to zero by following Bowen, DuCharme, and Shores (1995) and Thévenoz and Bahar (2007). Due to the replacement of missing values, R&D intensity computed from R&D expenditure became skewed and the skewness was normalised by taking the log of R&D intensity.

Stata software requires complete firm-year spells for analysis. It automatically detects incomplete firm-year spells, removes those and continues analysis with complete firm-year spells only. Thus, Stata dropped 170 firm-year spells with missing values and finally used 1675 firm-year spells to conduct data analysis.

5.2.2 Outlier Detection and Treatment

The extremes command in Stata was used to examine the extreme points crossing the threshold level ± 4 as per Hair Jr et al. (2006) recommendation and check their representativeness within the population. After the evaluation, three to four extreme values were found. Those values were extreme points among the observation, though representative of the population. Hence, log transformation of certain variables such as board size, board independence, firm size, financial slack, prior acquisition experience, and inward internationalisation experience were conducted to maintain the relative score ranking and reduce the skewness present in the variables.

This study followed the panel estimation of negative binomial regression. Unlike Ordinary Least Square (OLS) regression, calculation of diagnostic statistics and interpretation is substantially complicated in Poisson and its alternative regressions (Coxe et al., 2009). Besides, Stata doesn't allow use of the post-estimation command after xtnbreg or nbreg. In this case, glm, link (log) family (nb) is used to take advantage of the glm postestimation diagnostics. After careful implementation of glm estimation followed by all the statistics (Hat matrix, studentized residuals, Cook's D), some observations with values higher than the cut-off points were identified. However, these observations did not have higher values through the three statistics (Hat matrix, studentized residuals, Cook's D have cut-off point .0271, ±2.0, and 1 respectively). Chatterjee and Hadi (2015) suggested that if an observation fails to meet the threshold of more than one statistics then it is treated as influential. As stated earlier, the observations identified in the study may have a high distance but relatively low leverage and influence on a regression. Therefore, the study does not need to deal with any significant influential outliers. The extreme values of all three statistics were presented in the appendix.

5.3 Assessing the Assumptions of a Negative Binomial Model

5.3.1 Assumption of Equidispersion

Poisson regression maintains a restrictive property of mean-variance equivalence (Cameron & Trivedi, 2013). This restrictive property limits Poisson's efficiency in handling overdispersed counts. Therefore, before starting the analysis, this study checked the equivalence of mean-variance in the count dependent variable – number of CBA. Table 5.1 shows the mean and standard deviation of the outcome variable, 0.185 and 0.488, respectively. The variance, which is the square of the standard deviation is 0.238. Here the variance is 1.28 times greater than the mean. This clearly points to an overdispersed Poisson. To model overdispersed count data Negative Binomial (NB) regression, a popular generalization of Poisson regression is more appropriate (Cameron & Trivedi, 2013; Warton et al., 2016) as it adds gamma-distributed error terms with poisson to relax the restrictiveness of equidispersion. The likelihood-Ratio (LR) test was applied for both count models to discriminate between poisson and Negative Binomial (NB) regression (Bertrand et al., 2007). In Stata 15, the lrtest command was used after estimating both poisson and NB regressions.

Table 5.1 Equidispersion Assumption Test

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
Number of CBA	1986	.185	.488	0	4	0	2	3.327	17.285

The result of the LR test is presented in table 5.2. The overdispersion parameter alpha, $\chi 2(1)$, presented in table 5.2 differs significantly from zero, thus recommending the implementation of NB. The LR test also shows the AIC and BIC value of both Poisson and NB models. AIC and BIC statistics are similar in nature, apparently lower values of both indicate a better model. In table 5.2, both AIC and BIC values are lower for NB regression compared to Poisson regression, which further warrants the application of the NB model to account for the overdispersion of the count data.

Table 5.2 Likelihood-Ratio Test

Likelihood-ratio test — LR $\chi 2$ (1) = 26.76
(Assumption: Poisson nested in nbreg) — Prob > $\chi 2$ = 0.0000
Akaike's information criterion and Bayesian information criterion

Model	Obs	ll(null)	ll(model)	df	AIC	BIC
Poisson	1,800	-969.920	-937.663	17	1909.326	2002.751
NBreg	1,800	-951.109	-924.286	18	1884.571	1983.491

Another important consideration is that overdispersion may occur due to excessive zeros (Soh, 2010). In that case, the zero-inflated model is more appropriate than the NB model. To check the possibility of the zero-inflated model, the Vuong test was used. Table 5.3 presents the result of the Voung test along with the zip option performed in Stata. The zip option, in Stata, provides a test of the zero-inflated negative binomial model versus the zero-inflated Poisson. A zero-inflated Poisson model is better suited than a zero-inflated negative binomial model, if the likelihood ratio test of alpha doesn't significantly differ from zero. As the likelihood ratio test shows an alpha value significantly different from zero, it suggests choosing the zero-inflated negative binomial model over the zero-inflated Poisson. The Vuong option compares between the zero-inflated negative binomial model and the standard negative binomial model through z- statistics. In the Voung test, the z-test is insignificant. That indicates that the standard NB model is preferred over the zero-inflated model. Overall, the decision to choose the NB model was well accepted across different tests.

Table 5.3 Vuong Test

Likelihood-ratio test of alpha=0: chibar2 (01) =	5.15	Pr>=chibar2 = 0.0116
Vuong test of zinb vs. standard negative binomial:	z = -0.00	Pr>z = 0.5009

5.3.2 Assumption of Non-normality

Except the equidispersion assumption, NB regression follows the other assumptions of Poisson regression (Allison, 1999). NB regression assumes the outcome variable has a skewed, rather than normal, distribution (Hutchinson & Holtman, 2005). A histogram depiction of the count outcome variable was used to check the distribution of the outcome variable.

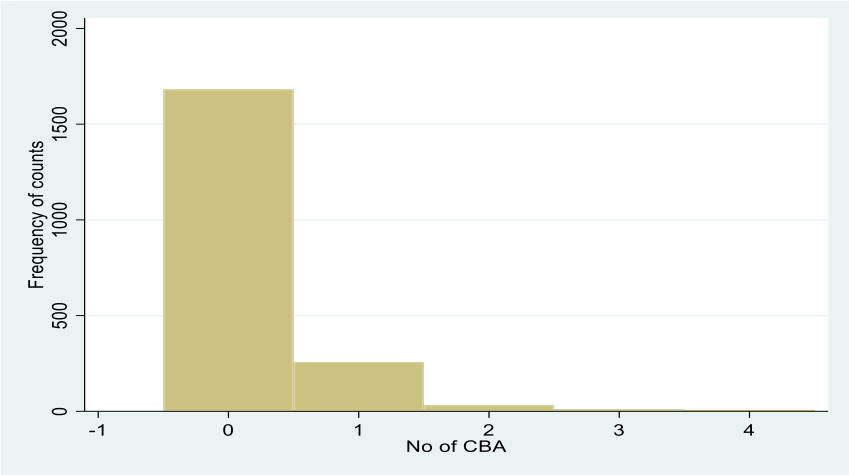

Figure 5.1 Histogram Depiction of Count Dependent Variable.

Figure 5.1 shows that the distribution of the outcome variable is highly skewed with many non-zero count observations. With a highly right-skewed outcome variable, this assumption of non-normality is sustained and makes other models based on normal distribution inappropriate.

The study then assessed the shape of the distribution of each variable through Shapiro-Wilk test. The Stata 15 command swilk performs the Shapiro-Wilk test where a significant result ($p \leq 0.05$) indicates a deviation from normality (Field, 2009). From the findings of the Shapiro-Wilk test, presented in Figure 5.4, it is evident that the null hypothesis is rejected for all the variables. Therefore, all the variables show a non-normal distribution of data. However, providing significant results even for unimportant deviations from normality raises concern around its efficiency to handle a large sample (N>100) (Field, 2009). Hence, a graphical method – drawing a Q-Q plot for each variable was drawn to support the Shapiro-Wilk test.

Plotting expected values through a straight line, the Q-Q chart plots the observed values as individual points. An individual point's deviation from the straight line is an indication of non-normality. After drawing the Q-Q plot, it was found that the data were not normal. It confirms data non-normality, as the observed values deviate substantially from the expected values. Therefore, both the Shapiro-Wilk test and the Q-Q plot provide consistent results regarding non-normal distribution of the data.

Table 5.4 Shapiro-Wilk W Test

Variable	Obs	W	V	z	Prob>z
No of CBA	1,986	0.925	88.037	11.387	0
Inward Internationalisation	1,986	0.833	197.252	13.439	0
Family Ownership	1,886	0.957	47.82	9.817	0
DI Ownership	1,885	0.84	180.01	13.181	0
FI Ownership	1,883	0.854	163.995	12.944	0
DC Ownership	1,977	0.758	284.472	14.368	0
FC Ownership	1,977	0.589	482.052	15.709	0
Prior Acquisition Exp	1,986	0.862	162.923	12.953	0
Firm Age	1,968	0.739	304.935	14.542	0
Firm Size	1,932	0.199	920.31	17.338	0
R&D Intensity	1,986	0.397	710.42	16.698	0
Prior Firm Performance	1,947	0.05	1099.711	17.796	0
Financial Slack	1,947	0.128	1008.978	17.577	0
Board Size	1,919	0.985	17.615	7.286	0
Board Independence	1,918	0.977	25.965	8.272	0

The normality assumption is often not satisfied in practice and is not severe unless the sample size is really small (Field, 2009; Hayes, 2017). Besides, the detrimental effect of non-normality is usually diminished in a large sample data set. Violation of normality is unlikely to affect the study due to the type of regression used. This study used NB regression which is designed to accommodate non-normality in the data (Greene, Costa, & Dellinger, 2011).

5.3.3 Assumption of Heteroskedasticity

It is quite common for the count outcome variable to exhibit heteroskedasticity. The Breusch-Pagan test was conducted to check the heteroskedasticity among the independent and control variables. For the Breusch-Pagan test, a significant test result ($p < .05$) indicates there is a

heteroskedasticity problem in the data. The test results show p-values that are highly significant (χ2= 294.28, Prob> χ2= 0.0000) and indicate presence of Heteroskedasticity. In this regard, robust standard error was used to address the heteroskedasticity.

5.3.4 Assumption of Linearity

NB regression as a member of GLM family holds a specific property which states there is a form of the NB regression equation that is in linear. The Box and Tidwell (1962) procedure was used to check the linearity assumption of the count regression. Following Field (2009), this study conducted a regression including all predictors and interaction terms in the equation. Table 5.5 presents the regression output of the interaction terms between continuous predictors and their respective natural log transformed (LN) variables. To meet the linearity assumption, insignificant interaction terms are expected, as significant interaction terms indicate the presence of a nonlinear relationship. It is recommended to apply the Bonferroni correction to interpret regression terms while assessing linearity (Tabachnick et al., 2007). The Bonferroni correction, a multiple-comparison correction, calculates a critical value by dividing the preferred p-value (like 0.05) with all the terms in the model including the intercept. Hence, the newly calculated critical value is used to check the significance of each test instead of using .05 as the critical value for significance.

This study conducted the following steps to calculate Bonferroni correction (Field, 2009). First, all the terms in the model were counted. There were 23 terms including the intercept in the study model. Then the p-value, the preferred level of the statistical significance, was divided by the number of terms in the model to get the new statistical significance. The preferred p-value cut-off was 0.05 for this study and hence after calculation the next level of statistical significance was $p < 0.0022$ (.05/23 = 0.002173). After applying a Bonferroni correction, the statistical significance of each test was only accepted when $p < 0.0022$. Based on the new level of statistical significance it was found that none of the interaction terms have p-values below 0.0022. Hence, it was conferred that all continuous independent variables were linearly related to the outcome variable and satisfied the linearity assumption.

Table 5.5 Linearity Assumption Test

Variables	Coef.	Std. Err.	P>z
Inward Internationalisation * LN Inward Internationalisation	-0.1018	0.092615	0.272
DI Ownership * LN DI Ownership	0.002482	0.00305	0.416
FI Ownership * LN FI Ownership	0.00514	0.002249	0.022
Family Ownership * LN Family Ownership	0.000643	0.00106	0.544
DC Ownership * LN DC Ownership	-0.00099	0.003044	0.744
FC Ownership * LN FC Ownership	-0.00518	0.006242	0.406

5.3.5 Assumption of Multicollinearity

The VIF was used to test collinearity among the variables. This study conducted a regression followed by a VIF command to check for the presence of collinearity. The acceptable cut-off point is VIF < 10. The results presented in Table 5.6 show that all the variables have VIF values far below the acceptable cut-off point. Hence, this study shows no signs of multicollinearity.

Apart from VIF, another simple form of identifying collinearity among predictor variables is the correlation coefficient matrix. Table 5.8 exhibits the Pearson's correlation coefficient of all the variables included in the data set and their level of statistical significance. The magnitude of Pearson's correlation coefficient conveys the strength of association, therefore a high correlation between any pair of variables is a sign of collinearity. The correlation coefficient value generally falls between the range of -1 to +1, though any coefficient value above $\pm$0.5 usually means a strong correlation (Cohen et al., 2014). All the correlation coefficients in Table 5.5 are below the threshold of $\pm$ 0.5 and show no sign of multicollinearity.

Table 5.6 Multicollinearity Assumption Test

Variable	VIF	1/VIF
Firm Size	2.22	0.451
DI Ownership	1.52	0.657
Board Size	1.52	0.657
Inward Internationalisation	1.32	0.756
Prior Firm Performance	1.27	0.788
Firm Age	1.25	0.800
Financial Slack	1.25	0.800
FI Ownership	1.2	0.833
Family Ownership	1.2	0.835
Prior Acquisition Exp	1.16	0.860
DC Ownership	1.15	0.870
Board Independence	1.11	0.899
CEO In'l Education	1.09	0.917
CEO Duality	1.07	0.936
R&D intensity	1.06	0.946
FC Ownership	1.04	0.960
Mean VIF	1.28	

Table 5.7 shows the descriptive statistics of ownership variables. Stata software requires complete firm-year spells for analysis. It automatically detects incomplete firm-year spells, removes those and continues analysis with complete firm-year spells only. The ownership variables are continuous in nature and their values vary from zero to 100%. Except family ownership, other ownership variables account for only a small percentage of the shares of listed firms (see Table 5.7). DI, FI, DC and FC have 7.22%, 7.13%, 7.21%, and 1.19% of ownership respectively in the listed firms. Although the ownership categories show significant variation across the group, such variation is not uncommon in the perspective of India. Similar studies on Indian ownership structure also shows similar variation across the group the ownership groups (Douma et al., 2006; Singh & Gaur, 2013; Singla et al., 2017).

The panel of this study has 1675 observations. In the sample, 1468 observations have DI shareholding. The mean (median) value of the sub sample is 8.23%. Similarly, 1084 observations have FI shareholding. The mean (median) value of the sub sample is 11.02%. Although FI owners show holding a small percentage of ownership, they are seen as significant drivers of market sentiment and hold a substantial proportion of the large and liquid stocks on the stock exchange (Douma et al., 2006). FIs account for 50 percent of the ‘free float in most big stocks while constituted barely 5% of the market capitalization (as of January 2000)

(Banaji, 2000). Next, 1613 observations have DC shareholding. The mean (median) value of the sub sample is 7.48%. Lastly, only 418 observations have FC shareholding. The mean (median) value of the sub sample is 4.76%.

Table 5.7 Descriptive statistics (Ownership Variable)

Variable	**Mean**	**Std. Dev.**	**Min**	**Max**
Family	32.48519	24.28862	0	90.49
Domestic Institutional	7.223294	8.450721	0	61.95
Domestic Corporate	7.2104	8.359372	0	67.99
Foreign Institutional	7.131965	10.5747	0	69.74
Foreign Corporate	1.195331	4.071468	0	50.77

Table 5.8 Pairwise Correlations

Variables	Mean	Std.Dev.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) No of CBA	0.185	0.488	1							
(2) Inward Internationalisation	0.213	0.467	0.039	1						
(3) Family Ownership	32.485	24.289	0.002	-0.065*	1					
(4) DI Ownership	7.223	8.451	0.072*	0.264*	-0.217*	1				
(5) FI Ownership	7.132	10.575	0.071*	0.106*	0.067*	0.g138*	1			
(6) DC Ownership	7.21	8.359	-0.001	-0.138*	-0.065*	-0.168*	-0.127*	1		
(7) FC Ownership	1.195	4.071	0.014	0.008	0.019	-0.084*	0.018	-0.015	1	
(8) Prior Acquisition Exp	0.471	0.492	-0.035	0.188*	-0.265*	0.072*	-0.092*	-0.087*	-0.073*	1
(9) Firm Age	3.234	0.653	-0.012	0.252*	-0.157*	0.326*	-0.009	-0.062*	-0.075*	0.152*
(10) Firm Size	6.548	2.312	0.092*	0.433*	-0.162*	0.485*	0.298*	-0.192*	0.002	0.181*
(11) R&D intensity	0.002	0.012	0.015	0.103*	0.031	0.051	0.067*	-0.046	-0.01	-0.046
(12) Prior Firm Performance	3.515	86.612	0.023	0.026	0.122*	0.069*	0.141*	-0.035	-0.007	-0.063*
(13) Financial Slack	0.472	0.5	-0.058	-0.098*	0.069*	0.04	0.00	0.048	0.04	-0.057
(14) CEO Duality	0.353	0.478	-0.023	0.006	0.060*	-0.092*	0.026	0.062*	0.02	0.003
(15) Board Size	2.232	0.306	0.058	0.275*	-0.108*	0.336*	0.242*	-0.198*	0.049	0.098*
(16) Board Independence	0.426	0.077	0.052	-0.009	0.106*	0.031	0.056	0.028	0.045	0.044
(17) CEO In'l Education	0.354	0.478	0.064*	0.073*	0.009	0.180*	0.006	-0.095*	-0.046	0.086*

Variables	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(9) Firm Age	1								
(10) Firm Size	0.351*	1							
(11) R&D intensity	0.058	0.072*	1						
(12) Prior Firm Performance	0.113*	0.220*	0.012	1					
(13) Financial Slack	-0.017	0.128*	-0.019	-0.009	1				
(14) CEO Duality	-0.035	-0.060*	0.117*	0.009	-0.008	1			
(15) Board Size	0.266*	0.538*	0.028	0.073*	0.032	-0.141*	1		
(16) Board Independence	-0.055	-0.089*	0.112*	-0.018	-0.058	0.137*	-0.099*	1	
(17) CEO In'l Education	0.165*	0.113*	0.061*	0.025	-0.084*	-0.003	0.117*	0.111*	1

*shows significance at the .01 level

5.4 Main Regression Analysis

In this study, the dependent variable, number of Cross Border Acquisitions (CBA) was a count variable that sums the number of CBAs made by Indian Multinational Enterprises (MNEs) each year. Data on CBAs by each firm were also aggregated by year to formulate a panel dataset. Considering the discrete and panel nature of the data, NB regression was used to estimate the number of CBAs. Stata version 15.1 was used to conduct the estimation by running the xtnbreg command. The panel (xtset) was prepared by MNE name year, yearly.

5.4.1 Two-Stage Heckman Test Models

International Business (IB) researchers often encounter with interesting IB phenomena whereby the sample is non-randomly selected. For instance, it is a firm's choice or circumstantial decision whether to become a MNE, to choose a particular entry strategy, to locate in a specific host country or to remain domestic during its business expansion phase. Therefore, IB researchers, in the absence of randomized samples, focus on observational data and standard regression techniques to make inferences about such an IB phenomenon. It provides an inaccurate estimate since both the included and precluded variables may have impact on the selection of sample and subsequent effect on the dependent variable of interest (Sartori, 2003). This is known as sample selection bias. This study relied on observational data, similarly, faced the challenge of using a sample of non-randomly selected MNEs. This sample selection bias may provide an inaccurate estimate if not treated properly. A significant number of IB scholars adopt the Heckman test to resolve the selection bias (Dastidar, 2009; Tuschke, Sanders, & Hernandez, 2014).

Heckman (1979) developed a method known as the two-step test. The first step, referred to as the selection equation, estimates the probability of an observation being included in the sample with a probit regression. The probit model then calculates a selection parameter, the Inverse Mills Ratio (IMR) or Heckman's lambda. The second stage, referred to as the outcome equation, predicts the ultimate dependent variable using an OLS regression and the selection parameter from the selection equation. Under the Heckman method, the selection model includes at least one variable that does not appear in the outcome equation (Sartori, 2003). Ideally, these variables influence an observation's propensity to be include in the sample, but do not influence the outcome variable.

The study sample includes 369 CBAs undertaken by 205 public listed firms listed on BSE, hence precluding CBAs performed by privately held firms, unlisted public firms, and subsidiaries of foreign MNEs. Public listed firms show better reliability of data belonging to share ownership. These firms also fulfill more stringent criteria on disclosure and audit. Most of the previous studies on ownership structure of India have used firms listed in BSE as a basis to construct their samples, regardless ownership structure is being examined in relation to internationalisation (Gaur & Delios, 2015; Panicker et al., 2019), R&D investment (Singh & Gaur, 2013) or firm performance (Douma et al., 2006; George & Kabir, 2012). This also helps to compare our study findings with those of similar previous studies (Singla et al., 2017).

Considering CBA by listed firms only can cause potential selection bias. Essentially, the study only observed the CBA when a public firm was involved in the deal, while ignoring the "counterfactual outcome" when no public firms were involved. However, unlisted private and public companies having family and FI ownership also undertake CBA for their international expansion. In addition, public and private firms may differ in their motives and capabilities to participate in CBAs (Lu, Liu, & Wang, 2011; Maksimovic, Phillips, & Yang, 2013). Although the study does not intend to generalize the finding to all the MNEs regardless of their nature, a two-step Heckman test was performed to check the endogenous sample selection issue.

Since the study observed the MNEs' CBAs decision conditional on the deal done by a listed public firm, a probit model was used in the selection equation to estimate the likelihood of a CBA deal done by a listed firm. The probit model requires the dependent/outcome variable to be binary, hence the study created a dummy dependent variable that equals one if the CBA deal is done by a listed firm, and zero if otherwise. To run the Heckman selection estimation, a control group containing all CBAs done by private & unlisted public firms from 2009-2017 was obtained from the Thompson Reuters' SDC Merger & Acquisition (M&A) database. The control group, consisting of 330 observation done by 210 firms, was then merged with the existing sample.

The instrumental variables included in the selection model were domestic credit to private sector (PS), depth of credit information index (CII), domestic credit provided by financial sector (FS) and interest rate. The rationale behind using these variables was that financial factors differently affect public and private firms in their acquisition decisions (Maksimovic et al., 2013). Access to public financial markets provides public firms capacity

to finance their investment through external long-term capital (de Albornoz & Pope, 2004). On the contrary, in the absence of public financing, private firms rely on other external short-term capital options to finance their investment such as borrowing from bank, or financial intermediaries (Brav, 2009). Therefore, financial settings such as the availability of borrowing choices, conditions and limits predict the likelihood of a private or public firm's acquisition decision.

After running the probit regression with the instrumental variables, IMR (or Heckman's lambda) was obtained. The IMR was later inserted in the outcome to adjust the standard error prescribed by Greene (2003). This study used the Heckman command available in Stata 15 to run the two-step test. The result of selection models (first stage estimation) is included at the bottom of the regression results presented in Table 5.8. The selection model shows that 3 among the 4 included instrumental variables are statistically significant. Further, Table 5.9 shows an insignificant Heckman's Lambda indicating that sample selection does not appear to be an issue. Although Heckman's two-step test addresses the sample selection concern, measures need to be taken to address the potential endogeneity issues between ownership structure and CBA decisions. Additional robustness tests, namely period averaged regression and the usage of alternate proxies, were conducted and are explained in section 5.5.

5.4.2 Hausman Test for the Selection of Fixed vs Random-Effects Model

This study used the panel estimation technique, which helps to control unobserved firm-level heterogeneity and resulting biased parameter estimates (Greene, 2003). Panel estimation also allows the estimation of the Fixed Effect (FE) and Random Effect (RE) in the sample. RE assumes that unobserved heterogeneity is uncorrelated with observed covariates while FE allows the unobserved heterogeneity to be freely correlated with the time-varying covariates (Wooldridge, 2005). The choice between FE and RE is always debateable. In some cases, the choice will follow researcher's theoretical model or application-specific assumptions underlying either model (Clark & Linzer, 2015).

Theoretically, the fixed effect model is required to capture the causes of changes within a firm. This model has limitations in investigating time-invariant causes of the dependent variable. Time-invariant variables are perfectly collinear with each firm over time. Further, the constant nature of such variables cannot cause changes within a firm. The predictor variables of this study, inward internationalisation and ownership structure, are substantially different

across firms. The fixed effect model is a more theoretically justifiable and empirically conservative approach for investigating such in-group variations (Greene, 1995).

The fixed effect approach also controls for unobserved firm heterogeneity. Controlling the unobserved effects can limit bias in the estimated coefficients of a cross-sectional regression caused by the correlation between observed and unobserved firm specific effects (Himmelberg, Hubbard, & Palia, 1999). In particular, studies incorporating ownership variables are better estimated with a fixed effect panel regression model as it mitigates the potential spurious correlation between ownership and other firm-specific characteristics (e.g., possession of inward internationalisation) arising from unobserved heterogeneity across firms (e.g., variation in inter-company absorptive capacity and industry factor) (Zou & Adams, 2008). Hence, NB regression was estimated with a fixed effect model.

Statistically, to choose between the RE and FE models, IB scholars usually use the standard Hausman test (Hausman, 1978). The Hausman specification test uses a Wald test to compare the parameter estimators of the FE and RE models (Wooldridge, 2010). If the test has a significant result ($p < 0.05$), it indicates a rejection of the null hypothesis that the conditional mean of the disturbances given the regressors is zero and indicates the appropriateness of FE model for the data over RE.

Using the Hausman command in Stata, this study conducted a Hausman test to check whether the FE or RE model fits the data better. The test result was significant ($\chi2=207.66$, $p < 0.001$) suggesting that the FE model is appropriate for the study data. Based on the Hausman specification, the reported results presented in the later part of the study used the FE model.

5.4.3 Results of the Negative Binomial Regression

Table 5.9 presents the results of the NB regression for the outcome variable - number of CBAs. This study adds various variables incrementally in the regression model. For instance, the independent variables and all the interaction terms were examined through their incremental addition in subsequent models to test their impact on the outcome variable. The first model (Model 1), containing only the control variables, examined the direct impact of the control variables. The main independent variable, inward Internationalisation, was next introduced in Model 2. While in the subsequent models, Model 3 (family + institutional ownership variables) – Model 4 (corporate ownership variables), corporate governance related variables of interest were added incrementally. The final model, Model 5, was calculated incorporating all the

variables of interest at the same time. The results of Heckman selection model are also included in Table 5.9.

5.4.3.1 H_1: The Effect of Inward Internalisation

Hypothesis H_1 predicted that firm inward internationalisation increases EMNEs' likelihood to conduct CBAs. Model 2 in Table 5.9 shows that the effect of inward internationalisation is positive and significant at the $p<0.01$ level with a regression coefficient of $\beta = 1.316$. Similarly, the final model (Model 5) also indicates the positive and significant ($\beta = 1.334$, $p < 0.05$) effect of inward Internationalisation. It indicates that the difference in the logs of expected CBAs increase by 1.316 units with a unit increase in inward internationalisation, when other variables of the model are held constant. Overall, hypothesis H_1 was well supported all through the models presented in Table 5.9.

Table 5.9 Results of Main Negative Binomial Regression

Variables	(1) No of CBA	(2) No of CBA	(3) No of CBA	(4) No of CBA	(5) No of CBA
Inward Internationalisation		1.316**	1.287*	1.314**	1.334*
		(0.452)	(0.505)	(0.477)	(0.527)
Family Ownership			0.001		0.001
			(0.005)		(0.005)
DI Ownership			0.024†		0.025†
			(0.013)		(0.013)
FI Ownership			-0.001		-0.000
			(0.009)		(0.009)
Inward Internationalisation * Family Ownership			-0.213*		-0.216*
			(0.091)		(0.091)
Inward Internationalisation * DI Ownership			-0.148		-0.158
			(0.103)		(0.104)
Inward Internationalisation * FI Ownership			0.169*		0.166*
			(0.082)		(0.083)
DC Ownership				-0.002	-0.001
				(0.013)	(0.014)
FC Ownership				0.010	0.017
				(0.021)	(0.022)
Inward Internationalisation * DC Ownership				0.001	0.020
				(0.159)	(0.161)
Inward Internationalisation * FC Ownership				-0.008	-0.021
				(0.083)	(0.084)

Prior Acquisition Exp		-1.950***	-2.026***	-1.951***	-2.028***
	(0.181)	(0.192)	(0.209)	(0.192)	(0.208)
Firm Age	1.711**	1.785**	1.804**	1.821**	1.885**
	(0.621)	(0.626)	(0.689)	(0.632)	(0.700)
Firm Size	0.484**	0.448**	0.436**	0.453**	0.441**
	(0.173)	(0.163)	(0.169)	(0.162)	(0.168)
R&D Intensity	-22.474†	-18.156†	-20.675†	-18.080†	-20.449†
	(11.717)	(10.847)	(11.231)	(10.833)	(11.182)
Financial Slack	-0.304	-0.299	-0.386	-0.308	-0.403
	(0.273)	(0.268)	(0.278)	(0.269)	(0.280)
Prior Firm Performance	0.006	0.005	0.005	0.005	0.005
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
CEO Duality	-0.474	-0.446	-0.570†	-0.454	-0.581†
	(0.306)	(0.298)	(0.309)	(0.298)	(0.309)
Board Independence	0.813	0.680	-1.775***	0.676	-0.323
	(1.284)	(1.296)	(1.377)	(1.297)	(1.377)
Board Size	0.857†	0.887†	0.732	0.890†	0.732
	(0.508)	(0.501)	(0.518)	(0.502)	(0.520)
CEO In'l Education	0.464†	0.505*	0.606*	0.515*	0.626*
	(0.254)	(0.256)	(0.269)	(0.257)	(0.269)
Inverse Mills Ratio	0.067	0.024	0.114	0.030	0.115
	(0.626)	(0.623)	(0.646)	(0.624)	(0.646)
Constant	-8.242***	-8.154***	-7.269**	-8.230***	-7.436**
	(2.195)	(2.190)	(2.408)	(2.206)	(2.464)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Selection Models

First stage estimation (DV= Probability of conducting a CBA by listed public company)

Domestic Credit to PS	-0.165***	-0.165***	-0.165***	-0.165***	-0.165***
	(0.030)	(0.030)	(0.031)	(0.030)	(0.031)
Depth of CII	-0.004	-0.004	-0.002	-0.004	-0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Domestic Credit by FS	0.189***	0.189***	0.188***	0.189***	0.188***
	(0.021)	(0.021)	(0.021)	(0.021)	(0.021)
Interest Rate	-0.208**	-0.208**	-0.202**	-0.208**	-0.202**
	(0.078)	(0.078)	(0.078)	(0.078)	(0.078)
Constant	-4.207***	-4.207***	-4.219***	-4.207***	-4.219***
	(0.885)	(0.885)	(0.894)	(0.885)	(0.894)

Standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

5.4.3.2 H_2: The Moderating Effect of Family Ownership

Model 3 in Table 5.9 also examined H_2 that predicted that Family Ownership concentration weakens the effect of inward internationalisation on CBA. The result of Model 3 shows that the effect of family ownership is negative and significant at the $p < 0.05$ level with a regression coefficient of $\beta = -0.213$. Similarly, the final model (Model 5) also indicates the negative and significant ($\beta = -0.216$, $p < 0.05$) effect of family ownership concentration. It indicates that the difference in the logs of expected CBAs decrease by 0.213 units with a unit increase in family ownership concentration, when other variables of the model are held constant. Therefore, H_2 was supported.

To understand the nature of the moderating impact of family ownership, the study plotted the significant negative interaction effect by using the marginsplot command in Stata 15.1. The interacting variables were plotted following the conventional rule of mean $\pm$ 1 standard deviation level (Cohen et al., 2014). It can be observed in Figure 5.2, at high inward internationalisation level (+ standard deviation), the number of CBAs is greater when the firm has low family ownership. More specifically, at high inward internationalisation levels (+ standard deviation), firms with low family ownership will conduct more CBA than firms with high family ownership. Moreover, the dashed line for low family ownership is steeper compared to the solid line for high family ownership. This suggest that the positive relationship between inward internationalisation and the number of CBAs is more prevalent when family ownership is low. Thus, firms with high family ownership are less motivated to conduct CBAs given that the firm has high inward internationalisation experience.

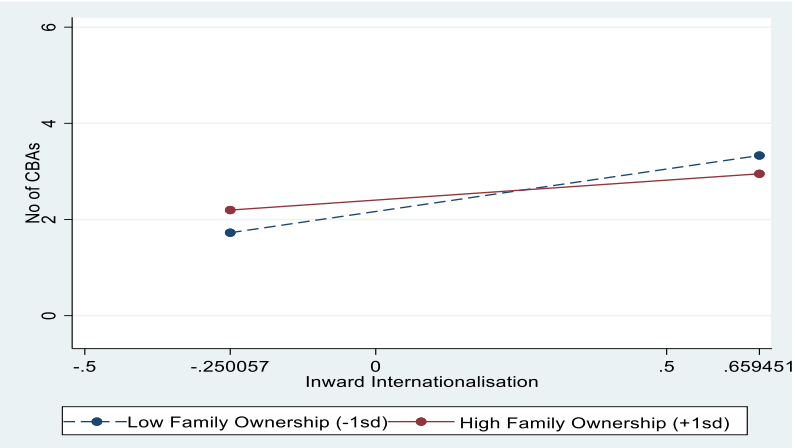

Figure 5.2 The Moderating Effect of Family Ownership on the Relationship between Inward Internationalisation and Number of CBAs.

5.4.3.3 H_3: The Moderating Effect of Domestic Institutional (DI) Ownership

H_3 predicted that Domestic Institutional (DI) Ownership weakens the effect of inward Internationalisation on CBA. The results shown by the Model 3 and Model 5 in table 5.9 state that the DI effect was not supported in both models with $\beta = -.148$, $p > 0.1$ and $\beta = -.158$, $p > 0.1$ respectively. Therefore, H_3 was not supported.

5.4.3.4 H_4: The Moderating Effect of Foreign Institutional (FI) Ownership

Model 3 in Table 5.9 also examined H_4 that predicted that Foreign Institutional (FI) Ownership strengthens the effect of inward Internationalisation on CBA. Result on Model 3 shows that the effect of FI ownership is positive and significant at the $p < 0.05$ level with a regression coefficient of $\beta = 0.169$. Similarly, the final model (Model 5) also indicates the positive and significant ($\beta = 0.166$, $p < 0.05$) effect of FI. It indicates that the difference in the logs of expected CBAs increase by 0.169 units with a unit increase in FI concentration, when other variables of the model are held constant. Therefore, H_4 was supported.

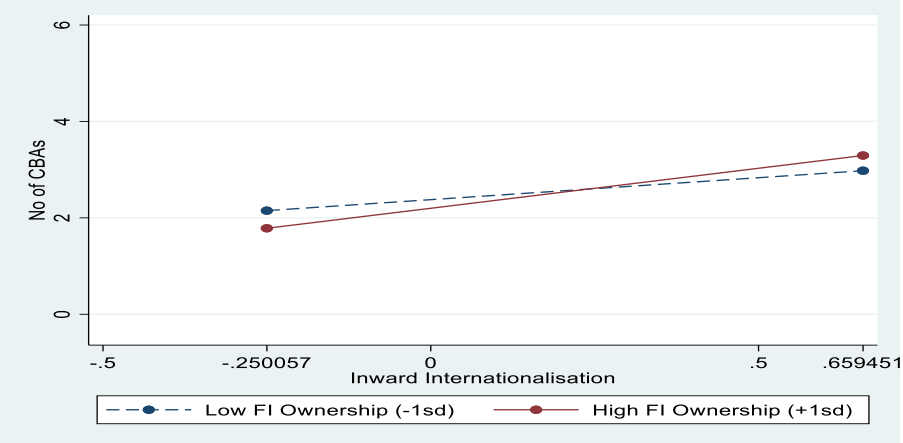

Figure 5.3 The Moderating Effect of FI Ownership on the Relationship between Inward Internationalisation and Number of CBAs.

Figure 5.3 displays the positive interaction effect of FI ownership on the relationship between inward internationalisation and number of CBAs. It can be observed that, at high inward internationalisation level (+ standard deviation), the number of CBAs is greater when the firm has high FI ownership. Besides, the slope of the line for high FI ownership is steeper than the one at low FI ownership. This suggests the positive coefficient of FI ownership interaction term and shows that the number of CBAs increases as the firm gains higher inward internationalisation experience. Therefore, the graph explicitly concludes that FI ownership increases the impact of inward internationalisation on number of CBA.

5.4.3.5 H_5: The Moderating Effect of Domestic Corporate (DC) Ownership

H_5 predicted that Domestic Corporate (DC) ownership weakens the effect of inward Internationalisation on CBA. The results shown by Model 4 and Model 5 in Table 5.9 state that the effect was not supported in both models with $\beta = .001$, $p > 0.1$ and $\beta = .020$, $p > 0.1$ respectively. Therefore, H_5 was not supported.

5.4.3.6 H_6: The effect of Foreign Corporate (FC) Ownership

H_6 predicted that Foreign Corporate (FC) Ownership strengthens the effect of inward Internationalisation on CBA. The results shown by Model 4 and Model 5 in Table 5.9 state that the effect was not supported in both models with $\beta = -0.008$, $p > 0.1$ and $\beta = -0.021$, $p > 0.1$, respectively. Therefore, H_6 was not supported.

5.4.4 Control Variables

Model 1 shows the effect of control variables in Table 5.9. The following control variables had a significant influence: Prior acquisition experience ($\beta = -1.775$, $p < 0.001$), firm age ($\beta = 1.711$, $p < 0.01$), firm size ($\beta = 0.484$, $p < 0.01$), R&D intensity ($\beta = -22.474$, $p < 0.1$), board size ($\beta = 0.857$, $p < 0.1$) and CEO international education ($\beta = 0.464$, $p < 0.1$). The control variables with significant coefficient showing the expected effect except the prior acquisition experience. Other control variables such as, prior firm performance had positive coefficient. Firm size and financial slack had a negative coefficient, but all were statistically insignificant.

5.4.5 Evaluations of NB Regression Models

This section discusses the model fit tests to understand and check the soundness of the methods used to model the data. The performance of a regression model depends on its model fit as "A model is only as good as the results of its fit statistics." (Hilbe, 2011, p. 64). Goodness of fit tests are used in detecting specification errors in a model and comparing among models. Both traditional and information criteria fit tests are used to check the model fit. Three traditional goodness of fit models, namely R-squared and pseudo-R squared goodness-of-fit tests, deviance goodness-of-fit test, and the likelihood-based test have been associated with the members of Generalized Linear Models (GLM) family, where the first one is an overall model evaluation test and the latter twos are comparative model evaluation tests. R squared measure was initially developed to check the goodness of fit of linear regression models with

homoscedastic errors. R squared measures are rarely reported for count data by statistical package (Cameron & Windmeijer, 1996) or in prior empirical studies (Kim, Arthurs, Sahaym, & Cullen, 2013; Soh, 2010). As I have used negative binomial regression for count data which is a non-linear regressing, the statistical package (Stata) provides $\chi 2$ estimate rather than R squared values. Comparative in nature, similarly, two main types of Information criteria fit models are the Akaike Information Criterion (AIC), and the Bayesian Information Criterion (BIC). Both measures are based on penalized-likelihood criteria with different sets of asymptotic assumptions. AIC is derived from information theory whereas; BIC is derived from Bayesian grounds (Hilbe, 2011).

This study used various goodness-of-fit statistics to compare and validate the suitability of the final model. Two standard likelihood-based tests, the Wald $\chi 2$ and the likelihood Ratio (LR) test, based on likelihood of the models being compared, were used to assess the incremental addition of variables in the models. The log likelihood (i.e., the log of the likelihood) value, in Table 5.10, displays improved value from Model 1 (540.623) to Model 5 (509.630). Always negative, the log likelihood value indicates the higher value model as the better fitting model. The Wald $\chi 2$, which requires at least one model to run, estimates the significance of individual predictors to a model. This value contains the p-values associated with the predictors present in the model and the significance of the p-value indicates the better model fit. The Wald $\chi 2$ value is higher in the final model (127.82) compared to the baseline model (114.44) with statistically significant p-values all through the models.

It explains that the incremental addition of variables results in a statistically significant improvement in the fit of the model. Although the results from both tests are comparable (Long & Freese, 2006), the LR test is superior to a Wald $\chi 2$ to check the model fit of the final model. The model fit means that the final model is significantly better in predicting the occurrence of the outcome variable than the baseline model. A LR test was conducted between Model 1 and Model 5 that gives an LR test statistic of 61.99, with 23 degrees of freedom and an associated p-value ($p < .005$). This indicates the final model- Model 5 is the better model with addition of statistically significant predictors.

Table 5.10 Evaluations of NB regression models

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Wald $\chi 2$	114.44	120.89	126.30	121.94	127.82
Log likelihood	-540.623	-536.671	-509.970	- 536.549	-509.630
AIC	1105.246	1099.341	1057.941	1107.099	1065.26

In addition to the above, AIC statistics were also used to check model fit. The Akaike information criterion (AIC), introduced by Akaike (1974), compares the quality of the statistical models to each other and ranks them from best to worst. A lower AIC value indicates a better model. In Table 5.9, the AIC statistics for Model 1 (1105.246) are comparatively higher than Model 5 (1065.26). All these models have a lower AIC than Model 1 which shows a better fit and indicates an increase in the explanatory power of the final model by introducing additional variables.

5.5 Sensitivity and Robustness Tests

To check the robustness of the findings several post hoc analyses were conducted. First, a fixed effect NB model was adopted based on Hausman (1978) specification test which was strongly significant indicating the suitability of the fixed effect model for this analysis. It is to be mentioned that software Stata's xtnbreg procedure requires "fixed effects" and "random effects" to be applied to the distribution of the dispersion parameter rather than to the xB term in the model (Stata Press, 2019: 319). Thus this study, as part of a robustness check, conducted a fixed-effect Poisson regression, which showed the consistency of the hypothesized effect with a low level of significance. The result of the fixed-effect Poisson regression is presented in Model 6 (Table 5.11).

Second, Allison and Waterman (2002) argue that the NB model with fixed effect specification fails to capture all firm specific effects. To address this concern of unobserved firm-level heterogeneity, this study adopted a Pre-Sample Mean (PSM) estimator proposed by (Blundell, Griffith, & Reenen, 1995). According to Blundell et al. (1995) who initially applied this estimator on innovation activities, the main source of unobserved heterogeneity in innovation models is the different level of knowledge with which firms enter a sample. They further add that a variable which captures the accumulated firm knowledge upon entry into the sample, is a good control for unobserved heterogeneity.

The presample information approach is used to control unobserved heterogeneity in firm CBA activity (Shi, Zhang, & Hoskisson, 2017), firm patenting (Schilling & Phelps, 2007) in previous literature. Under this approach a firm specific variable was included in the negative binomial regression. The variable, named Presample CBA mean, was calculated taking the averages of the number of CBAs undertaken by an Indian MNE in the nine years prior to its entry in the sample. This variable measures entry CBA knowledge stock of each firm that exists prior to the sample period. The presample period was chosen from 1999-2007 as large presample periods are required to provide a consistent presample mean estimator. Besides, control of pre-sample acquisition activity also helps to mitigate time-invariant firm heterogeneity bias in the regression. The results of Model 7 (Table 5.11) were consistent with the findings reported.

Third, apart from using 1-year time lagged variables in the main regression, as part of the robustness check this study also used period averaged variables. A regression analysis was rerun on 3-yearly and 5-yearly moving averaged variables and the results are presented in Table 5.12. The result of 3-yearly moving averaged regression analysis (Model 8) is similar to the result showed in Model 5, with low levels of significance, except for the impact of foreign institutional ownership. Similarly, the 5-yearly moving averaged regression result (Model 9) shows similar results. The only exception is inward internationalisation which is significant with lower levels of significance. This is due to a larger time lag, which indicates that the impact of inward Internationalisation on firms' Internationalisation decisions becomes weaker in the long run relative to the short term as a whole.

Fourth, alternate proxies for some control variables were also used to ensure the robustness of the findings. Total assets and Return of Equity (ROE) were used to alternatively measure Firm size and Prior firm performance respectively. Then, the regression analysis was rerun with the alternate variables. The results reported in Models 10 and 11, in Table 5.12, remain qualitatively similar with all the hypothesized effects.

Fifth, another issue that requires the robustness test is the endogeneity issue related to foreign institutional ownership. Scholars raised concerns about the existence of causality between foreign institutional ownership and internationalisation (Kim & Yi, 2009; Tihanyi et al., 2003). Foreign institutional investors increase firms' likelihood of conducting CBA, an internationalisation strategy, through moderating their goal and risk taking intentionality. On the other hand, foreign investors may be attracted to those firms who have greater motivation

and risk taking intention for Internationalisation. Since it is relatively difficult to get data on firm level motivation and intentions, it is possible that foreign investors consider firms' foreign presence to check their intentions and make investment decisions based on that. Such situation make this foreign institutional ownership and CBAs decision endogeneous in nature. Although this study used a panel structure with lags that eliminates the causality concern; further a two-step Heckman approach (Heckman, 1979) was employed to check whether foreign institutional owners' endogeneous nature were influencing the results.

Table 5.11 Fixed-effect poisson and fixed-effect NB regression with pre-sample Mean

Variables	(6) No of CBA	(7) No of CBA
Inward Internationalisation	1.281*	1.158*
	-0.512	-0.539
Family Ownership	0.001	0.001
	-0.005	-0.005
DI Ownership	0.027*	0.027*
	-0.013	-0.013
FI Ownership	0.001	-0.002
	-0.009	-0.009
DC Ownership	-0.005	-0.003
	-0.015	-0.015
FC Ownership	0.019	0.024
	-0.022	-0.021
Inward Internationalisation * Family Ownership	-0.205*	-0.228*
	-0.091	-0.091
Inward Internationalisation * DI Ownership	-0.163	-0.172
	-0.103	-0.105
Inward Internationalisation * FI Ownership	0.153†	0.179*
	-0.082	-0.083
Inward Internationalisation * DC Ownership	0.041	0.039
	-0.162	-0.161
Inward Internationalisation * FC Ownership	-0.031	-0.031
	-0.084	-0.083
Prior Acquisition Exp	-1.999***	-2.028***
	-0.201	-0.211
Firm Age	1.788*	1.728*
	-0.791	-0.682
Firm Size	0.560**	0.541***
	-0.172	-0.161
R&D Intensity	-21.426†	-23.140*
	-11.258	-11.696
Financial Slack	-0.438	-0.458
	-0.281	-0.285
Prior Firm Performance	0.004	0.006
	-0.007	-0.007
CEO Duality	-0.607*	-0.588†
	-0.302	-0.307
Board Independence	-0.319	0.187
	-1.358	-1.406
Board Size	0.925†	0.65
	-0.5	-0.51
CEO In'l Education	0.694**	0.741**
	-0.265	-0.271
Presample CBA Mean		-0.806
		-0.59
Constant		-7.162**
		-2.416

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Table 5.12 Period averaged regression

Variables	(8) 3 yearly No of CBAs	(9) 5 yearly No of CBAs
Inward Internationalisation	2.173**	2.220†
	(0.822)	(1.290)
Family Ownership	0.001	-0.003
	(0.009)	(0.011)
DI Ownership	0.037	0.068b
	(0.023)	(0.036)
FI Ownership	0.023	0.054*
	(0.016)	(0.022)
DC Ownership	-0.009	0.013
	(0.022)	(0.020)
FC Ownership	0.005	-0.007
	(0.032)	(0.032)
Inward Internationalisation * DI Ownership	-0.251	-0.295
	(0.174)	(0.264)
Inward Internationalisation * Family Ownership	-0.346†	-0.790***
	(0.179)	(0.211)
Inward Internationalisation * FI Ownership	0.196	0.456†
	(0.145)	(0.248)
Inward Internationalisation * DC Ownership	0.176	0.123
	(0.257)	(0.323)
Inward Internationalisation * FC Ownership	-0.222	-0.356
	(0.170)	(0.239)
Prior Acquisition Exp	-2.082***	-2.651***
	(0.317)	(0.399)
Firm Age	1.376	0.845
	(1.096)	(0.798)
Firm Size	0.041	-0.042
	(0.197)	(0.198)
R&D Intensity	-11.318	-11.941
	(12.761)	(14.076)
Financial Slack	-0.742†	-1.045†
	(0.406)	(0.540)
Prior Firm Performance	0.014	0.011
	(0.012)	(0.020)
CEO Duality	-0.428	-0.796
	(0.447)	(0.629)
Board Independence	2.732	7.444*
	(2.218)	(3.195)
Board Size	0.514	0.148
	(0.912)	(1.174)
CEO In'l Education	0.718†	1.412**
	(0.411)	(0.529)
Constant	-5.802	-5.215
	(4.324)	(3.881)
Observations	1,283	1,298

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Table 5.13 Regression with alternate control variables

Variables	(10) No of CBA	(11) No of CBA
Inward Internationalisation	1.433**	1.342*
	(0.532)	(0.523)
Family Ownership	0.001	0.001
	(0.005)	(0.005)
DI Ownership	0.025†	0.023†
	(0.013)	(0.013)
FI Ownership	0.000	0.001
	(0.010)	(0.009)
DC Ownership	-0.001	-0.001
	(0.014)	(0.014)
FC Ownership	0.011	0.017
	(0.023)	(0.022)
Inward Internationalisation * Family Ownership	-0.234*	-0.221*
	(0.091)	(0.091)
Inward Internationalisation * DI Ownership	-0.162	-0.160
	(0.107)	(0.104)
Inward Internationalisation * FI Ownership	0.176*	0.165*
	(0.083)	(0.083)
Inward Internationalisation * DC Ownership	0.025	0.018
	(0.162)	(0.161)
Inward Internationalisation * FC Ownership	-0.002	-0.020
	(0.084)	(0.084)
Prior Acquisition Exp	-1.867***	-2.070***
	(0.208)	(0.208)
Firm Age	1.883*	1.807*
	(0.857)	(0.704)
Firm Size	0.000	0.468**
	(0.000)	(0.168)
R&D Intensity	-18.399	-20.722†
	(11.190)	(10.936)
Financial Slack	-0.408	-0.517†
	(0.279)	(0.290)
Prior Firm Performance	0.008	-0.003
	(0.006)	(0.004)
CEO Duality	-0.385	-0.538†
	(0.318)	(0.309)
Board Independence	-0.422	-0.411
	(1.409)	(1.372)
Board Size	0.849†	0.750
	(0.515)	(0.518)
CEO In'l Education	0.525†	0.640*
	(0.287)	(0.271)
Constant	-5.768*	-7.112**
	(2.590)	(2.335)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

As discussed in the previous section, the Heckman estimation requires two steps. Hence, in this context, the selection equation estimated the likelihood of foreign investors to invest in a firm through a probit regression. The dependent variable was a dummy variable, which was coded as 1 if foreign investors invested in a particular firm, otherwise 0. The selection equation required at least one instrumental variable for the stage that would not be a part of / uncorrelated to the outcome equation. Following Singla et al. (2017) analysis, the chosen instrumental variable was marketing and advertising intensity that captures the firm's visibility. Besides, marketing and advertising intensity also helps foreign investors to choose well-known firms in absence of emerging market firms' intentionality data due to market imperfection. The selection equation generated an IMR that had been fed to the second stage of the outcome equation.

Table 5.14 displays the results of the Heckman test. Models 12-16 demonstrate that IMR is insignificant all through the models inferring an absence of endogeneity. Besides, the result showed on Model 13 proves that inward internationalisation positively and significantly affects the firm's CBA decisions after controlling for endogeneity bias. As predicted in Model 3 (Table 5.8), the moderating effect of ownership structure on CBA decisions also remains the same where family ownership and foreign institutional ownership has a significant and domestic institutional ownership has an insignificant moderation effect, respectively. Similar to the results of Model 4 (Table 5.8), the moderating effect of corporate owners on both domestic corporate ownership and foreign corporate ownership remain insignificant. Overall, Model 16 on Table 5.14 confers that the impact of all the variables remains consistent with previous findings (Model 5, Table 5.8). Therefore, it can be concluded that the estimates were robust and free of endogeneity.

Table 5.14 Results for Heckman two-step test

Variables	(12) No of CBA	(13) No of CBA	(14) No of CBA	(15) No of CBA	(16) No of CBA
Inward Internationalisation		0.275*	0.243*	0.281*	0.254*
		(0.116)	(0.122)	(0.120)	(0.125)
Family Ownership			0.000		0.000
			(0.001)		(0.001)
DI Ownership			0.005†		0.004
			(0.003)		(0.003)
FI Ownership			-0.001		-0.001
			(0.002)		(0.002)
Inward Internationalisation * Family Ownership			-0.041*		-0.041*
			(0.019)		(0.019)
Inward Internationalisation * DI Ownership			-0.019		-0.018
			(0.023)		(0.023)
Inward Internationalisation * FI Ownership			0.037*		0.037*
			(0.018)		(0.018)
DC Ownership				-0.003	-0.003
				(0.003)	(0.003)
FC Ownership				0.001	0.002
				(0.004)	(0.004)
Inward Internationalisation * DC Ownership				0.005	0.011
				(0.034)	(0.034)
Inward Internationalisation * FC Ownership				0.003	0.002
				(0.016)	(0.016)
Prior Acquisition Exp	-0.496***	-0.521***	-0.528***	-0.526***	-0.533***
	(0.040)	(0.041)	(0.043)	(0.042)	(0.043)
Firm Age	0.513***	0.525***	0.539***	0.519***	0.532***
	(0.122)	(0.121)	(0.129)	(0.123)	(0.131)

Firm Size	0.076**	0.071**	0.069*	0.075**	0.073*
	(0.027)	(0.027)	(0.028)	(0.027)	(0.028)
R&D Intensity	-2.464	-2.265	-2.511	-2.291	-2.547
	(1.968)	(1.967)	(1.973)	(1.974)	(1.980)
Financial Slack	-0.033	-0.035	-0.033	-0.040	-0.040
	(0.046)	(0.046)	(0.047)	(0.046)	(0.047)
Prior Firm Performance	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
CEO Duality	-0.068	-0.063	-0.071	-0.068	-0.075
	(0.058)	(0.058)	(0.058)	(0.058)	(0.059)
Board Independence	-0.043	-0.066	-0.089	-0.058	-0.081
	(0.281)	(0.281)	(0.291)	(0.282)	(0.292)
Board Size	0.172†	0.171†	0.179†	0.174†	0.181†
	(0.097)	(0.097)	(0.099)	(0.097)	(0.099)
CEO In'l Education	0.079	0.087	0.096b	0.087	0.096
	(0.057)	(0.057)	(0.058)	(0.057)	(0.058)
Inverse Mills Ratio	-1.042	-1.194	-1.174	-1.109	-1.082
	(0.893)	(0.894)	(0.918)	(0.897)	(0.921)
Constant	-1.479*	-1.431*	-1.518*	-1.466*	-1.552*
	(0.661)	(0.660)	(0.695)	(0.664)	(0.702)
First stage estimation (DV= probability of foreign investors invest in a firm)					
Marketing Intensity	2.223†	2.223†	2.223†	2.223†	2.223†
	(1.329)	(1.329)	(1.329)	(1.329)	(1.329)
Constant	0.294***	0.294***	0.294***	0.294***	0.294***
	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

5.6 Summary

After data cleaning, this study tested the model assumptions to check the validity of NB regression for this analysis. Then, a fixed-effect NB regression was employed using Stata software version 15 to test the proposed hypotheses. From the analysis, mixed findings were found for the proposed conceptual model. The key findings, contributions and theoretical and managerial implications will be discussed in the next chapter.

6 Discussion & Conclusion

6.1 Introduction

This chapter begins by providing a summary of key findings and a discussion of the hypotheses testing results. Then, drawing from these discussions, theoretical and managerial implications are presented. Lastly, the concluding section explains the limitations of this research, followed by future research avenues.

6.2 Key Findings

This study examined EMNEs' accumulation of experiential knowledge from external sources in the absence of internal experiential knowledge and how it influences EMNEs' adoption of CBA. The aim of the thesis was to contribute to the evolving literature on EMNEs' CBA acquisition decisions. This study, in doing so, argues that inward internationalisation, a characteristic unique to EMNEs, compensates for their lack of experiential knowledge (Luo & Tung, 2007; Luo et al., 2011). This experiential knowledge serves as a firm level antecedent and facilitates EMNEs' CBA decision. This study proposed that the impact of inward internationalisation is contingent on who owns the firm and the strategic fit between owners' motivation and firm resources. The study further argued that owners' motivation is not homogeneous, especially in the context of EMNEs, due to the presence of specific types of owners. Considering the heterogeneity of motivation, this study proposed that the impact of inward internationalisation is moderated by ownership structure.

This study intended to gain a better understanding of inward internationalisation and its impact on EMNEs' CBA decision. It is argued that international experience can be gained through EMNEs' inward activities in their home market, and it can impact on firms' outward foreign direct investment decisions, patterns and trends. Relying on OL theory, this study showed that inward internationalisation enables EMNEs' gradual accumulation of international experience that acts as a critical resource for EMNEs' pursuits of international markets through CBA. Later, drawing on the PP agency problem, the study examined the ownership structure as a boundary condition to the proposed antecedent – outcome relationship. It argued that conflicts between principals lead to different motivations and risk tolerance that would affect the impact of inward internationalisation on EMNEs' CBA decision.

The results of the data analysis revealed that inward internationalisation has a positive impact on the Indian EMNEs' CBA decision as hypothesised. Testing the conditional effect of family ownership, institutional ownership (domestic and foreign) and corporate ownership (domestic and foreign) on the impact of inward internationalisation, it was found that family ownership negatively moderates, whereas foreign institutional ownership positively moderates the effect of inward internationalisation. However, contrary to the proposed hypotheses, the moderating impact of domestic institutional ownership as well as both domestic & foreign corporate ownership show non-significant results. A detailed discussion of the findings of each hypothesis is given below.

6.2.1 H_1 (Direct Impact of Inward Internationalisation): Positive Relationship Hypothesised, Positive Results Observed.

The first hypothesis examined the impact of inward internationalisation on EMNEs' CBA decision. Based on the literature, it was assumed that inward internationalisation would have a positive effect on EMNEs' CBA decision. The study argued that EMNEs, lacking direct/internal experiential knowledge, rely on external sources to acquire experiential knowledge. EMNEs get the unique opportunity to acquire experiential knowledge from inward internationalisation (Child & Rodrigues, 2005; Luo & Tung, 2007) that can compensate for their lack of experiential knowledge for internationalisation. Therefore, it is argued that experiential knowledge gained from inward internationalisation is a critical firm level resource that will increase EMNEs' likelihood to undertake CBA.

The result of the study supported the first hypothesis. The direct effect of inward internationalisation was found to be positive and significant. Seminal OL researchers indicate various sources for acquiring experiential knowledge (Huber, 1991). The distinction between external and internal knowledge sources and their influence on firms' internationalisation are evident in recent studies (Fletcher & Harris, 2012; Prashantham & Young, 2011). External sources are found to be more important for explorative learning i.e, exploration of new possibilities, variation, risk-taking and innovation (Cohen & Levinthal, 1990; March, 1991). Explorative learning, in addition to generating variation in knowledge base, generates variation within the firm's activities (McGrath, 2001). From an OL perspective, inward internationalisation, being an external source of knowledge, compensates for EMNEs' lack of experiential knowledge, which

eventually stimulates them to pursue internationalisation through undertaking risky CBA decisions.

This finding is in alignment with those studies that argue that EMNEs get international experience from inward internationalisation and propose such experience in articulating EMNEs' international expansion as well as deciding foreign entry decisions (Child & Rodrigues, 2005; Luo & Wang, 2012; Luo et al., 2011). Inward internationalisation is unique for EMNEs in the sense that EMNEs may be late in expanding their global operations and undertaking outward FDI compared to most of the AMNEs; however their involvement in international competition is not necessarily new (Luo et al., 2011). It is also widely recognised that EMNEs' radical international moves compared to most of the AMNEs is propelled by their need to compensate for their late entry into the market (Luo & Zhang, 2016). Though AMNEs also engage in late internationalization, this trend is more strongly associated with EMNEs. Their exposure to international collaboration can further be exploited in their rapid expansion to overseas markets. Such exposures help EMNEs to reduce the associated liability of foreignness in overseas market (Luo & Tung, 2007) and foster the absorptive capacity required to accumulate international knowledge (Guthrie, 2005), thereby facilitating their international expansion. These are the reasons that prompts EMNEs to spring in the international market through CBA from the springboard perspective (Luo & Tung, 2018). The link between inward internationalisation and CBA also helps to explain why EMNEs in the early stage of their internationalisation phase skip the evolutionary steps proposed by the Uppsala model (Johanson & Vahlne, 1977) and opt to conduct radical and risk-taking CBA. Therefore, the strong positive inward internationalisation-CBA linkage highlights the experience derived from the home market through international licensing, equity joint ventures and cooperative alliances, hence the stimulating role of such experience in promoting EMNEs' CBA decision.

6.2.2 H_2 (Moderating Impact of Family Ownership): Negative Relationship Hypothesised, Negative Results Observed.

The second hypothesis posited that family ownership moderates the effect of inward internationalisation on EMNEs' CBA decision. The hypothesis was based on the argument that impact of inward internationalisation is influenced by family ownership. It was considered that

international experience derived from inward internationalisation acts as a firm level resource that needs to be inconsistent with family owners' strategic motives/objectives to realise the impact of inward internationalisation on a firm's strategic CBA decisions. In this regard, family owners are argued to show risk aversion and/or loss aversion tendencies toward internationalisation (Bhaumik et al., 2010; Singla et al., 2017) and are hence less motivated to undertake risky CBA decisions. Using these insights, it was hypothesised that family owners' risk-averse motives reduce the effective integration of experiential knowledge acquired from inward internationalisation. The significant negative coefficient obtained from the empirical findings supported hypothesis H_2.

The findings of H_2 support the findings of existing research on the risk averse nature of family owners towards internationalisation. For example, Gomez-Mejia et al. (2018) provide empirical evidence that family ownership implies a general reluctance towards higher risk, higher uncertainty associated with CBA. Supporting these results Singla et al. (2017) state that, although equipped with high capability/resources, family owners show reluctance towards internationalisation due to their low motivation to undertake risk associated with internationalisation. Similarly, Boellis et al. (2016) assert family owners' significant influence in firms' international strategies where their risk aversion leads to a lower propensity to undertake CBA to establish the firm in foreign markets.

These results might be explained considering both the economic goal (agency theory) and the non-economic/social goal (Socioemotional Wealth [SEW]) perspective of family ownership. On the one hand, agency theory, rooted in economies, considers that family owners focus on economic and financial benefits attributable to their risk averse attitude (Chen & Hsu, 2009). On the other hand, the SEW perspective attributes family owners' family-centric social goals along with their economic goals behind their risk aversion. Specifically, when family owners have to decide between strategies conferring firms' economic gains that come at the expense of SEW or alternate strategies that preserve SEW, they tend to choose the latter (Strike, Berrone, Sapp, & Congiu, 2015). Both perspectives provide evidence of family owners' risk-averse attitudes. Therefore, they have less economic and social incentives to deploy firm resources in risky CBA decision.

This finding, at the theoretical level, contributes to both the OL and PP agency theory. First, this finding identifies family ownership as a new boundary condition to knowledge

integration from external sources, i.e. from inward internationalisation. Second, it validates the existence of the PP agency problem that spurs the inclination among family owners to extract private benefits of control at the level of CBA decision as a dependent variable (Miller et al., 2010). Family owners' demonstrably risk-averse motives, in the form of their negative influence on inward internationalization – CBA relationship, indicate the existence of PP agency conflict among Indian MNEs. This is because firm internationalisation is considered as value-enhancing, especially when foreign investors prefer to undertake internationalisation. Therefore, the presence of family owners did not allow managers to realize the knowledge acquired from inward internationalisation. The findings not only reinforce the risk averse contribution of family ownership but also extend their application to OL theory. Moreover, this finding also shows that owners' motivation plays an important role in integrating as well as coordinating experiential knowledge with firms' other resources to be useful for making strategic decisions.

6.2.3 H_3 (Moderating Impact of Domestic Institutional Ownership): Negative Relationship Hypothesised, No Significant Findings Observed.

Hypothesis 3 proposed that DI ownership negatively moderates the positive relationship between inward internationalisation and CBA. However, the findings indicate a lack of support for this hypothesis.

Previous research has shown mixed results for DI ownership. On one side, several studies linked DI ownership with focal firms' internationalisation and reported significant negative impact (Gupta, 2019; Kim et al., 2008; Patnaik & Shah, 2013; Singla et al., 2014). These findings rely on the assumption that DI owners are short term oriented and prefer to obtain immediate gains. They also hold strong business ties with risk averse family owners and insiders that shape their strategic orientation as low risk-taking. With this context, DI owners' low risk taking motivation was expected to be in disagreement with the knowledge acquired from inward internationalisation that influences EMNEs to undertake risky CBA strategy.

On the other side, some studies did not find a statistically significant relationship between DI owners' and focal firms strategic decisions (An, Li, Huang, & Xiao, 2016; Chen, Chiou, Chou, & Syue, 2009; Ozkan, 2012). Similarly, George and Kabir (2012) report an insignificant influence

of DI on the relationship between corporate diversification and firm performance in the Indian context.

The statistical non-significance of DI ownership could be put down to several reasons. Strong business ties with the firms whose shares DI owners hold may cause them to compromise their monitoring roles. Due to this, they are unable to influence the firm management in their resource deployment and subsequent strategic decisions. An et al. (2016) also argue that domestic institutions that are dependent on or related to focal firms, exert an insignificant effect on strategic decision-making. Besides, DI owners in India are mostly government owned (Douma et al., 2006) and their investment in the focal firms are mainly political decisions rather than based on firm performance (Pant & Pattanayak, 2010). These nominee directors are also government bureaucrats with minimal expertise in corporate matters. Since their career prospects are not dependent on the company where they serve as nominee, they have also less incentive to perform effective monitoring. Government owned DI in emerging economies focus on social welfare rather than on earning profit. This causes them to be reluctant to perform their monitoring role (Ramaswamy et al., 2002). Hence, it is plausible to imagine that the insignificant roles played by DI owners in board meetings curb their monitoring capabilities and thus make them unlikely to establish their motivational fit with inward internationalisation.

6.2.4 H_4 (Moderating Impact of Foreign Institutional Ownership): Positive Relationship Hypothesised, Positive Findings Observed.

The fourth hypothesis (H_4) examined the moderating effect of FI ownership on the relationship between inward internationalisation and CBA. H_4 was based on the idea that FI owners' risk taking motive is expected to have high congruity with inward internationalisation that enhances the impact of inward internationalisation in undertaking risky CBA decision. The significant positive coefficient obtained from empirical findings supports the hypothesis H_4.

As observed by Gillan and Starks (2003) and Ferreira and Matos (2008), FI owners usually take an active stance in advocating better governance in the focal firm that may shape the focal firm's investment policy. Improved corporate governance through implementing investor protection can lead corporations to undertake risky corporate strategies (John, Litov, & Yeung, 2008). Similarly, FI owners prefer high-visibility and high-valued companies to make their

investment. Moreover, FI ownership is associated with a focal firm's higher growth, profit and efficiency (Mitton, 2006). This higher firm value is likely to be a result of the focal firm's risky investment strategies (John et al., 2008). Adding to this evidence, Leuz, Lins, and Warnock (2008) argue that FI owners avoid investing in poor performing firms due to the presence of information asymmetry that may dampen a focal firm's corporate risk taking. All this evidence provides strong support towards FI owners' high risk taking motivation eventually leading focal firms to undertake risky corporate strategies. Using these insights, it was theorised that FI owners' risk taking motives shows high congruity with knowledge acquired from inward internationalisation. This strengthens the focal firm's utilisation of inward internationalisation. Therefore, FI ownership was expected to moderate the relationship between inward internationalisation and CBA.

The coefficient of H_4 found from the interaction between inward internationalisation and CBA was positive and significant. The support for H_4 indicates that FI owners' risk taking motives significantly strengthen the inward internationalisation effect on CBA decisions. As the firms' motives are shaped by the identity of the owners (Bhaumik et al., 2017), FI owners' risk taking motives increase the focal firm's incentives to invest resources in risky projects. Specifically, FI owners can affect both focal firms' motivation and resources to undertake strategic decisions. FI owners have the required experience, resources, and capabilities to undertake long-term strategic decisions. Compared to DI investors that mainly operate in a national capital market, FI owners provide local firms with access to larger financial resources (foreign capital) (Taylor, 1990). They also bring non-monetary benefits such as advanced marketing and managerial knowhow, and human capital training to the focal firms (Tihanyi et al., 2003). These monetary and non-monetary benefits further add to the focal firms' existing resource base to increase their capability to undertake risky strategic decisions. They also play the role of active monitors and are likely to gain benefits from their monitoring activities. By monitoring managerial decision-making, FI owners exert an 'enforcement' mechanism to ensure that firms undertake strategies through efficient and effective utilisation of firm resources, thereby serving their interests as well as mitigating minority shareholders' expropriation.

In the same vein, Boubakri, Cosset, and Saffar (2013) argue that FI owners tend to make capital budgeting decisions to implement riskier projects that may increase focal firms' earnings volatility. As an attempt to improve focal firms' performance, they may invest focal firm resources

in innovative projects such as operating cost reduction, introduction of new production technologies, and so on, which may increase firms' cash flow uncertainty. FI owners' active role in shaping focal firms' motives to take risks in corporate investment through intensive monitoring activities is more prominent in countries with weak corporate governance (An et al., 2016). The intensive monitoring activities arise from the absence of existing business ties with the focal firms.

Researchers have documented the impact of FI owners' high-risk taking motivation, especially in the perspective of emerging economies, which are in alignment in the findings of this research. The results echo with Chittoor et al. (2015) who suggest that FI owners play a facilitator role of risk taking specialist in the focal firm and are associated with the focal firm's increased likelihood to undertake overseas acquisition. Moreover, agency researchers also provided evidence of FI owners' risk taking motivation on focal firms' strategic outcomes. Few examples in the context of emerging economies are as follows. Singla et al. (2017) argue that FI owners' risk taking motivations and capabilities strengthen firms' motivation to pursue internationalisation via FDI in India, consistent with the findings by Lien et al. (2005) in Taiwan, Kim (2011) in Korea and Tacneng (2015) in Turkey.

Similarly, Gupta (2019) finds a positive association of FI owners' high risk taking motivation with focal firm's R&D investment. Huang and Shiu (2009) and Baysinger et al. (1991) also hypothesised a positive relationship between FI owners positive outlook regarding risk taking and its subsequent impact on the focal firm's R&D spending. These findings suggest that FI owners' risk taking motives cannot be avoided in focal firms' strategic decision-making, as FI owners reduce managerial entrenchment through active monitoring and promote riskier corporate strategies ensuring the efficient use of firm resources (Bena et al., 2017). Therefore, the findings substantiate the arguments that FI owners' risk taking motives could make an effective fit with EMNEs' acquired knowledge from inward internationalisation. This increases EMNEs' likelihood to engage in risky CBA strategy.

At the theoretical level, these findings contributes to the both OL and PP agency theory. First, this finding identifies FI ownership as a new boundary condition to knowledge integration from external sources i.e. from inward internationalisation. Second, it validates the existence of the PP agency problem arising from FI owners' differences in strategic motivations compared to other owners in issues related to the application of externally acquired knowledge on undertaking

internationalisation through CBA. Therefore, the presence of FI owners allows managers to realize the knowledge acquired from inward internationalisation. The findings not only reinforce the risk taking motives of FI ownership but also extend its application to OL theory.

6.2.5 H_5 (Moderating Impact of Domestic Corporate Ownership): Negative Relationship Hypothesised, No Significant Findings Observed.

The fifth hypothesis (H_5) analysed the moderating effect of DC ownership on the relationship between inward internationalisation and CBA. The hypothesis was based on the idea that DC investors' risk averse motives reduce the value acquired from inward internationalisation and hinder EMNEs' CBA decision. The results showed that the coefficient for the interaction term between inward internationalisation and DC ownership diversity was negative as predicted. However the overall effect of the interaction term was nonsignificant.

The findings of this hypothesis were unexpected as previous studies have shown evidence regarding the negative outcome of DC ownership on firm internationalisation (Singla et al., 2017). In contrast, the lack of support for DC ownership can also be found in the literature. Researchers failed to find significant impact of DC ownership on firms' strategic decisions as well as their subsequent performance (Choi et al., 2011; Selarka, 2005).

The lack of support can be attributed to several reasons. DC owners are not willing to endanger their business relationship with focal firms, therefore they are less likely to monitor the management and intervene their resource allocation as well as their investment behaviour. This trend is particularly visible in emerging economies. Meanwhile, in advanced economies, DC owners exert significant influence in focal firms' investment behaviour (Choi et al., 2011). Moreover, DC owners' nonsignificant impact is more prominent in business group affiliated firms than in stand-alone firms where they have fewer rights to monitor insider corporate bodies (Selarka, 2005). As per definition of domestic corporations in India, DC owners may also have business group affiliation. But they are not affiliated to same business group as that of the focal firm. Business groups are in general powerful and one group competes against another group. In that case, one business group may not like the influence of other business groups in their operation and strategic decisions. To keep the focal firm's business free from unaffiliated business group's influence, focal firm may reduce the monitoring rights of DCs. Therefore, those DC owners ended

up having non-significant impact on deciding focal firm's strategic objective and resulting decisions. The nonsignificant results found in the thesis may be attributable to the sample firms' business group affiliation. Due to data unavailability, it could not be possible to examine what percentage of firms in the study sample has business group affiliation. Therefore, it is plausible to expect an insignificant impact of DC ownership in the context of emerging economies. It is a limitation and potential area which requires in-depth attention in future.

6.2.6 H_6 (Moderating Impact of Foreign Corporate Ownership): Positive Relationship Hypothesised, No significant Findings Observed.

The sixth hypothesis (H_6) examined the moderating effect of FC ownership on the relationship between inward internationalisation and CBA. H_6 was based on the idea that FC owners' high risk taking motives are a good fit with the knowledge acquired from inward internationalisation that facilitates EMNEs to undertake risky CBA decision. Results from the previous chapter indicate the non-significant moderation impact of FC ownership.

This result contradicts with those earlier studies that had shown positive evidence on the impact of FC ownership (Douma et al., 2006; George & Kabir, 2008, 2012; Hu & Cui, 2014). However, the non-significant results of FC ownership are not uncommon in the existing literature. A group of scholars failed to provide significant positive results for FC ownership (Barbosa & Louri, 2005; Kumar, 2004; Singla et al., 2017).

The explanation behind the FC owners' non-significant impact can be attributed to the FC owners' inability to monitor the management. FC owners may have incentive to monitor managerial behaviour and participate in making firm's strategic decision. However, their ability to play a significant in role in corporate governance may be hampered due to their insignificant shareholding. The descriptive statistics (Table 5.7) presented in the previous chapter highlights that FC owners has a sample mean of 1.19 (sub-sample mean 4.76%). With a sample mean around 1.19, FC owners signifies lower level of ownership in the study sample. Besides, in India, partial foreign ownership ($\geq$ 25% and $\leq$ 51%) does not devolve control to the foreign corporate owners (Chhibber & Majumdar, 1999). Foreign investors holding partial ownership serves as an investor without having significant control rights. FC owners require to investing at levels that will provide them control over management. Descriptive statistics indicates that firms included in our sample

set have maximum FC ownership of 50.77. Thereby FC owners unable to exert their control on these firms' strategic decisions. FC owners holding comparatively lower level of shareholding merely perform the investor role. In absence of their strategic control over management, FC ownership shows non-significant moderating impact on inward internationalisation and CBA relationship.

6.2.7 Control Variables

The findings show that the following control variables had a significant coefficient: Prior acquisition experience, firm age, firm size, R&D intensity, board size and CEO international education. Except the prior acquisition experience, the other control variables with significant coefficient show the expected effect.

Although the results regarding the impact of prior acquisition experience on CBA decisions are inconsistent (Mantecon, 2008), many scholars have indicated the positive finding that a higher acquisition experience enables acquiring firms to have higher success in the future CBA (Bruton, Oviatt, & White, 1994). Contrary to this positive logic, the study found that the greater the prior acquisition experience the lower the number of CBAs. The result proved insensitive to the assumption that higher experience leads to higher CBA. Although unexpected, previous scholars have encountered similar findings for prior acquisition experience (Dutta, Malhotra, & Zhu, 2016; Malhotra, Sivakumar, & Zhu, 2011b). They argue that the unexpected finding can come due to focusing on the overall acquisition experience without substantial consideration of the type of acquisition experience. For instance, firms' recent international acquisition experience, compared to recent domestic acquisition experience, exhibits a greater impact on their subsequent international acquisition (Collins et al., 2009). Similarly, in place of overall CBA experience, researchers could use specific CBA experience in specific target markets to get a nuanced measure of experience (Dutta et al., 2016).

6.3 Advances and Contribution to Research

6.3.1 Contribution to the Antecedents of EMNEs' CBA Literature

This research contributes to the understanding of the EMNEs' risky internationalisation behaviour through CBA. EMNEs are different from AMNEs both in nature and internationalisation process- they do not necessarily follow incremental steps in internationalisation (Luo & Tung, 2007; Mathews, 2002a; Ramamurti, 2012). Thus, it is important to know why EMNEs take risks in their early stages of internationalisation by adopting CBA that is anticipated as the highest form of risky strategy. The evolving body of EMNEs' CBA literature mainly focuses on motivations and strategies behind CBA in contrast to antecedents enabling them to conduct CBA (Buckley, Munjal, et al., 2016c). This stream of literature provides plausible explanations of what motivates EMNEs with potentially weak home institutional advantages to opt for CBA. However, it does not provide an answer to how EMNEs are capable of managing the risk and uncertainty associated with CBA.

This research conducted a comprehensive review on the EMNE antecedents, focusing on EMNEs' capability, resources and conditions facilitating their adoption of CBA in both advanced and emerging economies. Doing so, this study categorised the antecedents into three categories following Peng et al. (2008)'s strategy tripod that considers institution, resource and industry as three important characteristics to explain firm internationalisation.

The review revealed that EMNEs' firm-specific expertise and capabilities such as corporate values and norms, managerial background are crucial in scanning opportunities and threats in the foreign market and selecting internationalisation choices. A few experience related resources have been added to the antecedent research, which are specific types of internationalisation experience including experiential market knowledge, prior inward internationalisation experience, alliance experience, and cultural experience reserve. Few studies have evolved their research around firm specific characteristics like firm size, financial slack, and firms' assimilative capability those are expected to be connected with EMNEs' capabilities to conduct CBA.

EMNEs' antecedent research has examined institution-based antecedents and documented some relational assets including trade and non-trade linkages, and country alliance. EMNEs'

antecedent research has also directed its focus on firm ownership characteristics like promoter, and institutional ownership as they can also exert significant influence in EMNE strategic decisions. One group of scholars has focused on well-developed financial sectors and foreign institutional investors to sponsor EMNEs' CBA activities. Besides, unlike advanced economies, emerging economy institutions serve dual roles of facilitating and constraining EMNEs to engage in CBA.

Industry based antecedents such as AMNE competition and industry-specific regulations and policies have long demonstrated their impact in facilitating internationalisation through CBA. In recent times, scholars have advanced this line of research by focusing on the home country's comparative ownership advantage in a particular industry. EMNEs' comparative advantage in a particular industry enables them to undertake CBA in that particular industry.

While compiling the antecedents of CBA it was notable that most of the research has been conducted on what drives EMNEs to acquire strategic assets from overseas advanced markets. Only a few studies have focused on the risky nature of CBA and what enables EMNEs to make CBA. By including these aspects, this study contributes to the antecedents of EMNEs' CBA literature.

6.3.2 Contribution to Inward Internationalisation

Prior scholars suggest that EMNEs lack requisite international experience (Aulakh, Rotate, & Teegen, 2000; Elango & Pattnaik, 2007) and resources (Chittoor et al., 2009; Mathews, 2006) to overcome the uncertainty and risk associated with internationalisation. They argue that EMNEs' internationalisation depends either on their country specific advantages such as low labour costs, home country institutional support, favourable government policies, alliance with host countries or through their network participation. However, these advantages alone are not enough to enable EMNEs to pursue their internationalisation strategies; they also require firm specific capabilities and attributes. As found by Child and Rodrigues (2005) and Luo and Tung (2007), EMNEs' exposure to foreign partners in their home market helps them to overcome the international experience deficiencies required to internationalise. Nevertheless, the relationship between inward and outward internationalisation is often neglected in most existing studies focusing on internationalisation. This study examines that experience from inward internationalisation, unique

firm-specific advantages, and helps EMNEs in choosing CBA strategy for their internationalisation.

Scholars who have advanced inward internationalisation research, till now, have examined its influence in different internationalisation aspects such as outward internationalization proclivity (Luo et al., 2011), timing and scale of OFDI (Luo & Wang, 2012), subsidiary performance (Liu et al., 2016), internationalisation pace (Satta et al., 2014), OFDI performance (Lyles et al., 2014). Inward internationalization, although it plays an important role in EMNE internationalisation, has not been examined as an antecedent of CBA until recently. Luo and Bu (2018) empirically proved that inward internationalisation being an endogenous factor stimulates Chinese MNEs' CBA decision. The relationship is further mediated by Chinese MNEs' risk taking propensity. This study provides an empirical contribution to the impact of EMNEs' inward internationalisation on EMNEs' likelihood of undertaking CBA in the Indian context. Then, it critically assesses and magnifies the impact of inward internationalization from a corporate governance perspective to make several more-specific contributions. This study is not the first in proposing inward internationalisation in facilitating CBA decision, however it is amongst the first in establishing the link between inward internationalisation and ownership structure of these firms. In particular, the study sheds light on how inward internationalisation and CBA relationship changes depending on ownership structure. Arising from firm ownership differences, owner heterogeneity moderates the baseline inward internationalisation and CBA relationship. It is found that family ownership and FI ownership have respective negative and positive moderating impact on the baseline relationship.

6.3.3 Contribution to Organisational Learning Theory

In the international business context, firms' international experiential knowledge is undoubtedly an essential resource for internationalisation (Rammal et al., 2014). OL theory posits that firms can acquire experiential knowledge from both internal and external sources. Firms can compensate for their inadequate internal experiential knowledge through external knowledge sources such as forming partnerships with public and private institutions, cooperating with customers and suppliers, as well as other firms (Svetina & Prodan, 2008). These external sources can be located locally, nationally, or internationally. Following the OL assumption, this study argues that EMNEs

can acquire knowledge from inward internationalisation in the absence of appropriate experiential knowledge available inside the firm, which facilitates their internationalisation through CBA.

However, the impact of experiential knowledge may not necessarily be homogeneous across the firms. It is possible that firms can acquire knowledge from learning without affecting the outcome (Huber, 1991). For instance, some firms may show a bold attitude with sufficient experiential knowledge, whereas others may exhibit a conservative attitude toward a strategic decision. Yet earlier studies predict a homogeneous impact of experience across firms. Few scholars address the heterogeneity of experiential knowledge across the firms (Kuo et al., 2012; Li & Meyer, 2009; Qunyong, 2017). This study aims to fill the gap by examining the heterogeneous impact of inward internationalisation across EMNEs on influencing their CBA decision. By doing so, it contributes to organisational learning studies by suggesting that the same experiential knowledge will deliver the same or different value depending on different organizational contexts.

In doing so, this research answers the critical question "Heterogeneity and typology of EM MNEs" identified by Luo and Zhang (2016 p. 345-346). Luo and Zhang (2016)'s review on emerging market MNEs shows what we know about EMNEs' international expansion and what needs to be known. They have raised several critical questions such as institutional complexity, process of international catch up, host and home country links and many more. They encourages researchers to explore the plurality and diversity of EMNEs along with strategic, organizational and operational behaviours within each category. In particular, how does EMNEs' ownership (e.g., state vs. private) or organizational (e.g., nascent vs. established) type matter in their international expansion.

By focusing on organizational learning behaviour, this thesis examines how ownership structure changes firm-specific strategic and organizational behaviours. In particular, this study shows that the acquisition of internationalisation knowledge from inward internationalisation may influence an outcome when it is congruent with the owner's motivation and objectives. This provides interesting evidence that learning from inward internationalisation is heterogeneous rather than homogeneous. In EE, organisations vary across different types of ownership. This heterogeneity of inward internationalisation is attributable to EMNEs (knowledge acquiring organisation) who show varying motives, objectives and governance structures depending on their

ownership structure. This argument echoes Cui et al. (2015) argument that learning from all kinds of external sources may be subject to the moderation of different organizational factors.

6.3.1 Contribution to the literature of Ownership Heterogeneity

Prior ownership structure literature treats owners as a homogeneous group and neglects the differences between types of owners (Thomsen & Pedersen, 2000). Literature on ownership heterogeneity considers ownership concentration along identity and explains the potential conflict of interest among the owners (Hoskisson et al., 2002; Tihanyi et al., 2003). Ownership heterogeneity, so far, has examined in the outcome variables including performance, innovation, growth strategies and other agency outcome (Boyd & Solarino, 2016). Building on earlier contributions, this research contributes to the literature of ownership heterogeneity by ascertaining that owner heterogeneity and owners' motives may moderate the impact of inward internationalisation on EMNEs' CBA decisions.

Boyd and Solarino (2016) in their review article on ownership structure reveal that the majority of studies investigating owners' differing motivations due to their identity primarily focused on the role of family and institutional owners in the context of developed economies and hence call for further research addressing multiple owner types. Conflicting motivations of corporate owners (domestic and foreign) have not been examined much in the internationalisation perspective (Singla et al., 2017), including CBA. This study therefore contributes to the corporate owners' category by examining the interplay between corporate ownership categories and inward internationalisation.

This study adds to the literature of ownership heterogeneity as boundary condition by providing empirical evidence about how inward internationalisation relates to EMNEs' CBA decision. The findings show that the impact of inward internationalisation changes depending on owners' motivations and preferences. The study finds a negative moderating impact of family ownership on inward internationalization arising from family owners' risk averse motivations. Further, the study finds a positive and non-significant moderation impact of FI and DI ownership respectively. These findings contradict prior studies from advanced economies which exhibit the respective positive and negative impact of FI and DI ownership on CBA decision (Andriosopoulos & Yang, 2015; Ferreira et al., 2009). Moreover, the findings ascertain that owners belonging to

emerging economy behave differently compared to the owners from advanced economy (Cuervo-Cazurra, 2012).

This study highlights that FI investors' risk taking motives enable the effective integration of inward internationalisation hence creating a positive moderating impact on CBA. DI investors, due to their business ties to local corporations, appear to go along with dominant owners' strategic motives rather than their own motives, therefore they are unlikely to support the integration of inward internationalisation. This study contributes to the impact of ownership heterogeneity in the Indian context thereby enriching the corporate governance literature in the context of emerging economies.

6.3.2 Contribution to the PP Agency Theory

Agency theory, traditionally focused on PA conflicts, shifts its focus to PP related conflict in the context of emerging economies. A main cause of PP agency conflict, in such context, is the firms' ownership structure (Claessens et al., 2000; Thomsen & Pedersen, 2000). Having both incentives and power, shareholders with significant ownership monitor as well as influence firm executives to promote strategies that seem beneficial to them (Connelly et al., 2010). Hence, the problem arises when different types of dominant shareholders (principal) exhibit potentially conflicting interests and abuse their power at the expense of minority shareholders.

PP agency theory argues that owners vary in their goals, objectives and risk preferences depending on their ownership concentration and identity. Such differences give rise to PP agency conflict in issues related to the contribution of externally acquired knowledge on firms' internationalization decision through CBA (Cui et al., 2015). In emerging economies, the existence of undefined formal institutions and financial systems, and relatively underdeveloped markets for corporate control have given rise to special types of owners (Ramamurti, 2012). Therefore, PP conflict is predominantly critical and the impact of ownership structure on strategic decision making is both resilient and enduring (Young et al., 2008).

Based on PP agency logic, this study suggests that to understand the heterogeneous influence of knowledge acquired from inward internationalisation, one must consider firm owners' heterogeneous objectives. This is because ownership structure determines EMNEs' strategic orientations as well as their attitude towards growth (Cui et al., 2014; Peng et al., 2004). Further,

all owners are not synchronised in terms of their motivation as they may be either risk averse or risk neutral. Hence, owners' goals and motives are different from each other which has an impact on firms' strategic decisions. Owners' motivation also affects firm resources/ and capabilities to undertake competitive action (He et al., 2009). Moreover, owners' motivations are found to be more important compared to firm resources regarding EMNEs' strategic decisions such as internationalisation, CBA (Singla et al., 2017). Therefore, this study examines the impact of different types of owners as moderators on the relationship between inward internationalisation and CBA decisions. This study, in doing so, incorporates different owner types as a boundary extension of agency theory.

Different owners may have different motives and risk preferences in their internationalisation decisions through CBA. This study, as such, argues that inward internationalisation affects EMNEs' CBA decisions differently depending on who the owner is. For instance, family owners may have different motives compared to institutional and corporate owners. Again, institutional and corporate owners may have different motives depending on their country of origin and whether it is domestic or foreign. Such PP conflicts can lead to differing influences on EMNEs' likelihood to undertake CBA decisions.

Moreover, this study extends prior work on PP conflict where it has been argued that EMNEs' are prone to PP goal incongruence and such discrepancies result in differences in internationalisation strategy (Singla et al., 2017), firm performance (Dharwadkar et al., 2000), R&D expenditure (Kim et al., 2008), diversification strategy (Ramaswamy et al., 2002) and so on. Following these PP conflicts, this study finds empirical evidence that ownership concentration and identity is not only confined to strategy formulation. Owners' goal incongruence due to PP conflict also determines different types of owners' supportive or restrictive role on knowledge contribution from external sources. In other words, the study explains whether experiential knowledge acquired from inward internationalisation fits with the firms' dominant logic and values or not in resulting CBA decision. While few studies tested the contingencies under which experiential knowledge varies (Li & Meyer, 2009; Qunyong, 2017), the role of owners along with their identity in supporting or confining the effect of experiential knowledge remains a significant research gap (Kuo et al., 2012), especially for externally acquired experiential knowledge (Cui et al., 2015).

6.4 Managerial Implications

This research helps EMNE executives to better understand their ability to undertake CBA acquisition for their internationalisation decision. As the international trade and business environment is constantly changing in nature, MNEs usually face new kind of risks and uncertainties in such a challenging landscape. To cope with these uncertainties, EMNE managers require updated knowledge and experiences. Especially CBA, a high risk internationalisation and high resource-commitment strategy, exposes latecomer EMNEs to substantial managerial challenges for which they lack experiential knowledge. To overcome latecomer disadvantages and catch up with the MNEs from advanced economies, EMNEs actively need to focus on external sources of knowledge acquisition. EMNEs' prior exposure with international partners in their home market in the form of inward internationalisation offers such external knowledge. The findings of this study show that inward internationalisation provides managers with such required experiential knowledge which positively contributes to firm internationalization through CBA.

While inward internationalisation offers EMNEs greater knowledge and capability to facilitate the path to internationalisation through the adoption of CBA, not all firms are able to create conditions that enable managers to fully utilise their externally acquired knowledge. This study finds that the possession of greater capability through inward internationalisation may strengthen or weaken CBA decisions depending on the ownership structure. Different owner types bring heterogeneous motivations to the firm. Their motivations play a key role in deciding whether managers will be able to make effective utilisation of inward internationalisation to undertake CBA.

This study finds that inward internationalisation has a higher impact on CBA undertaken in FI owned firms than family owned firms. Unlike family owners, FI owners have high risk taking motivations which enables focal firms to internally integrate the knowledge acquired from inward internationalisation and make it useful for undertaking CBA. The study highlights that firms need to evaluate their strategic objectives before proceeding to acquire knowledge from external sources. In the absence of significant congruity between strategic objectives and knowledge contribution from external sources, the acquired knowledge may not provide the desired organisational outcome. Firms need to keep this mind before committing their time and effort and before acquiring knowledge externally.

This study further contributes to managers' and practitioners' understanding of the ownership structure in an emerging economy context like India. The findings also clarify how Indian public limited firms' strategic decision making, especially CBA, is influenced by ownership concentration and identity. Though extant literature is equivocal on family owners' risk taking motives in emerging economies, the findings of this study report family owners' risk averse motivations regarding strategic decision making. Besides, FI owners are found to show risk-taking motivations in their strategic decision making in the Indian context.

The findings show that EMNE managers, in an emerging economy perspective, cannot ignore the heterogeneous nature of ownership and need to incorporate heterogeneous owners' strategic motives in their strategic decision making. These findings also enable EMNE managers to understand that some of the endangered agency problems in the firm might be a reflection of goal incongruence among different types of owners. Therefore, EMNE managers would take actions that are likely to please some shareholders and not others, in the presence of PP conflict. Owners and managers targeting risky strategies such as CBA would benefit from increasing the shareholding of investors (FI) who promote firms' high risk strategies. So as to attract FI shareholders, firms may need to work on their corporate governance in the form of improving transparency.

The findings highlight the importance of foreign institutional investment to promote focal firms' internationalisation. Foreign investors are sceptical about investing in emerging economies due to their weak formal and legal protection. Considering this, the findings also encourage emerging economy policy makers to formulate favourable polices, such as proper monitoring of firms' governance policies, hassle-free investment policies, awarding tax incentives and so on to attract foreign investment. Such policies would increase foreign investors' likelihood to participate in capital markets. FC owners pursue focal firms' internationalisation, if they are permitted to exercise strategic control over the firms. Strategic control is allowed with a higher level of shareholding. Hence, to reap the benefits from foreign corporate ownership to internationalise focal firms, Indian strategy and policy makers need to permit foreign strategic control of firms. Finally, foreign investors will be able to understand the causes of firms' heterogeneous strategic orientations; hence, they would be able to decide better which firms are suitable to invest in.

6.5 Limitations & Future Research

The research aims to investigate the heterogeneity of experiential knowledge across organisational ownership structures in undertaking EMNE CBA decisions. In doing so, it provides insights on various aspects including how owners' motives diverge depending on their identity and how these hinder or increase the value of knowledge acquired from external sources. However, like other studies, the findings of this study are not free of limitations. The study exhibits some limitations that can be addressed in future research.

The first limitation is related to data constraints. The proxy used for inward internationalisation excluded certain kinds of inward activities such as Original Equipment Manufacturing (OEM), and importing foreign products and services. This is because data limitations prevented the inclusion of these activities in the study. Earlier studies incorporating such activities used survey data to collect them (Li et al., 2017; Luo & Wang, 2012). The study did not include home or host economy conditions to investigate the effect of inward internationalisation on CBA decision. This was because its main focus is on firm level accumulation of experiential knowledge and internal integration of experience with motivation to understand firms' behavioural risk taking in the form of CBA. However, the existing literature widely acknowledges that host and home country specifications have a significant influence on firms' internationalisation decisions through CBA (Buckley & Munjal, 2017; Buckley, Yu, et al., 2016). These specifications could be based on the difference between home and host countries such as type of economy (developed vs emerging), corporate governance standard, and so on. While the database of this study was limited to firm level home country data, future research incorporating home and host country specifications could provide useful substantiating findings.

Second, the conceptual model used in this study is based on the premise that firms learn from their inward internationalisation experience which can have a heterogeneous impact depending on ownership structure. But quantitative data does not clearly measure and observe whether learning occurs or not. This research used data at the population and firm level that enables the analysis of higher level factors and their effect on a firm's strategic decision making. This limitation can be addressed in future studies by using multiple data sources particularly survey data.

Third, the study did not examine how the interaction of different owners moderates the influence of firms' inward internationalisation on CBA decisions. Since owners consider other dominant owners' preferences in making their strategic decisions (Singla et al., 2017), not incorporating the interaction is a limitation of the study.

Fourth, the sample of the study is only limited to Indian public limited companies. However, both Indian private and unlisted public firms can undertake CBA and cause sample selection problem. This limitation was treated with the Heckman sample selection test. Further, the study focus was on only one emerging market (India) which can limit the generalizability of the research findings to other emerging markets.

Based on the research focus and analysis carried out in the study, a few extensions can be suggested. Similar research can be conducted from the perspective of other emerging economies to confirm the impact of inward internationalisation on firms' CBA decision. Similar research can be done to reassess the moderation impact of ownership heterogeneity found in this study in other emerging country contexts. Although sharing some common features, emerging economies do show some important elements of heterogeneity. For instance, corporate growth patterns in India, mainly driven by independent firms and family-controlled firms, are likely to differ from those of China where state owned or partly privatized firms dominate (Cuervo-Cazurra & Ramamurti, 2014). Nevertheless it might be possible to argue that the congruity of owners' strategic motives with externally acquired experiential knowledge on which the study focuses remains applicable for China as well.

This study mainly focuses on a particular corporate governance perspective – ownership structure. Further, the research can extend its analysis to other corporate governance characteristics such as the presence of business groups, the importance of board independence, CEO duality, size of the board, and influence of family directors. These aspects also have the potential to explain the heterogeneous impact of inward internationalisation on undertaking CBA decision.

This study investigates PP conflict from the perspective of CBA decisions. The presence of PP conflict can also be found in other corporate strategic decisions, such as choice of governance between wholly owned subsidiaries and joint venture, internationalisation diversification. An assessment of how different ownership groups influence different strategic decisions would be interesting as well.

Moreover, the relation between different ownership groups is complementary in nature (Kim et al., 2008). For instance, family ownership can bring firm specific expertise whereas; DI owners can bring strict discipline to the corporate governance. Therefore, from a corporate governance perspective, the presence of both type of owners provides complementary skills and as such the impact of one type of ownership depends on the presence of another type. Singla et al. (2017) mention that owners do not make decisions in isolation rather they consider other dominant owners' preferences while making any strategic decisions. Future research can be done to examine such nuances by examining the three-way interaction terms concerning different types of ownership and inward internationalisation.

Furthermore, the non-significant moderation impact found in this study can provide potential scope for future research. It is assumed that the business group affiliation of the focal firm contributes to the insignificant results of the moderation impact of DC ownership. This study did not incorporate the firm's business group affiliation. So, it would be interesting to examine the DC ownership impact on business group affiliated and non-affiliated firms. Similarly, the insignificant moderation impact of FC ownership is attributable to their lower level of ownership. FC investors of less than 51 percent are not allowed to exercise control within Indian MNEs (Chhibber & Majumdar, 1999). The different cut-off points of ownership can be used in future research to examine the nuanced impact of FC ownership in the context of emerging economies.

6.6 Unanswered Questions

This research rises some questions those goes beyond the scope of the research and remains unanswered. Firstly, this research finding supports the existing stream of research on the risk averse nature of family owners towards internationalization. While exploring the risk preference of family owners, this study have not considered family generational effect on risk taking. According to the generational perspective "the degree of family identification, influence and personal investment in the firm changes as the firm moves through generations" (Cruz & Nordqvist, 2012, p. 36). The earlier generation focuses on developing the firms into a viable transgenerational venture and allows managers to take higher risk. Family owners who are at later generational stages focuses on maintaining family wealth and their willingness to take risk is likely to be reduced. It would be interesting to know whether the risk averse nature of family owners is

due to the generation in charge of the family firm. Secondly, to what extent the research findings would vary if industry differences such as manufacturing vs service industry is to be considered. Thirdly, the relationship between inward internationalisation and CBA decisions may vary depending on the type of acquisition. Exploring whether CBA is horizontal or vertical in nature may shed light on this perspective. Fourthly, the risk associated with CBA may vary by the advancement of host country where the CBA will take place. Exploring the conceptual model proposed in the research by considering the institutional difference between host and home country could provide useful substantiating findings.

6.7 Conclusion

The literature review suggests that CBA strategy involves significant uncertainty and inherent risk that MNEs can deal with through possessing international experience and knowledge. Whereas EMNEs who are relatively new in their internationalisation stage suffer from insufficient experience and knowledge required to manage such risk and uncertainty associated with CBA. EMNEs' lack of experiential knowledge can be substituted for by acquiring knowledge from external sources in the form of inward internationalisation. While inward internationalisation offers experiential knowledge facilitating EMNEs' CBA decision, not all firms are able to create conditions that enable managers to fully utilise their externally acquired knowledge. The underlying reasoning is that the value of externally sourced experiential knowledge is contingent on its strategic fit with recipient organisations. Since organisations can vary in their ownership structure, agency conflict between principals is used as the boundary condition between inward internationalisation and CBA relationship. Therefore, drawing insights from OL and PP agency theory, this study proposed a conceptual model with testable hypotheses.

To conduct the research, the SDC Platinum database was used to collect CBA deals made by Indian MNEs from 2009 to 2017. A panel of 205 companies within the selected period were created with 1583 observations. This panel data was analysed using a fixed effect negative binomial regression. After data analysis, mixed results were found for the hypotheses. The full model shows that the baseline hypothesis H_1 (inward internationalisation - CBA decision) is statistically significant along with two moderators H_2 (family ownership) and H_4 (foreign institutional ownership). As predicted, inward internationalisation was found to have a positive

influence on EMNEs' CBA decision in the Indian context. The presence of family and FI owners explains why some firms are more likely to encourage or discourage undertaking CBA decisions than others despite having access to experiential knowledge. This research contributes to the understanding of the EMNEs' risky internationalisation through CBA focusing on inward internationalisation (experiential knowledge) and motivation. In addition, it advances our knowledge of the heterogeneity of experiential knowledge, ownership heterogeneity and the resulting PP agency conflict in the Indian context. Using insights from the findings, some recommendations to managers are put forward. Similar to other studies, this study is not free from limitations that can be addressed in future research. Finally, the study has proposed a number of promising future research directions.

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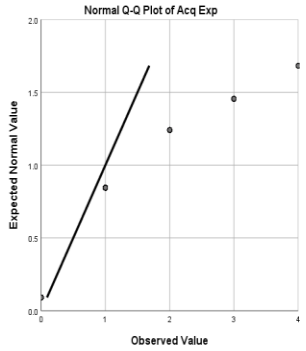
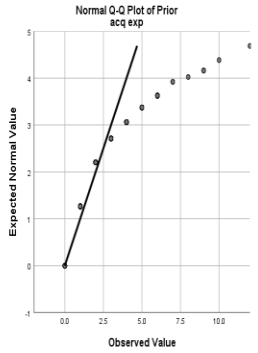
Appendices

Appendix 1 Normality Tests (Q-Q Plots)

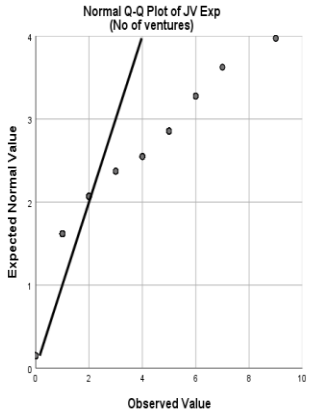
A Q-Q plot is produced for each variable used in the study (except dummy variables). All the variables indicate presence of non-normality.



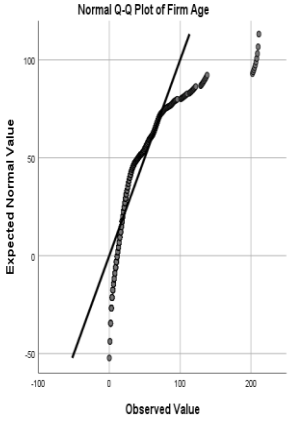
Normal Q-Q plot of Number of Acquisition



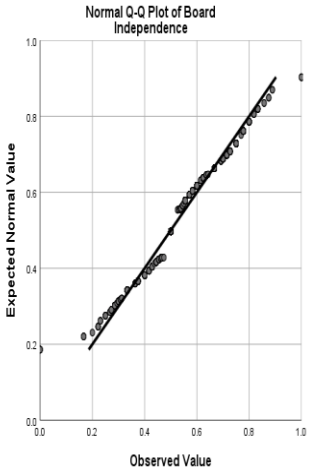
Normal Q-Q plot of Prior Acquisition Experience



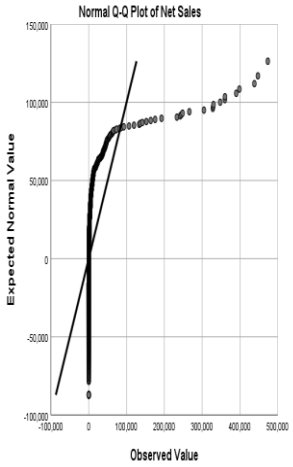
Normal Q-Q plot of Inward Internationalisation



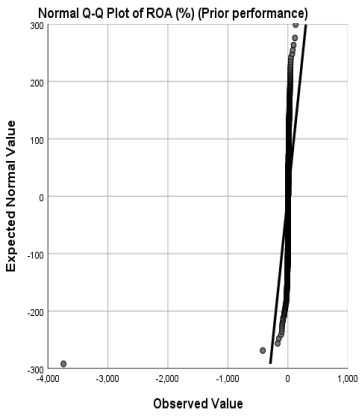
Normal Q-Q plot of Firm Age



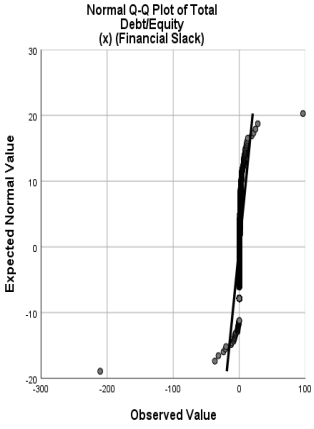
Normal Q-Q plot of Board Independence



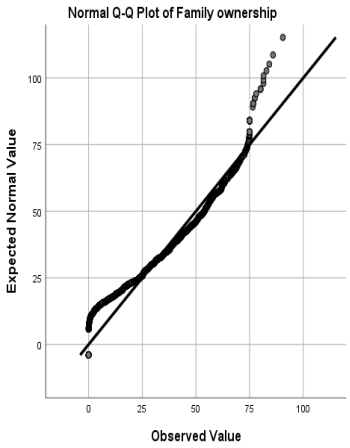
Normal Q-Q plot of Firm Size



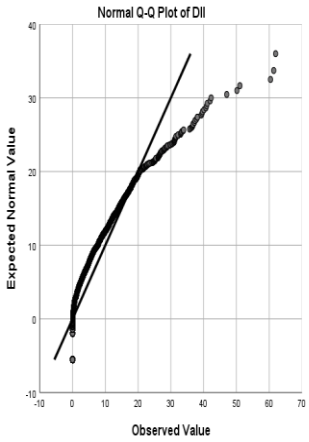
Normal Q-Q plot of Firm Prior Performance



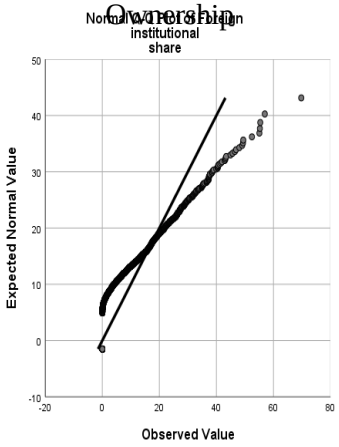
Normal Q-Q plot of Financial Slack



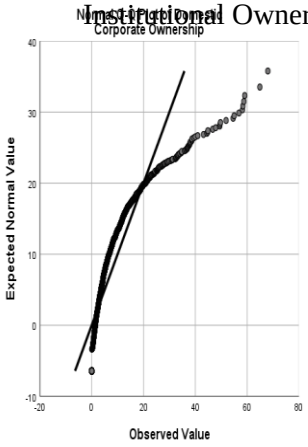
Normal Q-Q plot of Family Ownership



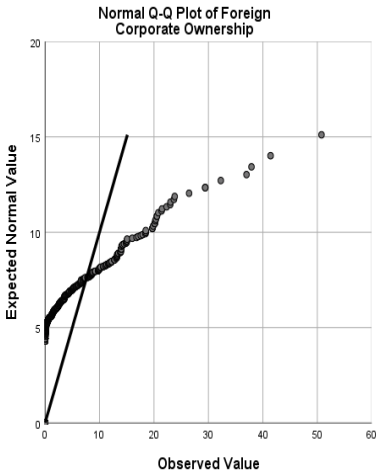
Normal Q-Q plot of Domestic Institutional Ownership



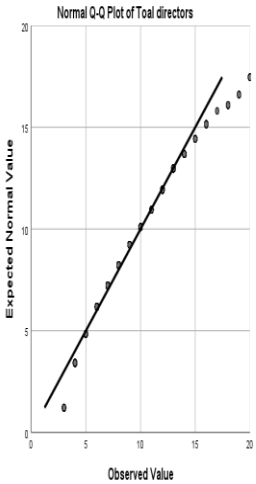
Normal Q-Q plot of Foreign Institutional Ownership



Normal Q-Q plot of Domestic Corporate Ownership



Normal Q-Q plot of Foreign Corporate Ownership



Normal Q-Q plot of Board Size

Appendix 2 Heteroskedasticity

Table 1 Breusch-Pagan test statistics and sig-values

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of number of acquisition

$\chi 2\,(1) \quad = \quad 294.28$
Prob > $\chi 2 \;=\; 0.0000$

Appendix 3 Hausman Test for the Selection of Fixed vs Random-Effects Model

Table 1 Hausman (1978) specification test

	Coef.
$\chi 2$ test value	207.66
P-value	0.0000