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SHRI RAMA JAYAM



Durham
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**DO HOME COUNTRY EFFECTS ENCOURAGE EMERGING MARKET MNEs TO ENGAGE
IN STRATEGIC ASSET SEEKING?**

AN EMPIRICAL STUDY OF MALAYSIAN MNEs

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Ph.D. MANAGEMENT

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List of Abbreviations

MMNEs : Malaysian Multinational Enterprises

DMNEs: Developed Multinational Enterprises

EMNEs: Emerging Multinational Enterprises

USD : United States Dollar

BG : Business groups

SAS FDI: Strategic asset seeking

OFDI : Outward foreign direct investment

UNCTAD: United Nations Conference Trade and Development

To my parents

Thesis Title: Do Home Country Effects Encourage Emerging Market MNEs To Engage In Strategic Asset Seeking? An Empirical Analysis of Malaysian MNEs.

Abstract

Outward foreign direct investment-related to strategic asset seeking (henceforth; SAS OFDI) has garnered International business scholars' attention. Many studies have emphasized that firms from emerging markets are capturing assets from developed market firms to upgrade and build their capacity for being competitive at their home market (Lecraw, 1993; Makino et al., 2002; Child and Rodrigues, 2005; (Cuervo-Cazurra et al., 2018; Kong et al., 2020)). EMNEs - as 'late-comers' aspiring to 'catch-up' - have been actively involved in SAS FDI in developed markets (Boisot & Meyer, 2008; Child & Rodrigues, 2005; Luo & Tung, 2007). They aim to rapidly fill their capability holes (Ramamurti & Williamson, 2019). This asset augmentation arises because EMNEs are 'pushed' to achieve the competitive advantages they lack to compete with foreign entrants in their home country (Chari, 2013) and local firms in host countries (Buckley et al., 2016).

Home country effects has garnered attention among international business scholars (Cuervo-Cazurra et al., 2018; Wan & Hoskisson, 2003; Yan et al., 2018). Although the internationalization of emerging market market firm is becoming increasingly important, the role of home country effects in international expansion is poorly understood (Cuervo-Cazurra and Dau, 2009; Cui and Jiang, 2010; Del Sol and Kogan, 2007; Luo and Tung, 2007; Witt and Lewin, 2007; Cuervo-Cazurra, 2019). Indeed, there is considerable debate about how home country effects influence outward internationalization strategies (Dau, 2012; Del Sol and Kogan, 2007; Lee and Weng, 2013; Liu et al., 2014; Luo and Wang, 2012). There are two home country institutions namely institutional constraint and support (Li & Ding, 2017). The impacts of the home country institutions we called as home country effects (Cuervo-Cazurra, 2008). It

is classified as business groups and domestic governmental support, and have been speculated to play an important impact on emerging market MNE internationalisation. However, little research has specifically examined empirically whether and how these so called 'home country effects' assist the SAS OFDI of EMNEs. This research looks specifically at EMNEs from Malaysia and what assets Malaysian EMNEs try and acquire from developed counterparts. It aims to explore in more detail the role of home country effects in assisting strategic assets seeking; from EMNEs perspectives. Malaysia launched a National Development Policy as early as 1991, with the purpose of assisting firms in exploiting technological resource from overseas, making it an interesting case.

This research adopted an explanatory sequential approach, where phase one data was collected and it focused on quantitative empirical models to better understand the general characteristics of Malaysian MNE outward FDI strategy (using Tobit Regression models). In the second phase of the research qualitative multiple case studies were employed to delve further into the characteristics of Malaysian MNEs and explore their considerable heterogeneity. Specifically, in Malaysia business groups dominate and many of them are dominated by either ethnic groups (Chinese mainly) and state-owned groups. In the former group, firms were normally owned by a single family, a group of families or a Chinese political party. By contrast, state owned groups evidently expanded through government involvement and support and are controlled by ethnic Malays. This has created an interesting duality in Malaysian business and also its outward FDI characteristics, providing interesting insights into the impacts of domestic home country effects (i.e. including the historical legacy of the impacts of different ethnic groupings). Indeed, although there are government and military enterprises in other Southeast Asian countries such as in the Philippines and Indonesia, it is only in Malaysia that political parties actually own or control large business groups. Three large Malaysian MNEs with varying histories and background (Petronas, Sime Darby and YTL)

were chosen to further explore the nature of Malaysian MNEs and in particular consider in greater detail that nature of their strategic asset seeking activities.

I make, in particular, several contributions to the theoretical "goldilocks debate," which scholars have raised concerning the validation of current theories explaining EMNE' activities. This research has demonstrated the role of home country effects in assisting strategic asset seeking. Moreover, this research's uniqueness relates to providing further insights into the ethnic origins and heterogeneity of Malaysian MNEs and how this influences their behaviours, including seeking assets from Western counterparts. To date, much of the IB literature has centralized on countries from BRICS. Therefore, this could able to add knowledge to EMNEs' works of literature. In a nutshell, this research will enhance our understanding of EMNEs internationalization, specifically from Malaysia. This research also will contribute new knowledge to business groups' literature.

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My acknowledgement seems long, but, this is for those with me from day one till now. For those who are fighting, keep going. It seems hard and rough but, it is a worthy journey.

“ KEEP GOING”

*****SHRI RAMA JAYAM OM SAKTHY*****

Chapter 1 Background of the study

1.1 Introduction

It has become evident in recent years that researchers are becoming more keen to study emerging market multinational enterprises (EMNEs hereafter), as we see unprecedented levels of foreign direct investment (FDI) from foreign companies based in emerging markets. Over the last 20 years, foreign direct investment (FDI) from emerging economies has increased from negligible amounts in the early 1990s, to over USD 350 billion in 2017 (UNCTAD, 2017:2019). Numerous studies have reported phenomenal waves in emerging economies' OFDI in recent years (Sirkin et al., 2008a, b; Van Agtmael, 2007; Ramamurti and Singh, 2008; Gammeltoft, 2008; Luo and Tung, 2007;2018). Further, firms from countries such as Mexico, Chile, Malaysia, Indonesia, Egypt, Turkey, as well as from other countries actively involved in international trade have forged stronger connections with countries like Brazil, Russia, China, and India (BRIC) which have the biggest markets in the world. In short, the current pattern of OFDI from emerging markets has transformed the traditional global economy and international business.

There has been a lot of debate among scholars about this phenomenon, for example Ramamurti (2012) asks, "What is different about multinationals in emerging markets?" (p.41). In this paper, he argues that the behavior of Western firms has evolved from conventional theories to emerging markets. As emerging-market firms have shown peculiar trends in their overseas direct investment, one question that needs answering is whether "all these conventional theories adequately describe emerging-market firms' EMNE trends? ". There is evidence to suggest that emerging markets are investing in advanced markets, and thereby opting for aggressive internationalization in the pursuit of acquisition of valuable assets (Lecraw, 1993; Tseng, 2007; Chen and Chen, 1998ab; Lu et al., 2011). In this respect, the phenomenon poses a challenge to the traditional internationalization of asset seeking activities (Makino, Lau, and Yeh, 2002). The academics argued that the motivation for the outward investment of emerging market multinational enterprises (EMNEs) can be explained well by an asset-seeking perspective.

From the perspective of asset seeking, OFDI is a way for EMNEs to gain strategic assets and also to reduce institutional and domestic constraints at home (Luo and Tung, 2007; Witt and Lewin, 2007). Once they acquired those assets, they will exploit back to their home and compete more effectively against their rivals and (Luo and Tung, 2007). Moreover, assets acquired through OFDI enable EMNEs to learn and control resources and also easy access to their home country (Chung and Alcacer, 2002). For the purpose of this study, strategic assets are defined as both resources and capabilities (Amit and Schoemaker, 1993) that are a subset of proprietary assets that provide sustainable competitive advantages (Deng, 2009). These strategic assets may include marketing expertise, technology-related knowledge, managerial capabilities, human capital, or simply reputation for being established in a prestigious market (Chen and Chen, 1998b; Buckley, Clegg, Cross, Liu, Voss and Zheng., 2007).

In today 's harsh competitive environment, proprietary assets of MNEs are primarily knowledge-based assets (Caves 1996; Yang and Kang 2005) and knowledge creation, especially for those from emerging markets. There is only purpose for this seeking, it is to compete successfully in the international market for the long term (Yang and Kang 2005). Despite the growing importance of emerging economies to global outward investment, theoretical explanations for such activities are still limited (Mathews, 2006), with the exception of a few notable articles on EMNEs' search for assets through internationalization (Yiu, Lau and Bruton., 2007).

Recent literature suggests that an increasing number of EMNEs have been actively joined in the establishment of joint ventures, the acquisition of local firms and the establishment of research and development centers (R&D) in developed countries. Scholars suggested that the main reasons for these activities are to leverage valuable assets in host countries and build up their own capabilities (Child and Rodrigues, 2005) instead of traditionally exploiting their low

cost advantage. They argue that much of EMNEs' external foreign direct investment is strategic-asset-seeking in nature (Child and Rodrigues, 2005; Deng, 2008; Rui and Yip, 2005). To date, a powerful motivation for EMNEs external foreign direct investment is solely for strategic asset seeking. Taiwanese firms pioneered in strategic asset-seeking activities. A study by Chen and Chen (1998) highlights forming a good linkage with foreign enterprises to tap their resources and exploit in Taiwan. Similarly, Hitt and Lee (2000) claim that EMNEs are signing foreign alliances especially developed markets to acquire their strategic assets such as technical capabilities, managerial know-how, technologies and brands. To assert, most of Asian firms do aggressive OFDI at developed markets to tap superior assets at the host country and establish competitive advantages that they are lacking of (Makino et al., 2002; Mathews 2002; 2006).

The expansion of internationalization through aggressive entry into advanced markets reflects the importance of strategic asset-seeking internationalization (herein; SAS) for EMNEs to meet their external knowledge acquisition and capacity building objectives. For instance, there has been much literature on the EMNEs and its internationalization (Young et al., 1996; Yeung, 2000; Wu and Chen, 2001; Taylor, 2002; Liu and Li, 2002; Wong and Chan, 2003; Hong and Sun, 2004; Wright et al., 2005; Sim, 2014; Abdullah and Zain, 2011), yet, there are still limited studies on the strategic assets of firms seeking and EMNEs. The research to date has tended to focus on internationalization rather than strategic asset seeking internationalization, particularly studies about home country effects (business group affiliation and government support) and SAS OFDI are still infant. This study, therefore, fills the paucity by providing evidence related to SAS OFDI in the following chapters.

1.2 Research Questions and Research Objectives

EMNEs OFDI motivation can be categorised into four types. According to Dunning(2000), he categorised those motivations as “market seeking, resource seeking, efficiency-seeking and strategic asset seeking (Shi,2018).

Copious literature has discussed about these four main OFDI motivations (Yang and Deng,2017). Likewise, numerous studies cited about strategic asset seeking activities of EMNEs and they identified EMNEs as “latecomers” (Boisot and Meyer, 2008; Child and Rodrigues, 2005; Cui, Meyer, and Hu, 2014; Li, Li and Shapiro, 2012; Luo and Tung, 2007). “Latecomers” are pushed to compensate competitive advantages or asset augmentation that they are lacking of at foreign firms (Chari,2013; Buckley,Munjal,Enderwick,and Forsans,2016). Nevertheless, there is paucity in discussing home country effects (business groups and government support) and SAS OFDI. Therefore, the overarching question of this study is:

“ To what extent do home country effects facilitate strategic asset seeking OFDI?.”

To this end, in this study, we specifically focus on the following four sub research questions:

Does, for example, business group affiliation influence EMNEs’ likelihood to engage in asset seeking activities?

Does government support influence EMNEs’ likelihood to engage in asset seeking activities?

How else home country effects in emerging markets influence EMNEs’ likelihood to engage in asset seeking activities?

Guided from the above research questions, we elaborate the following three research objectives;

To empirically analyse business groups affiliation and government support in the asset seeking activities in the Malaysian context.

To examine business group affiliation and government support the likelihood of EMNEs in asset seeking activities, using Malaysia as a case in point.

1.3 Research Gaps

Increasing internationalization of EMNEs has contributed for theory building (Peng, 2012). It presents an excellent opportunity to revisit theories, provide new empirical evidence, and find new theoretical explanations (Ramamurti, 2012). To add, home country effects are a subject of a great deal of literature in international business. Studies have shown that firms' strategies, performance, and operations abroad are significantly influenced by factors within their home countries (Cuervo-Cazurra et al., 2018; Wan & Hoskisson, 2003; Yan et al., 2018). Moreover, there is substantial debate regarding how home country effects affect outward internationalization strategies (Dau, Del Sol and Kogan, 2007, Lee & Weng, 2013, Liu et al., 2014, Luo & Wang, 2012; Nayyar & Maity, 2021; Nayyar & Mukherjee, 2020)). In spite of the increasing importance of internationalization of firms from emerging countries, the role of home country effects on international expansion is comparatively poorly understood (Cuervo-Cazurra & Dau, 2009, Cui & Jiang, 2010, Del Sol & Kogan, 2007, Luo and Tung, 2007, Witt & Lewin, 2007; Cuervo -Cazurra, 2019).

Luo and Wang (2012) focus on home country environment parameters (e.g. economic growth, institutional environment, competitive pressure, and other macro-level factors). Chari (2013) has identified that business group affiliation significantly drives Indian MNEs' FDI. It may imply that emerging-economy firms affiliated with business groups have competitive advantages. Nevertheless, no empirical research has been developed to explore whether business group affiliation determines EMNEs' SAS FDI. More importantly, many academic studies rely upon patents as the key empirical proxy of SAS orientation, even though they highlight that strategic assets refer to both cutting edge technologies and brands, among other things (Buckley et al. 2007; Drogendijk and Blomkvist; Li, Li, and Shapiro, 2012; Ramasamy, Yeung, and Laforet, 2012). To the best of researcher's knowledge, however, there are no

empirical studies that clearly distinguish between the different types of strategic assets that are targeted by EMNEs.

Moreover, Cuervo-Cazurra et al. (2014) argue that existing theory does not present a consistent prediction of the state support on MNEs' OFDI. Luo, Xue and Han (2010) suggest that two views, including institutional escapism and governmental promotion, seem to be paradoxical. The actual influence is likely attributed to firms' heterogeneity in industries and ownership. For example, government-affiliated firms may be significantly affected by the government promotional force, while the force of institutional escapism largely influence affiliated firms (Luo, Xue and Han, 2010). Therefore, I add to the under-researched area concerning home country effects and strategic asset seeking.

1.4 Single country

As suggested by (Yiu et al.,2005), a single country appears to be a sensible approach to examining research about business affiliated firms and non-affiliated firms as it will eliminate the confounding effect of different economies, such as cultures. In this study, the researcher focuses on Malaysian firms as business groups in Malaysia can be classified as ethnic business groups. Two different ethnic business groups have different cultures with common business objectives. To support with this, Khanna and Rivkin (2001), business group roles may vary across institutional contexts as emerging economies are hardly uniform, though, they have common interest as latecomers (Khanna and Paleppu,1997). Therefore, firms from a single country (Malaysia) has been selected to investigate more deeper about effects of home country on their internationalization .

1.5 Methodological Approach

Based on the research questions and objectives that are being explored, a sequential explanatory mixed methods seem to be appropriate and chosen for this study. This study will be divided into two phases, first phase is quantitative (Tobit regression) followed by phase two (qualitative). In phase two, multiple case studies are developed to extend the quantitative

results for better understanding on home country effects facilitate strategic asset seeking of EMNEs. The usage of sequential explanatory is ideal when the researcher tries to pursue upon quantitative results with qualitative data. As a result, the qualitative data is used to comprehend and clarify the quantitative data analysis's findings. A generic qual design is frequently utilised in explanatory approaches since the QUAN design is the focus. This two-phase technique is especially beneficial for researchers who do want to elucidate the outcomes from the first phase of the study using qualitative collected data in Phase 2 (Clark & Ivankova, 2018) Therefore, a sequential explanatory mixed methods anticipated to provide better understanding and provide information in a meaningful way (Figure 1).

1.6 Summary

This chapter discusses about research questions, objectives of the study, theories that are related with the study and the reasons for this study investigated in two phases, quantitative and qualitative. In the following chapter, we are going to look at related prior studies and hypotheses development for the study.

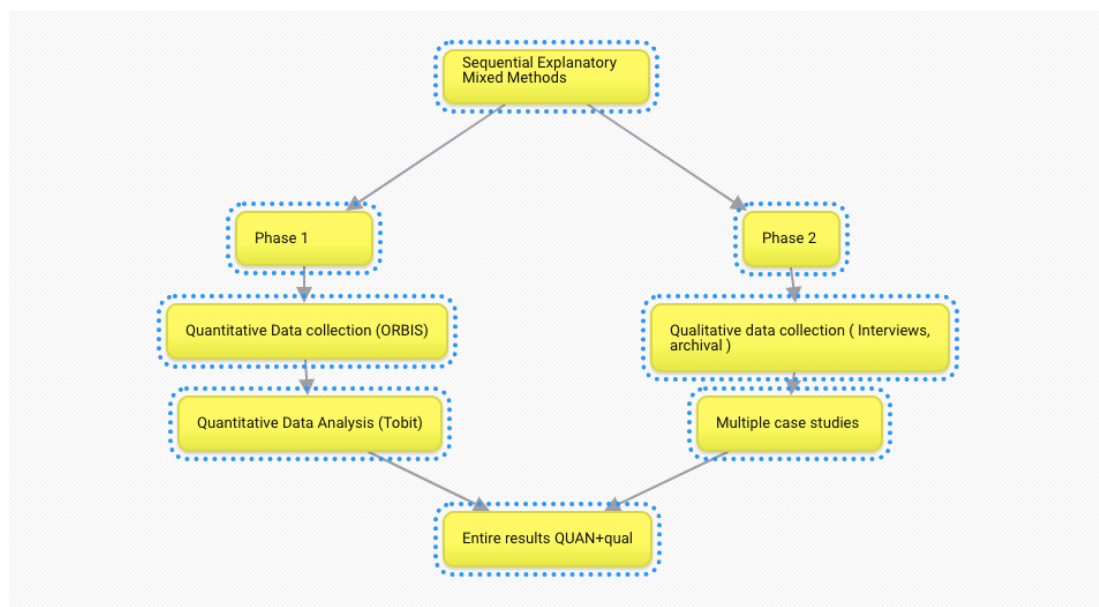


Figure 1 Sequential Explanatory

Source: Author's illustration

Chapter 2 Literature Reviews

2.1 Introduction

“Should one broaden the current theory; or reconsider the ideas, connections and causalities? Does it explain EMNEs peculiar behaviour while engaging in OFDI?”

A key difference between EMNEs and developed market multinationals is their unusual behavior for example, a willingness to take on merger and acquisition activities to enhance existing firm-specific advantages in rapid or aggressive pace. Various scholars have referred to this phenomenon in different ways, including 'late comers' (Child and Rodrigues, 2005), "springboards" (Luo & Tung, 2007) or strategic intents (Rui and Yip, 2008). There are several barriers that companies face when they attempt to internationalize in order to improve their knowledge of new markets and technologies (Buckley and Hashai, 2020); this issue is especially relevant for multinational firms located in emerging market countries (Luo and Witt, 2021).

Initially, scholars build theories to explain MNEs internationalization based on Western based firms (Buckley et al. 2007; Ramamurti, 2012) and apply those theories to describe about EMNEs internationalization. In essence, one of the prominent theories that usually used is Uppsala model by Johanson and Vahlne, 1977; 1990). However, EMNEs' peculiar OFDI hunt do challenge the reliability of the theory in explaining their behaviours. Many scholars too have challenged the applicability of theories (Child and Rodrigues, 2005; Buckley et al., 2007; Mathews, 2006; Ramamurti, 2012).

In recent studies, it has been shown that EMFs have a fundamentally different internationalization process as compared to firms in developed countries in terms of resources, capabilities and motivation to internationalize. (Guillen and Garcia-Canal 2009; Gammeltoft et al., 2010). It is argued that the internationalization of developed country firms is driven by a motivation to exploit ownership advantages (as established by the eclectic paradigm) (Dunning, 2006; Dunning and Lundan, 2008). A firm's internationalization strategy is driven by the weak ownership advantages that it possesses, such as technology, brand recognition and

managerial capabilities (Gammeltoft et al., 2010). Thus, the "OLI" framework fails to explain this phenomenon and we need to utilize new theoretical perspectives to provide comprehensive explanations of this phenomenon. Considering this, the institution-based view has gained popularity in this regard over the past decade, considering the institutional environment in emerging markets exerts significant influence over business activities in a country (Wright et al., 2005; Peng et al., 2009). The strategy tripod framework developed by Peng et al. (2008) contends that a firm's internationalization strategy is a result of institutional factors, internal resources and external factors within an industry. Internationalization can be enabled or constrained by a multitude of institutional forces, as indicated by the institution-based view (Peng et al., 2008; Yamakawa et al., 2008). As a result, it is necessary to examine whether the institutional environment in the home country in emerging markets encourages local firms to explore overseas markets (Deng, 2012).

2.2 Home country effects

In international business, home country effects are the subject of extensive literature. Studies have shown that the strategies, performance, and activities of companies abroad are significantly influenced by factors within their home countries (Cuervo-Cazurra et al., 2018; Wan & Hoskisson, 2003; Yan et al., 2018). Although the internationalization of emerging market firm is becoming increasingly important, the role of home country effects in international expansion is poorly understood (Cuervo-Cazurra and Dau, 2009; Cui and Jiang, 2010; Del Sol and Kogan, 2007; Luo and Tung, 2007; Witt and Lewin, 2007; Cuervo-Cazurra, 2019). Indeed, there is considerable debate about how home country effects influence outward internationalization strategies (Dau, 2012; Del Sol and Kogan, 2007; Lee and Weng, 2013; Liu et al., 2014; Luo and Wang, 2012). Various scholars (Cuervo-Cazurra et al., 2015b; Krammer et al., 2018; Lee et al., 2015; Stoian and Mohr, 2016; Gaffney et al., 2014; Hoskisson et al., 2013; Wright et al., 2005) claim that issues such as corruption, protectionism, and coercive pressures might result in a "flight effect" for firms from the emerging

markets. Conversely, some researchers find that higher - quality institutions such as state support, it may provide greater resources and reduce transaction costs and uncertainty, thereby empowering firms to do overseas (Luo et al., 2010; Sun et al., 2015; Wu and Chen, 2014). Below I have explained in more detail what home country institutions are and how effects of those home country institutions influence the internationalization, in particular, EMNEs' search for asset seeking. In addition, the literature has paid much of attention to host country institutions (Deng, 2009, Meyer et al., 2009, Meyer and Sinani, 2009, Xia et al., 2008, Yang et al., 2011). Scholars are beginning to recognize that institutions inherited from the home country cannot be taken for granted to explain the internationalization of EMNEs (Cuervo-Cazurra and Dau, 2009, Cui and Jiang, 2010, Del Sol and Kogan, 2007, Luo and Tung, 2007, Witt and Lewin, 2007).

2.2.1 Institutional Constraints

The overarching aim of this thesis is to analyse the role of home country effect in assisting strategic asset seeking (Cuervo-Cazurra, 2012; Hertenstein, Sutherland & Anderson, 2015; Colpan & Cuervo-Cazurra, 2018a, 2018b; Cuervo-Cazurra et al., 2018; Luo et al., 2018; Cuervo-Cazurra & Ramamurti, 2017), rather than outward foreign investment (Dau, 2012; Del Sol & Kogan, 2007; Lee & Weng, 2013; Liu et al., 2014; Luo & Wang 2012).

There are two paradoxical views on the home country's effects. The first is that the "flight" view argues that foreign investment from emerging markets responds to a stifling home country's institutional environment (Witt & Lewin, 2007). Through these "dark" glasses on institutional constraints, some scholars argue that the primary motivation for emerging markets firms (EMNEs) to go abroad is not to capitalise on the competitive advantages but to circumvent a range of competitive disadvantages that incur at home (Boisot and Meyer, 2008; Child and Rodrigues, 2005 ; Hoskisson et al., 2013; Peng et al., 2011). For example, Luo and Tung (2007, p. 482) identify the "pull factor" of EMNEs that "use outward investments as a

springboard to acquire strategic assets needed to compete more effectively against global rivals and to *avoid the institutional and market constraints they face at home*" (emphasis added).

Initially, scholars identified that firms internationalise with other counterparts to exploit their firm-specific advantages (Caves and Porter, 1977; Dunning, 1981; Dunning, 1986; Hymer, 1976). They categorised these competitive advantages as high productivity, high efficiency, specialised know-how, availability of capital or international experience (Dunning, 1980). Dunning's (1981) IDP is partially supported on par with these views by the literature on OFDI from emerging markets firms (Andreff, 2002, Andreff, 2003). However, academicians are noticing unusual OFDI in emerging markets. Therefore, they provided an alternative view where they assert that firms internationalise to acquire competitive disadvantages (Child and Rodrigues, 2005; Mathews, 2002; Mathews, 2006) and to escape the home country's weak institutions and economic underdevelopment (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2015 ; Luo and Tung, 2007 ; Witt and Lewin, 2007; Yamakawa et al., 2008). In other words, institutional constraint compensates for competitive disadvantages caused by unfavourable home country institutional environments (Cuervo-Cazurra & Genc, 2008; Luo & Tung, 2007; Witt & Lewin, 2007; Yamakawa et al., 2008).

2.2.1.1 Institutional learning

The process of learning from an institution, based on their familiarity with the particularities of their own institution, usually a weaker one, and then using those lessons in another country. This institutional learning allows firms to operate efficiently when compared with other foreign companies operating within the host country. This is because they do not possess the same level of learning as they do because they hail from more developed countries. This argument extends the traditional analysis of institutional knowledge (Eriksson et al., 1997; Peng, 2002) by highlighting how some firms can use their exposure to challenging institutions at home as an advantage (Cuervo-Cazurra & Genc, 2008), and specifically, institutional

advantage (Martin, 2014). It is this concept of institutional knowledge as an institutional advantage (Martin, 2014) that is a subtle difference with the traditional conceptualization of experiential knowledge (Johanson & Vahlne, 1977). Institutional learning as well as the associated institutional advantage is a function of the particular combination of home and host countries examined. In order to use it effectively, a thorough analysis of the institutional characteristics of the home country is necessary. In addition, it is necessary to understand how the learning gained can be applied to a specific host country.

In this vein, several studies have highlighted the array of dimensions of institutional learning and the use of it for selecting host countries. Several studies indicate that firms are induced to expand into other countries that have similar institutional conditions by the institutional experience they gain from encountering weak institutions at home. As a result, foreign firms from corrupt countries are encouraged rather than discouraged by host country corruption, as they have learned how to deal with corruption at home (Cuervo-Cazurra, 2006). There is a competitive advantage for companies from weakly governed countries in emerging countries with weak governance, as they have learned to successfully operate under nonexistent institutions (Cuervo-Cazurra & Genc, 2008). As a result of their experience operating in highly regulated industries, companies from states with a robust government role redirect their investments to countries where the government has significant discretion over investment decisions (Garcia-Canal & Guillén, 2008). Holburn & Zelner(2010) assert in the similar vein that companies in countries with greater political constraints are more likely to invest in countries with similar political constraints.

2.2.1.2 Weak Intellectual Properties Framework

Within a given institutional framework, intellectual property rights (IPR) tend to be particularly concerned to foreign investors (Khoury & Peng, 2010; Nunnenkamp & Spatz, 2004). The less IPRs are protected, and the less effectively such protection is enforced, the

more foreigners have to rely on their internal processes and informal means of engaging with local enforcement agencies (Benassy-Quere, Coupet, & Mayer, 2007).

Firms develop capabilities to manage and protect their knowledge. They may, for example, selectively transfer or compartmentalize knowledge, which enables sharing of proprietary knowledge across sensitive interfaces while appropriating the benefits of the knowledge (Cohen, Nelson, & Walsh, 2000; Henkel, 2006). Moreover, internal processes enable experienced MNEs to transfer knowledge from geographically dispersed subsidiaries (Kafourous, Buckley, & Clegg, 2012; Monteiro, 2015). Such processes are supported by munificent home environments in which knowledge can be shared in business networks, and relevant skills can be easily recruited. They enable MNEs to protect against unauthorized knowledge diffusion, even in less developed contexts (Laursen & Salter, 2014).³ MNEs operating in AEs have, compared to local competitors, a) weaker abilities to operate under AE institutional frameworks and b) less sophisticated managerial processes to protect their products and technologies internally. In their home country, they are used to different challenges in managing technologies, particularly IPR. For example, they tend to operate at home with mature technologies that are easy to imitate, but the costs of the imitation are not very serious.

Consequently, they have fewer human resources with the capability to manage, protect, and exploit the sophisticated technologies available to them in developed countries. Therefore, the deterrence of weak protection of IPR will affect EMNEs more than DMNEs. Moreover, a particular concern for EMNEs in DMNEs is the control of technologies that they acquire with the take-over of local firms in strategic asset seeking investments (Rui & Yip, 2008; Li, Li & Shapiro, 2012). When EMNEs acquire local firms with higher technologies, they find it demanding to manage these technologies effectively and prevent the uncontrolled diffusion of knowledge, for example, when critical employees leave an acquired company. This puts

EMNEs relatively more at the mercy of the legal framework, particularly the strength of IPR protection, in the host economy.

EMNEs also have less experience managing knowledge processes within the organization, especially in absorbing knowledge from overseas affiliates in developed countries into the parent organization in emerging markets. Arguably, their ‘headquarter absorptive capacity’ (Ambos et al., 2006) is comparatively weak, resulting from the home country's environment. Thus, they cannot create processes to diffuse innovations internally or recruit staff who might lead knowledge sharing, making it more difficult to prevent the diffusion of the new technologies to potential competitors. In summary, their inexperience in terms of capabilities for managing technology and innovation in developed countries, and their relative disadvantages in sourcing the relevant skills, knowledge and experience in the home economy, means that EMNEs benefit from host environments whose legal systems offer better IPR protection and weak intellectual properties force EMNEs escape to strong IPR protection.

2.2.2 Institutional Support

Institutional support derived from government promotional policies is one of the key drivers of outward internationalization (Buckley *et al.*, 2007). For example, with the aim of strengthening the competitiveness of Chinese firms, the Chinese government instigated its “going-global” policy in 2001. Under the “going-global” policy, a series of policy tools was adopted to encourage domestic enterprises to engage in global expansion. These policies include streamlined administrative procedures, low-interest financing, favorable exchange rates, reduced taxation, and subsidized insurance for expatriates (Luo *et al.*, 2010). The government aims to provide benefits to private firms and thus facilitate their international expansion (Wang *et al.*, 2012a). These institutional supports influence firms’ internationalization in a number of ways, such as helping them to acquire important information, alleviate internationalization risks, and access additional business opportunities

via government bilateral trade partnerships. Additional forms of financial support include foreign currency assistance and taxation exemptions on the export of equipment, raw materials, and intermediate products (Luo *et al.*, 2010; Rui and Yip, 2008).

Governments in emerging markets provide information services about overseas business environments and investment opportunities; thus, facilitating firms' internationalization. For example, the Chinese government established and continues to maintain an information service network that provides information about the business environments of different countries and the problems investors face. Reports about business environments and obstacles (e.g., the "Report on the Trade and Investment Environment in Different Countries") are now published annually to provide information to enterprises. Additionally, the Chinese government actively organizes and holds international foreign trade fairs to help domestic firms gather information about international business opportunities and establish links with potential suppliers or customers overseas (Naughton, 2007).

Through government involvement in overseas investment activities, firms can win contracts more easily and alleviate the commercial and political risks they face in overseas markets. For example, bilateral investment treaties and trade agreements with other countries and close inter-government relationships can reduce the risks of overseas investments and operations to a certain extent (Luo *et al.*, 2010). Such policies and arrangements increase a firm's confidence and its ability to manage risks while expanding internationally.

2.3 Evidence of institutional constraints and support leads strategic asset seeking

Some researchers have noted that the existence of physical infrastructure, financial and capital resources, labor quality, and political, legal, and societal institutions facilitates the development of innovations in countries with high institutional development (Rosenbusch *et al.*, 2019). MNEs from countries with high institutional development face tougher

competition, which requires continuous innovation and specialized expertise for them to remain successful. For instance, Furman et al. (2002) found that countries that encouraged competition and investments in technical universities increased their innovative capacity. Furthermore, in less institutionally developed economies, governments often promote R&D investments and innovation by granting subsidies or tax incentives, enforcing standards, and by promoting competition, antitrust laws, and open trade (e.g., Carney et al., 2019). In particular, government financial support provides firms with resources to innovate and helps mitigate the risk of unsuccessful projects.

In contrast, less developed market firms often face challenges and increased transaction costs due to institutional voids, such as the lack of or improper functioning of institutions in the product, capital, and labour markets (Cuervo-Cazurra & Ramamurti, 2017). Some research based on less developed country MNEs has analyzed the internationalization and home country institutions as drivers of innovation (Chittoor et al., 2015; Wu et al., 2016; Xie & Li, 2018). For instance, Chittoor et al. (2015) showed that the impact of internationalization on Indian firms' investment in innovation became stronger as the level of Indian institutional development increased as a consequence of the linkages with the global economy as well as the improvements of the free market mechanisms in the country. Xie and Li (2018) found that R&D and better-developed market intermediaries at home enhanced the positive effect of exporting on Chinese manufacturers' innovation, while market openness in the home region tended to diminish it. Wu and Park (2019) demonstrated for Chinese firms that internationalization provides learning opportunities for innovation performance but also incurs higher management costs to handle the information overload from extensive internationalization.

As the springboard view posits, MNEs from emerging countries have strong incentives to learn and improve their capabilities and innovation when they expand to international markets,

but they also face challenges for growth in highly complex international environments as their internationalization grows greater. Wu et al. (2016) analyzed Chinese MNEs and showed that although host-country institutional development on average enhances innovation performance, such effects are more pronounced for firms with strong absorptive capacity and for those diversifying into a larger number of countries. In the same line, other research has noted that MNEs from weak institutional home countries may generate more innovation benefits than MNEs from developed countries when expanding their international operations into more institutionally developed countries (Cuervo-Cazurra, 2012; Rosenbusch et al., 2019). As emerging country firms often lack competitive internal R&D capabilities, they have been expanding rapidly to internationally and institutionally diverse markets to seek external ideas and upgrade their capabilities (Zhao et al., 2022).

2.4 Location of boundness in strategic asset seeking

EMNEs may be able to attain these resources by embracing quick internationalization at DMNEs in order to reduce latecomers disadvantages such as innovative backwardness and the absence of known brands, as well as other home-country institutional voids (Buckley et al., 2007; Deng, 2009; Luo and Tung, 2007; Mathews, 2006; 2017; Rui and Yip, 2008:). It is still important to note, however, that the current EMNE framework does not certainly identify the various types of strategic asset seeking (Shi et al., 2021; Sutherland et al., 2019). Therefore, building from Rugman and Verbeke's (1992) work, I distinguish two types of strategic assets: non-location bounded (NLB) and location bounded (LB) strategic assets.

The NLB-FSAs are defined as:

“FSAs that can be exploited globally, and lead to benefits of scale, scope or exploitation of national differences. In the context of FDI, the NLB-FSAs can be transferred abroad at low

marginal costs and used effectively in foreign operations without substantial adaptation. All of a multinational's FSAs of a transaction cost nature typically fit into this category.”

In comparison, LB-FSAs are defined as:

“FSAs that benefit a company only in a particular location (or set of locations), and lead to benefits of national responsiveness. In the context of FDI, these LB- FSAs cannot easily be transferred and require significant adaptation in order to be used in other locations.” (Rugman and Verbeke, 1992:763).

Previous studies have *‘failed to identify empirically or explain precisely the difference’* between NLB and LB strategic assets (Collinson and Rugman, 2008:7). As the definition of NLB FSAs previously discussed, the FSA concept is accordingly broad in coverage and hard to capture and measure empirically. Regardless of its effectiveness, patents are the most commonly used proxy for SAS FDI in the extant EMNE literature (Buckley et al. 2007; De Beule and Duanmu, 2012; Drogendijk and Blomkvist, 2013; Li et al. 2012; Ramasamy, Yeung, and Laforet, 2012). More significantly, NLB FSAs are thought to contain high levels of codified knowledge. Thus, patents largely fit this description because the patenting also involves explicit description of the intellectual property being registered. Compared to tacit knowledge, codified knowledge is more easily transferred between countries.

As opposed to codified knowledge, for example, firms’ *‘reputational resources’* are not transferable in most cases because they may lose value when transferred across. Hence, it qualifies as a LB FSAs (Verbeke and Kano, 2015:421-422). Moreover, brands, to a greater extent, are a firm’s reputational resources because they act as identifiable signaling mechanisms, which make commodities distinguishable in the markets that firms mainly operate in.

Hence, trademarks are typically known as for the purpose of intellectual property rights protection, and the number of trademarks owned by a target firm could be potentially utilized as a proxy for LB FSAs. In addition, although LB FSAs may also refer to human capital, networks and so on. However, in this research I mainly focus on the use of trademarks which is countable for further measurement.

2.4.1 Business group and Patents seeking

Institutional constraints influence internationalization activities by affecting firms' efficiency in the domestic market, and such influence may be contingent on firms' abilities to resist institutional disadvantages in their home markets. Emerging markets are characterized by institutional voids (Khanna and Palepu, 1997) that create constraints and disadvantages for firms competing in their home markets. However, firms are not passively subjected to the influences of their institutional environments; rather, they can develop the mechanisms and abilities necessary to adapt to their institutional environments and offset any competitive disadvantages (Oliver, 1997). Moreover, the role of network knowledge is integral to the internationalization of firms (Johanson and Vahlne, 2009; Hakansson, 1982; Forsgren, 2016). Firms internationalize their operations through networking activities, which involves developing relationships with foreign intermediaries, customers, alliance partners, suppliers, government officials, and other important stakeholders. Networks provide access to resources and knowledge, which can complement or substitute the experiential knowledge (Johanson and Mattson, 1988). With internationalization, there is an increase in both the number of firms as well as the strength and relationships with different firms in a network. This process is enabled by international extension through forming relationships with firms in other countries, international penetration by increasing commitment in already established international networks and international integration through integrating the positions in the networks in different countries.

In most emerging market economies, firms are embedded in a myriad of network relationships with domestic and international firms (Granovetter, 1994). One such network is the business groups, which are a constellation of legally independent firms with a maze of social and economic relationships (Khanna and Yafeh, 2005). Business groups appear to be the primary mechanism by which firms in emerging markets can overcome the competitive disadvantages caused by institutional voids (Park and Luo, 2001). Firms affiliated with a business group often share resources to remain competitive in the market. Prior research on business groups suggests that business group affiliation work as an efficient conduit to provide information. For example, Lamin (2013) demonstrates that business group affiliation allows firms to tap into the knowledge and connections of sister affiliates, which enables them to obtain information about foreign market opportunities, foreign clients and suppliers, localized knowledge about doing business in host markets. Likewise, Mukherjee et al. (2018) argue that business group affiliated firms often leverage group level reputation to access critical resources in an otherwise non-munificent environment. Such access to information and knowledge facilitates their international expansion. Studies examining the role of business group affiliation and affiliated firm internationalization have consistently demonstrated that business group affiliation leads to international expansion (Elango and Pattnaik, 2007; Gaur and Kumar, 2009; Gaur et al., 2014).

Compared with independent firms, business groups have more advantages in supporting their OFDI through a process of *linking, leveraging, and learning* (LLL) (Mathews, 2006). Business groups provide group-level resources which are important for developing innovations (Chang, Chung, and Mahood, 2006; Choi, Lee, and Williams, 2011; Hobday and Colpan, 2010; Khanna and Rivkin, 2006; Mahmood and Mitchell, 2004). Existing studies indicate business group affiliation can facilitate member firms' innovativeness by providing them with access to group-level shared resources, including capital, technology, labor and other service (e.g. Carney,

Essen, Estrin, and Shapiro, 2017; Mahmood and Mitchell, 2004). Business groups have greater capacities in leveraging accessed resources or acquired assets (Chair, 2013; Yiu, 2011).

Drawing from the resource-based view of the firm, Amsden and Hikino (1994) have argued that business groups would increasingly internalize the R&D function within the group. They suggested that business groups are more capable of internalizing and exploiting foreign technologies across the entire group. Hence, I may postulate that firms that affiliated with business groups may have a higher proclivity to seek NLB assets from DMNEs and exploit them in the home market. Additionally, business groups can provide their member firms a known reputation when information in emerging markets is hard to collect and analyse (Khanna and Palepu, 1997). This group reputation also contributes to the foreign acquisition of technologies as it may alleviate foreign firms' fear of losing their intellectual property (Carney, 2008b). Given that patents are highly codified they are considered to have NLB properties, business group affiliated firms, therefore, are likely to seek them. Therefore, business groups may have more inclination for seeking patents-based FDI than independent firms, leading to the following hypothesis :

H1: Firms that affiliated with business groups more likely to seek patents compared to than non- affiliated firms.

2.4.2 Business group and trademarks seeking

To recap, business groups form and develop owing to imperfect markets and institutional voids (Khanna and Palepu, 1997; Carney, 2008a). One such imperfect market identified in the literature are imperfect product markets. According to this view, developing brand names is typically a costly and difficult process in emerging markets. Therefore, once firms in emerging markets have established a brand or trademark, they can sell products more easily than those without any brands or trademarks. In emerging markets, consumer rights are limited and information (concerning, for example, product quality) has historically also been

rather limited. Consequently, brands wield tremendous power in emerging markets to a considerable extent. Then through enforcing reputation via high quality standards and product guarantees, business groups can easily develop their own brand value across different sectors.

Compared with independent firms, business groups typically have additional resources available to them for the purpose of SAS and, as postulated in the first hypothesis, are potentially better able to exploit acquired strategic assets. In the case of brands, however, it is not as clear what the impact of business group affiliation will be. On the one hand, business group affiliation may facilitate successful exploitation of that brand via the use of business group resources that can be used to exploit the brand. On the other hand, however, business groups already possess a strong brand name (at least in their domestic market). However, acquired brand assets may not be well-recognized in the domestic market, and if they are, may simply corrode or undermine the value of the business group's domestic brand identity. Thus it is not quite as clear cut how valuable foreign brands may be for powerful domestic business groups.

Given the tendencies of acquiring brands, one dominant reason is that this may allow EMNEs to 'catch-up' with DMNEs. However, the logic behind this thinking requires further critical appraisal. Some EMNE theories suggest that EMNEs strongly tend to repatriate strategic assets they acquired to the home market for exploitation there (Hennart, 2012; Luo and Tung, 2007; Petersen and Seifert, 2014; Rudy, Miller and Wang, 2016). Then it must be addressed whether location boundedness also becomes a consideration in EMNEs' SAS FDI strategies.

As discussed above, brands may be more strongly bounded by location and considered to be LB-FSAs. Unlike the NLB case, there is relatively less theoretical support to propose a stronger orientation towards LB assets in group-affiliated firms compared with independent firms. Rugman and Verbeke (1992) suggest that LB assets cannot be easily transferred at lower cost

for further exploitation in any other new location. In short, the value of acquired LB assets cannot easily be ‘leveraged’ (using Mathews’s (2006) terminology) by EMNEs, especially in the domestic market.

But, this is certainly not to say that LB assets could not attract EMNEs. From another perspective, LB assets could still be very attractive for EMNEs if they are actively pursuing expansion of foreign markets and for which FSA transferability is not an issue. For instance, EMNEs could develop more factual values in the target markets by acquiring local reputation and the associated local distribution networks in the developed countries. Given the lack of known brands and recognition in developed markets, successful emerging firms may find an effective way to directly expand in these markets by acquiring a foreign brand. In comparison with exporting unbranded products, direct acquisition of a foreign brand can assist EMNEs to better extract the great value via vertical integration within the value chain. As noted above, it is likely the reason that many IB scholars support the notion that EMNEs are also largely pursuing brand-seeking FDI. Nonetheless, there are somewhat two competing forces in play. If SAS FDI is motivated by the acquisition of foreign intangibles primarily for domestic market exploitation (i.e. following Hennart’s (2012) bundling model), I might expect brand seeking FDI to be less common among business groups. On the other hand, if brand-seeking FDI is motivated by consideration of international expansion, EMNEs are truly expecting to use foreign acquisitions to expand internationally.

Business groups can provide their member firms a known reputation when information in emerging markets is hard to collect and analyse (Khanna and Palepu, 1997). Therefore, established brands in emerging markets have remarkable power and then business groups with a reputation are more easily to expand new markets (Carney, 2008b; Khanna and Palepu, 1997). As discussed previously, I may still postulate that firms that affiliated with business

groups are less likely to acquire a foreign brand to expand domestic markets. As opposed to repatriation of such assets, I would expect there may not be a stronger propensity in business groups vis a vis independent firms.

In addition, almost all relevant EMNE literature on SAS denote strategic assets in the same general category. For example, strategic assets simply refer to critical capabilities such as R&D capacity, advanced technology, known brands and reputation and marketing resources that strengthen firms' competitive position (Amit and Schoemaker, 1993; Teece, 1997). Accordingly, testing trademarks seeking FDI hypotheses may provide more potential insights in EMNEs FDI. Therefore, another hypothesis can be established:

H2: Firms that affiliated with business group less likely seek trademarks compared to than non-affiliated firms.

2.4.3 Ethnic ties

Ethnic ties formed due to colonization history. During colonization, people mostly transferred to another country from their origin countries mostly for economic development. There are evidences that Britain, Portugal, Germany, France, Spain, Belgium and the Netherlands between the 15th and the early 20th century brought people for work purpose (Witte et al., 2020). Before we look into the ethnic ties, colonial ties to play major role in internationalization (Witte et al., 2020). Colonial ties may significantly reduce the uncertainty in ongoing and future economic exchanges for both foreign investors and host country stakeholders (i.e. indigenous firms and government bodies). Foreign investors may benefit from reduced environmental uncertainty, because of decreased psychological barriers and perceived transactional costs, while host country stakeholders benefit from reduced uncertainty about the incoming firms' home country, which increases receptivity to investment (Makino & Tsang, 2011). Another explanatory factor of the increased trade between colony-coloniser countries may be that the

former colonies share similar administration and institutions, as these were, to some extent, recreated by the coloniser (Ghemawat, 2001). In this vein, Jones (1996:39) explains that “colonial governments established similar legal and administrative structures to those in the home country, thereby greatly reducing the risks of FDI. Colonial administrators often favoured firms of their own nationality, granting them contracts and concessions. For example, Makino and Tsang (2011) differentiate between formal and informal ties, that develop between countries. Formal ties are purposefully created agreements, alliances and treaties that stimulate shared interests, such as free trade agreements (FTA) and inter-governmental organisations (IGO), while the latter evolve naturally and take the form of cultural, ethnic, and social relations between individuals and nations. Therefore in this research, I specifically look into ethnic ties which arised from colonization. For example, in Malaysia, we have diverse ethnicities and they exhibit different internationalization strategy with coomon motive. Even though, there are substantial literatures discuss about ethnic ties and interntioanlization. Yet, there are plausible in the context of ethnic ties and strategic asset seeking. Hence, this topic needs further investigation to enlighten about the role of ethnic ties in strategic asset seeking by EMNEs.

Anwar and Mughal (2013) observe that connections with the ethnic diaspora network also facilitate the internationalization of firms from emerging market economies. Individuals belonging to ethnic diasporas are individuals who reside outside their perceived homeland and identify with a national community other than the one offered by their home countries (Riddle, 2008). There is a strong kinship and common language bond between them, which facilitates a strong exchange of information, the transfer of innovative ideas, cross-border business relations, and the transfer of financial resources (Riddle, 2008). Literature has demonstrated that these social and ethnic networks play an imperative role in promoting overseass direct investment (Gao, 2003; Tong, 2005; Anwar and Mughal, 2013). In sum, firms in emerging market economies typically learn from the relationships they have with foreign firms in their

home markets, whether they are in the form of import-export relationships (Welch and Luostarinen, 1993), outsourcing arrangements (Kedia and Mukherjee, 2009; Mukherjee et al., 2013), joint ventures in the domestic market, or strategic alliances for joint market and product development (Milanov and Fernhaber, 2014). The process of working with foreign multinational corporations can be quite valuable to emerging market firms. For instance, even if the relationship is targeted at the domestic markets, they can learn about management skills as well as technological know-how. Foreign MNEs may extend such relationships to other markets in which they may already have a presence, thereby help the emerging market firm build its presence in the foreign market.

In other cases, once the local firm enhances its knowledge and skillset by working with a foreign MNC, it gains more confidence to explore foreign markets. Thus, the knowledge obtained from different relational networks helps emerging market firms in their international expansion. Ethnic networks can help to build trust under weak institutional environments (Docquier and Lodigiani, 2010). Ethnic connections can bring different countries closer together by decreasing the cultural distance between them (Globerman, 2017). Furthermore, networks incorporate a deep knowledge of the behavior of the host market (Hollensen and Møller, 2017) and can decrease the liability of foreignness in the target country (Alcaraz et al., 2020; Zhu et al., 2012; Li, 2020; Prashantham et al., 2015), which is a key consideration for firms' location choices. These ethnic networks could transfer information that would be useful to firms in their home countries who are expanding to the host country, to help them overcome, broadly speaking, transactions costs, and to locate their businesses in one place rather than another given that ethnic networks are location-specific (Hernandez, 2014). In this way, ethnic networks could decrease differences between countries (Globerman, 2017) and decrease the liability of foreignness in the host country (Zhu et al., 2012). In this regard, individuals or social capital, in the form of networks, become an important factor for internationalization (Casillas

and Acedo, 2012; Gao et al., 2013; McHenry and Welch, 2018). However, the research in this area is sparse, with the exception of a few studies that have studied the role of ethnic ties along with business groups in influencing EMNEs' strategic asset internationalization (Jean et al., 2011; Prashantham et al., 2015; Zhang et al., 2016). Therefore, I posit ethnic ties assist strategic asset seeking for EMNEs. I postulate a hypothesis as below;

H3: Ethnic ties help firms to seek trademarks and patents at developed counterparts.

2.5 Role of government in strategic asset seeking

Outward foreign direct investments (OFDI) now coming from emerging markets (Ramamurti, 2012). In 2016, the OFDI from emerging markets reached US\$230.131bn, which accounted for 15.8 percent of the world total (UNCTAD, 2017). With the growing importance of emerging markets, scholars have started to examine how firms from such markets differ in their internationalization compared to their counterparts from developed economies (e.g. Buckley et al., 2016; Cuervo-Cazurra and Genc, 2008; Luo and Tung, 2007). In many emerging markets governments play a more significant role in shaping internationalization business strategies and behaviors by e.g., offering specific incentives or having an ownership stake in strategically important companies (Angulo-Ruiz et al., 2019; Luo et al., 2010; Zhang et al., 2022)). Prior research has documented the importance of role of institutions (Du & Luo, 2016; Huang et al., 2017). Current literature has focused primarily on the influence of government ownership (e.g. state-owned enterprises) on the internationalization of EMNEs (e.g. Cui and Jiang, 2012; Ramasamy et al., 2012; Wang et al., 2012; Xia et al., 2014). Recent literature examines the role ownership plays in entry mode in cross border acquisitions (Xie and Li, 2017), and whether state ownership can offer institutional advantages for overseas expansion of EMNEs (Li et al., 2017; Angulo-Ruiz et al., 2019; Huang, Xie, Li & Reddy, 2017; Kafourous, Cavusgil, Devinney, Ganotakis & Fainshmidt, 2021).

Governments in emerging markets provide information services about overseas business environments and investment opportunities; thus, facilitating private firms' internationalization. For example, the Chinese government established and continues to maintain an information service network that provides information about the business environments of different countries and the problems investors face. Reports about business environments and obstacles (e.g., the "Report on the Trade and Investment Environment in Different Countries") are now published annually to provide information to enterprises. Additionally, the Chinese government actively organizes and holds international foreign trade fairs to help domestic firms gather information about international business opportunities and establish links with potential suppliers or customers overseas (Naughton, 2007).

Besides that, through government involvement in overseas investment activities, firms can win contracts more easily and alleviate the commercial and political risks they face in overseas markets. For example, bilateral investment treaties and trade agreements with other countries and close inter-government relationships can reduce the risks of overseas investments and operations to a certain extent (Luo et al., 2010). Such policies and arrangements increase a firm's confidence and its ability to manage risks while expanding internationally.

Institutional theory argues that formal and informal rules determine the acceptable patterns of organizational structures and actions (North, 1990, 2005). Thus, institutions can influence and constrain the strategic choices of firms (DiMaggio and Powell, 1983). The institutional environment can affect directly the access to critical resources for EMNEs. Oliver (1997) argues that the institutional environment has a significant influence on a firm's selection of resources and strategies (Yamakawa et al., 2008). A home government can be a strong ally to EMNEs by offering a number of promotional measures (Luo et al., 2010). Policy-makers have their biggest influence on businesses through regulative measures (Scott, 1995). This

influence can be through, e.g. taxation, or more direct involvement into the resource flows available to firms (Dierickx and Cool, 1989). For example, some country governments offer fiscal incentives, provide insurance against political risk, assist in the international expansion, sign double taxation avoidance agreements, enact bilateral and regional treaties to protect investment abroad, and arrange a bilateral or multilateral framework to liberalize investment conditions in host countries, among others (Luo et al., 2010).

Country governments can also participate directly in the development of the firm by having an ownership stake. The power of decision on the strategic direction of the company afforded by government ownership means that this type of government involvement will have a more pronounced direct effect on internationalization. Another important way through which government ownership can affect strategic choices, and consequently the development of internationalization motives, is by providing resource flows through financial resources (and in the case of EMNEs also political support).

Financial resources are considered a general type of resource that can be converted into other types of resources, such as new technology that can help firms expand more and perform better (Bamford et al., 1997). By providing capital to EMNEs, government ownership can therefore enhance EMNEs ability to access technology, new markets and raw materials that will allow them to build strategic intent to internationalize. In addition, financial capital and government backing may provide resource slack, which further allows experimentation with new strategies and innovative projects, and increases the willingness of firms to pursue new opportunities (Wiklund et al., 2009), arguably in international markets. In this way, home governments through government ownership may be able to play a significant role in shaping EMNEs' strategic intents to internationalize.

Large sums of money are put by emerging markets governments into encouraging EMNEs to expand operations abroad through different promotional measures. From both theoretical and practical perspective, it is important to understand how (through which mechanisms) such government incentives(promotional measures) might impact internationalization. Failure to understand this might lead to underappreciation of the richness and complexity of the internationalization process. Furthermore, if the relationship between government and internationalization outcomes is indirect, instead of direct, lack of understanding of it , might lead to the mistaken belief that such measures are ineffective. It has been suggested that government involvement influences EMNEs decision to internationalize in various ways, among which through influencing companies 'strategic objectives and decisions (Wang et al., 2012).Through enhancing the ability of EMNEs to access resources such as those included in the promotion of internationalization, government affiliation can affect project developments in international markets. Those government resources can provide knowledge of incentives to internationalize (e.g. fiscal incentives, assistance) as well acknowledge of bilateral agreements with potential countries where to internationalize. EMNEs can later employ this knowledge to acquire, combine and recombine resources to formulate and implement international strategies that bring competitive advantage. Home country governments influence OFDI allowing EMNEs to integrate their resources, products and knowledge on an international instead of a domestic basis (Luo et al., 2010).Empirical research also lends support for an indirect relationship between government affiliation and internationalization. For instance, Luo et al.(2010) study the influence of government programs on internationalization and argue that government programs help firms build adaptive capabilities which, in turn, influence international performance. In a similar vein, Liu et al.(2013) argue that government affiliated firms build strategic flexibility which positively impacts international venturing. Thus, I postulate as below;

H4: Firms with government affiliation more likely seek assets , particularly patents and brands.

2.6 Summary

This chapter discusses about home country effects (business groups affiliation and government affiliation) in facilitating strategic asset seeking and related hypotheses to be tested and reported in the chapter 4. The following chapter will discuss on data collection and its procedures throughout the research

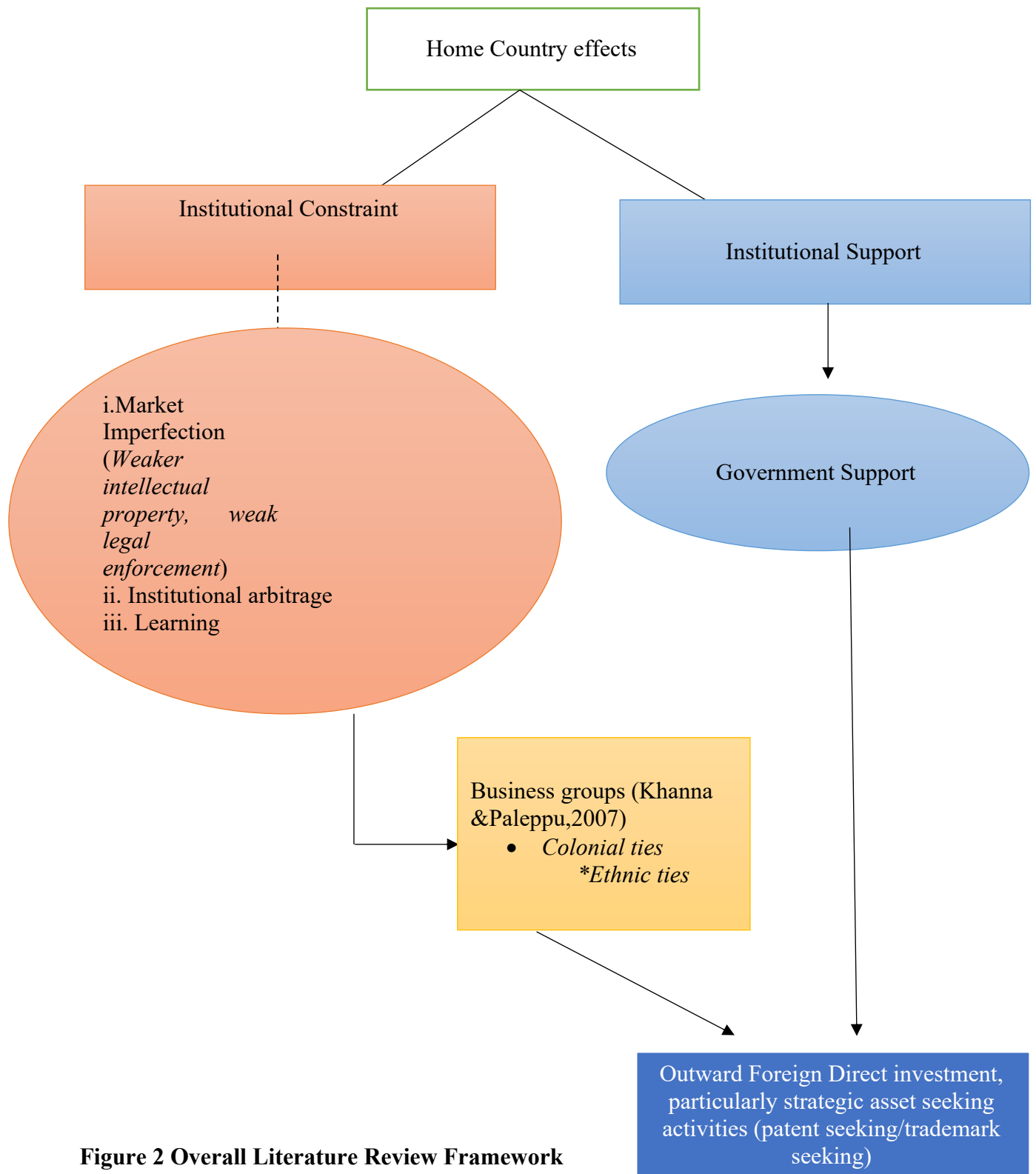


Figure 2 Overall Literature Review Framework

Source: Author's illustration

Chapter 3 Is Malaysia an emerging market?

3.1 What are Emerging Markets?

It was at the International Finance Corporation in 1981 when the concept of EMNE was initially introduced amidst an effort to promote the first mutual fund investments in developing countries (Khanna and Palepu, 2010, p.3). Thus, the first step to define EMNEs constructed a definition of 'developing countries. However, there is no "established convention for the designation of 'developed' and 'developing' countries" in the UN system or elsewhere (UN, 2012, p.3). Consequently, although the term 'Emerging Market' has become a popular neologism appearing frequently in relevant sources, there is no precise definition of EM even in academic studies and thus the definition of EMNE varies in many cases often presuming this term arbitrarily (Khanna and Palepu, 2010, p. 3).

Table 1 summarizes some frequently used criteria for defining EMs (ibid, p.4). In 1981, the International Finance Corporation first launched the EM model in an attempt to facilitate the first mutual fund investments in developing countries (Khanna and Palepu, 2010, p.3). Thus the first step in defining EMNEs was the concept of 'developing countries.' However there is no 'known convention on the classification of 'developed and developing countries in the UN framework or elsewhere (UN, 2012, p.3). As a consequence, although the word 'emerging market' has become a common neologism that often appears in relevant sources, there is no specific definition of EMNE even in academic studies and thus in many cases, the definition of EMNE often presupposes this term arbitrarily (Khanna and Palepu, 2010, p. 3). Table 1 summarises some of the widely used specifications for identifying EMNEs.

Table 1 : Common Meaning of EMNEs

Category	Criteria
Poverty	
	Low- or middle-income country
	Low average living standards
	Not industrialised
Capital markets	
	Low market capitalisation relative to Gross Domestic Product (GDP)
	Low stock market turnover and few listed stocks
	Low sovereign debt ratings
Growth potential	
	Economic liberalisation
	Open to foreign investment
	Recent economic growth

Source: Standard & Poor's; International Finance Corporation; Trade Association for the Emerging Markets; Mobius, J. M, Mobius on Emerging Markets (London; Pitman Publishing, 1996), pp.6-23 cited in Khanna and Palepu (2010)

Nevertheless, a few studies on EMNEs' OFDI suggest the common characteristics of EMNEs. Following Luo and Tung (2007, p.483), EMNEs are defined as those that recently experienced (1) radical structural change (e.g., liberalisation and globalisation); (2) rapid growth in their national economy, despite (3) their weak home institutions and therefore, (4) have promising potential for consistent development in the near future. Similarly, Khanna and Palepu (2010, pp.4-6) consider that EMNEs are economies which (1) are emerging due to their

recent fast economic growth, (2) of which the level has risen enough to challenge developed markets as ‘emerging competitors’ whilst (3) their institutional structures including both market and other market supportive ones such as legal and government are underdeveloped. Based on the criteria suggested in Table 2 and these studies, EMNEs are characterised with regard to their ‘newness’ in contrast to the conventional incumbents and ‘significance’ recognised by those outside.

At the same time, another agreed criteria for EMs is their development status, which is either ‘(still) developing’ or ‘transiting’ (e.g., Andreff, 2003; Luo and Tung, 2007; Khanna and Palepu, 2010; Cuervo-Cazurra, 2012; Aharoni, 2014). This aspect is important in defining EMNEs as the constraints faced by these countries’ relatively underdeveloped development status or going through radical transition provide a distinctive context for economic activities within, or from, these countries such as FDI (Cuervo-Cazurra, 2012). In fact, these countries are still ‘emerging’ and have not ‘emerged’ completely yet due to the constraints (Andreff, 2003; Khanna and Palepu, 2010).

Here, the historical categorisation of EMNEs OFDI waves can provide a useful criteria for the selection of EMs for this thesis. Although there is no consensus regarding ‘the emergence of the third wave of EM OFDI’, many studies agree that ‘new members’ of EM countries, which did not appear in the first two waves, have been increasingly joining EMNEs OFDI (e.g., Andreff, 2003; Sauvant, 2005; Gammeltoft, 2008; Filippov, 2010). At the same time, some studies suggested that some successful performers from the second wave, mainly the NICs, need to be excluded from EM groups in discourses of EM OFDI due to their mature behaviours as FDI sources, which do not differ greatly from conventional DM OFDI’s (e.g., Andreff, 2003; Luo and Tung, 2007; Ramamurti and Avenue, 2008). In line with these studies, ‘EMs’ chosen for the most recent studies on EM OFDI have generally been ‘newly joining EMs’ following the second wave of EM OFDI. Amongst them, the most common are BRIC countries (e.g.,

Sauvant, 2005; Bertoni, et al., 2008; Gammeltoft, 2008; Ramamurti and Avenue, 2008; Filippov, 2010; Gubbi et al., 2010; Holtbrugge and Kreppel, 2012), with a substantial number of studies focusing on China (e.g., Deng, 2004; 2007; Child and Rodrigues, 2005; Buckley et al., 2008; He and Lyles, 2008; Alon, 2010; Luo et al., 2010; Wei, 2010; Wang et al., 2012).

In addition, ‘returning Latinas’ or ‘transition economies’ could also be considered within this ‘new group of EMs’ (e.g., Andreff, 2003; Goldstein, 2007; IDB, 2009). Regarding the former, although Latin-American multinationals were pioneers of ‘the first-wave of EM OFDI’, this phenomenon was relatively insignificant in terms of both size and its ‘regional’ scope (see section 1.1.2.1). Moreover, the region experienced a ‘lost decade’ in the 1980s due to the ‘debt crisis in the region following Mexico’s 1982 default (IDB, 2009). This unfavourable macro-economic condition had a negative impact on FDI in the region, affecting many firms which were heavily protected by their governments through ‘import substitution policies, which were popular in the region to build up ‘national champions’ (Goldstein, 2007, p.68; IDB, 2009). However, after the 1990s, when significant ‘market liberalisation’ had been undergone all over the world, “new multi-Latinas” started emerging (Krauss, 2007 cited in IDB, 2009, p.8). This new wave of OFDI from this region differed from that of the first wave and showed more similarities to the ‘newly emerging markets in terms of its ‘scope’ (e.g., ‘Global Latina) and the characteristics.

In a similar context, ‘transition economies’ could also be included in this ‘new’ emerging market group. They are often considered to be related to ‘Third World’ countries rather than to DMs due to firstly their economic development status, which can be described as “not yet fully-fledged post-industrial market economies” (Andreff, 2003, p.75); secondly, their significant institutional constraints caused by a lack of market supportive institution development under the planned economy system plus “fundamental and

comprehensive...institutional transitions” from a communist to a capitalist system in these countries (Peng, 2003, p.275 cited in Peng, et al., 2008 p.924; Aharoni, 2014). Therefore, these countries’ OFDI reflects a similar pattern to other EM OFDI’s.

Other candidate countries within ‘newly joining EMs’ in recent studies on EMNEs OFDI include Israel (Ramamurti and Avenuew, 2008) and Turkey (Kaya, 2013). Note that these examples are neither exclusive nor a homogeneous group.

However, one common aspect of these countries is that they closely meet the characteristics and criteria regarding EMs discussed at the beginning of this section. Whilst many of these EMs are recognised by their strong growth, they are still ‘new’ in the world market, including the FDI one, and face home country constraints due to their underdeveloped institutional structure.

3.2 Malaysia

Unlike FDI into Malaysia, not much is known about the magnitude, motives, and performance of Malaysian firms investing abroad. Although the country began to have its own corporations that could be considered multinationals in the mid-1970s through the nationalisation programme by which the Malaysian government via its state corporations and trust agencies began to acquire foreign companies operating in the country, particularly those in the tin-mining and rubber industries, the trend of overseas investments was a new phenomenon and only became noticeable in the early 1990s. In examining this event, there were indications that between 1990 and 1996, there was a 534% increase in overseas projects, and the overseas investments had increased consistently over the years (UNCTAD,2017).

Malaysia covers an area of about 330,000 square kilometres. Peninsular and East Malaysia are separated by about 450 kilometres of the South China Sea. Peninsular Malaysia has its frontier with Thailand in the north and Singapore in the south. Malaysia is a federation of 13 states that consists of 11 states in Peninsula Malaysia and the Eastern states of Sarawak and Sabah. It has a population of about 33 million in 2018 of which 68.8% are Bumiputera, 23.2% Chinese, 7.0

Indian, 1.2% other ethnic and 1.0 % non-citizens. The Malaysian population is multi ethnic and multi religious, with three major ethnic groups- Malays, Chinese and Indian and other ethnic minorities (including Ibans, Kadazans, Bajaus and Muruts). The Chinese and Indian were originally immigrants from mainland China and the republic of India (Salleh and Meyanathan, 1993). There is also a heavy concentration of Malaysian business and enterprises in Chinese' hands (Salleh and Meyanathan, 1993).



Figure 3 : Map of Malaysia

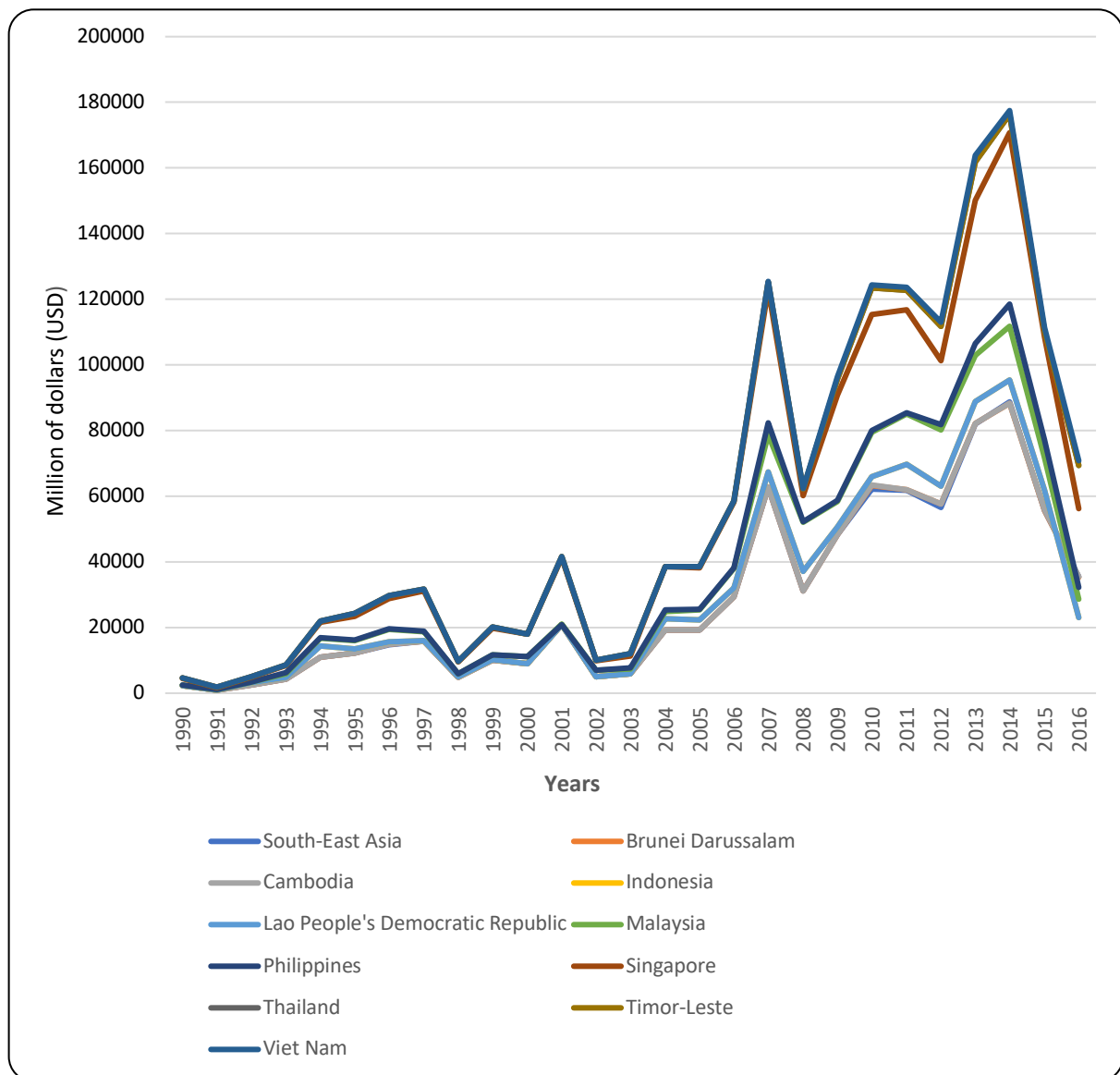
3.3 Outward foreign direct investment from Malaysia

Developing Asia is the largest and fastest growing outward investor in the developing world (UNCTAD, 2004; 2005:2017). From the year 1970 until 1980, outward foreign direct investment from Malaysia has garnered less attention from government itself. Due to this, outward foreign direct investment (OFDI) from Malaysia was not noticeable. In addition, it was supported by a study of Ramasamy (1998), where he stated that during 1970s, outward foreign direct investment from Malaysia was considered as a “negligible sum”. At this time, most of Malaysian companies focused on finance and banking industries from advanced developed countries; United States and Australia (M.Ariff and Lopez, 2007).

The overall pattern of OFDI from Malaysia indicates increasing participation in global outward foreign direct investment, especially to Southeast Asia. Malaysia's share as a percentage of total OFDI in Southeast Asia increased from 8 percent in 1990 to 19 per cent in 2013 (UNCTAD, 2014). In fact, Malaysia is the second most

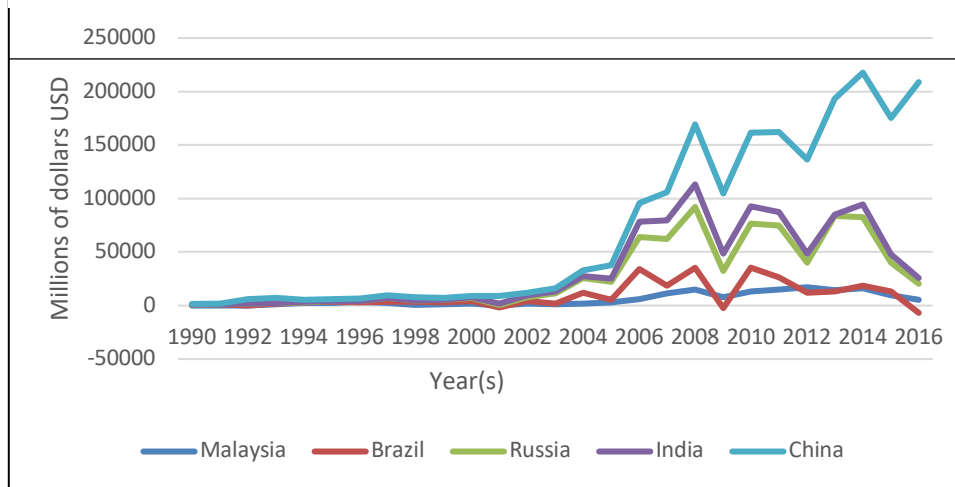
active investor in Southeast Asia, after Singapore. Figure 3.1 indicates about Malaysian firms' abroad investment from year 1990 till 2016.

Figure 4 :Outward foreign investments of Southeast Asia from 1990 till 2016



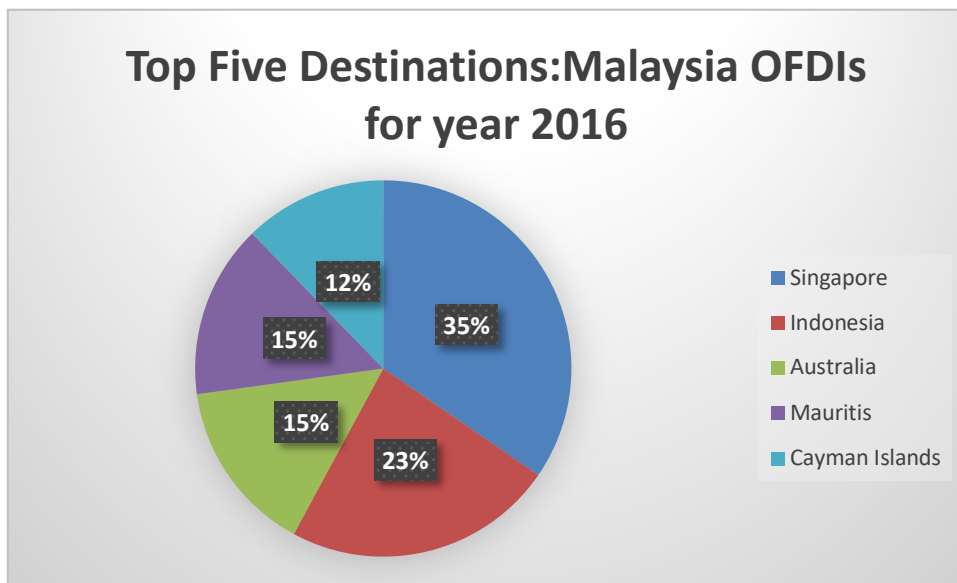
Source: UNCTAD (2016)

Figure 5: Malaysia and BRICs Outward Foreign Direct Investment



Source: UNCTAD
(2016)

Figure 6 :Top Five Destinations; Malaysia OFDI 2016



Source: Department of Statistics, unpublished.

3.4 Business Groups in Malaysia

The ethnic Chinese entrepreneurs and the Malay capitalists are the two main primary groups which controlling Malaysian lead MNEs. In the former group, firms were normally owned by a single family, a group of families or a Chinese political party, while the last group expanded through government involvement and support. Some of these corporations are known

as Government-linked Corporations (GLCs), 100% Government-owned Corporations or corporations owned by a Malay political party and members of the political elite. According to Yoshihara (1988: 76), although there are government and military enterprises in other Southeast Asian countries such as in the Philippines and Indonesia, it is only in Malaysia that political parties own or control business groups.

3.4.1 Interlocking directorates

Interlocking directorates refer to a situation in which a director of one company also sits on the boards of directors of one or more other companies. With such interlocking, as Pennings(1980) notes “the individual who sits on two corporate boards provides a connection by which the firms can communicate, establish a common body of information and develop a uniform structure for superior organization intelligence.” Through pyramiding, the directors of the holding company have the power to appoint one or more directors to the boards of the companies acquired. This often results in the possibility of inter-company transactions, like the sale of one subsidiary to another subsidiary, the routing of profitable business to one subsidiary in preference to another and the concealment of losses or creation of non-existent deficit (Berle and Mean,1967). To support the idea of Pennings (1980), Scott (1997) has pointed out that” interlocking directorship constitute channels of communication between enterprises: a person who sits on two or more boards (a multiple director) has access to the inside information of each company and has an opportunity to “transmit” this information from one board to another.

It is common to have interlocking directorship among firms affiliated to a business group. Interlocking directorships can be divided into two main types according to Burt (1983): i) ownership ties – two or more corporations are jointly controlled by a single board of directors, and ii) direct interlocking ties – two or more companies share one or more persons as directors of their respective boards. The former is rare and the latter is more common for Malaysian

corporations. Interlocking directorship contributes to the high probability of family members as directors on the boards.

3.4.2 Controlled by the Overseas Chinese Business Group

The dominance of the ethnic Chinese in controlling economic and business activities in Southeast Asian countries is undeniable, and Malaysia is no exception (Lim, 1996; Crawford, 2000; Peng 2000,2002). Almost all the literature on Chinese business would acknowledge the ubiquitous profile of this community in various economies (see Yoshihara, 1988; Jesudason, 1989; Heng 1992). While accounting for only a small proportion of Southeast Asia's population as a whole (Singapore is the exception, where ethnic Chinese are the majority), they dominate each country's private business sector. Their combined wealth has a considerable impact on the business environment in the region. The ethnic Chinese in Malaysia constitute about 26.0% of Malaysia's almost 24.5 million multi-ethnic population, and own approximately 69.0% of the total share capital by market capitalisation. Likewise, in Thailand, the ethnic Chinese comprise only 14.0% of the total population, but control 81.0% of share capital by market capitalisation.

In Malaysia, it was this second group of ethnic Chinese immigrants, which came under British colonisation, who gave rise to the present-day group of entrepreneurs (Lee and Tan, 2000). They initially accumulated their wealth from tin mining activity, and then started to venture into rubber production and subsequently banking. Edmund and Jomo (1997) explained that the dominance of ethnic Chinese in commercial activities resulted from the British administrative system, which limited interaction among ethnic communities. The Chinese were mainly involved in urban-based tin mines, the Indians in semi-rural plantations, and the Malays remained peasants in rural areas. This meant that the communities were largely kept apart and separated by economic specialisation. Lynn (1998) further explained that the Chinese culture emphasised hard work, strong ambition and economic advancement, which resulted in

their employment by the British in tin mines, rubber plantations and urban sector jobs. The Chinese, following Malaysia's independence, held power in economic and commercial sectors. They made impressive gains in the 1960s by taking advantage of the loss of the foreigner's favourable political position in the colonial era and government's greater national orientation in its development programmes (Jesudason, 1989)

In addition, Chinese equity ownership continued to rise during the NEP decades, from 27.2% to 45.5% (Edmund, 2004). For instance, in an analysis of the top 10 wealthiest businessmen in Malaysia, in terms of the total value of corporate assets they owned, seven Chinese businessmen dominated the ranking; there were two Malay bumiputeras, and only one Indian in the list (Malaysian Business, 16 February 2004). This study indicated that the growth of ethnic Chinese in post-NEP still remained. They managed to establish themselves under a more favourable political and ethnic climate because of the political coalition between the Chinese and the Malays. As in other Southeast Asian countries, ethnic Chinese dominate and own most of the major business in Malaysia.

They expanded to more lucrative businesses and ventured abroad to tap new market opportunities. Although these groups came under pressure from the Malaysian government under the NEP to increase the proportion of corporate wealth, some of the 'new rich' ethnic Chinese entrepreneurs have benefited greatly from this policy (Jamie, 1992). These 'new rich' Chinese emerged and prospered in the 1990s (Edmund and Jomo, 1997; Edmund 2004). This group of entrepreneurs built their success by the close integration of their capital with Malay capital in joint business activities. Some Chinese companies were starting to appoint influential Malays as directors of their enterprises (Hara, 1991; Heng, 1992, Edmund 2004). Moreover, business groups also seem to be inseparable from politics (Khanna and Yafeh, 2007).

In Malaysia, the extensive and close relationships between business groups and the ruling party is reported by Gomez and Jomo (1999), Gomez (2006) and Johnson and Mitton (2003). During the period of the New Economic Plan (NEP) from 1970-1990), many firms controlled by Chinese families were forced to take some accommodative measures to integrate the NEP in order to grow and expand. Many of these Chinese entrepreneurs chose to form close relationships with the influential political figures of the time, as well as the ruling political party, in order to continue to receive contracts and other benefits from the government (Gomez, 1999). Those Chinese enterprises that were successful in obtaining support from prominent politicians and the ruling party proliferated and expanded during the era. In order to support their expansion, pyramiding was used to acquire other, or form new, businesses, being a particularly affordable way to acquire control of other firms using a relatively small amount of capital. For instance, Gomez (2006) elaborates on how the late Lee Loy Seng, one of the Malaysian Chinese tycoons had successfully used the pyramidal holding structure to form his business group:

“Lee discovered that Parit Perak Bhd, a quoted European controlled rubber company with a small paid up capital, had hard cash reserves”. Lee acquired a controlling stake in the company and, according to him, then used Parit Perak money to buy a controlling share in Glenealy. Then Glenealy and Parit Perak together bought Batu Lintang. Then with the help of a few friends, Batu Lintang, Glenealy and Parit Perak bought control of Batu Kawan. We just rolled on like this”. (p.20).”

3.4.3 Controlled by the Government on behalf of the Malay and Malay Capitalist Group

The second dominant group that controls business activity in Malaysia is the Malay capitalist group. Although the dominance of ethnic Chinese in Malaysian economy and business development is undeniable, growth of the ethnic Malay entrepreneur should not be

underestimated. The creation of a Malay entrepreneurs group was the planned result of the implementation of NEP in 1970, whereby the government made a concerted attempt to redistribute wealth to achieve economic parity among the major ethnic communities. As mentioned earlier, the NEP entailed partial abandonment of the previously more laissez-faire style of economic management in favour of greater state intervention, primarily for ethnic affirmative action, including the accelerated expansion of the Bumiputera middle class, capital accumulation on behalf of the Bumiputeras and the creation of Malay capitalists (Edmund, 2004). The emergence of Malays in business was a result of the government policy of ensuring that 30% of capital equity was transferred to Malays and the creation of what the Second Malaysia Plan (1971-1975) called 'a new Bumiputera Commercial and Industrial Community' (BCIC), in short, Malay capitalists.

Prior to that, Malays' involvement in business had been very limited (Harold, 1996). The NEP was introduced with the objective of encouraging the Malays to shift from the agricultural to the business sector. This was intended to narrow the gap of unequal distribution of wealth among ethnic groups. To ensure more parity in ethnic ownership patterns, the government increased public sector expenditure, particularly to fund the growing number of government-owned enterprises participating in business activities. Public and private enterprises, including Bumiputera trust agencies, and Government-linked agencies, were used by the government to participate actively in almost all sectors of the economy and acquire assets on behalf of Bumiputeras (Edmund, 2004). Government encouragement continued in the Third Malaysia Plan (1976) where the target was to increase the proportion of corporate wealth owned by Malays. In the process of increasing Malays' participation, preferential treatment was accorded. By the end of the 1980s, a 'new rich' class, i.e. politically well-connected Bumiputeras who

had managed to gain ownership of corporate stock, had emerged (see Edmund and Jomo, 1997: 117-65).

However, Malay entrepreneurs were heavily dependent on government support as a source of capital investment. There is evidence that some equity held by nominee companies is attributable to Bumiputeras, particularly politicians or politically-connected individuals (Edmund, 1990). Therefore, it is the government who are in control on behalf of the Malays. As pointed out by Peter (1999), their development is from 'proxy capitalists to businessmen'. Notable examples of corporations dominated and controlled by the government either directly or indirectly on behalf of the Malays included the Sime Darby Berhad in diversified business (in following chapter). Their group business structures are organised under the control of government investment arms and they comprise numerous subsidiaries. Sime Darby Berhad, for instance, is owned by government trust agencies on behalf of the Malay interest. To disguise the government's actual control on behalf on the Malay group, several layers of investment holding companies were established (Edmund, 1994; Edmund and Gomez, 1997); while in order to supervise these corporations, interlocking network connections were used. Figure 2 illustrates a typical way in which a Malay/Government business group is structured. Through an intriguing network of cross-holdings, which involve a number of private and public-listed companies, the Malay ethnic group retains key positions within the business group.

In discussing the Malay capitalist group, four main categories can be identified whose existence depends on the extensive use of elite networks: Malay family businesses; Malay political-entrepreneurs; bureaucratic entrepreneurs; and the Malay Association (Yoshihara, 1988, Sieh, 1992). A variety of networks have been established which have served to inculcate trust between members and provide the basis for a successful economic network. Accordingly, there

is a complex web of connection among all of these four groups. The following section will discuss these four business groups.

3.4.3.1 The Malay Royal Family Businesses Group

Although the existence of Malay family businesses is of much less importance than that of Chinese family businesses, the emergence of this group has had a significant economic impact on the development of the Malaysian business scene. This group is composed of aristocratic or royal families, and has major political significance in Malay politics. In the study of Bumiputera controlled companies in Malaysia, Cheong (1993) has called this group the 'Cosmopolitan Bumiputera Conglomerate'. Yoshihara (1988) terms it a 'Royal Capitalist Group'. This group is credited with bringing the first Bumiputera family business to the Malaysia Stock Exchange on the 29th November 1983 (Cheong, 1993). There are nine sultans of Malaysia, who rule their own states: Perak, Pahang, Kedah, Perlis, Negeri Sembilan, Johore, Kelantan, Terengganu, and Selangor. They have sufficient power to affect decisions in their own territories, mainly those pertaining to land. In many cases, the sultans tie up with Chinese and bumiputera capitalists and act more as rentiers than as capitalists (Yoshihara, 1988). However, in some cases, their investments are directly managed by their families. The sultans have special rights and the privilege of awarding highly valued titles, such as datukships. This is an award given in relations to extraordinary contribution made by an individual to the states. The prestige conferred such a title is much sought after as a source of influence, connections, privileged access to information, and advantage in obtaining permits and licences and winning government contracts. In order to strengthen the business presence with good chances of securing favourable dealings with the government, some of the corporations appoint members of the royal family to their boards of directors. In addition, such appointment is a token of compliance with the NEP prerequisite of Malay participation in economic and business activities. Among the well-known members of this group are Antah

Holdings and the Melewar Corporation Sendirian Berhad, an investment holding and management corporation belonging to the royal family of Negeri Sembilan, and TAB Holdings Sendirian Berhad which belongs to the royal family of Pahang. Although the royal family group is regarded as one of the new sources of Malay businesses, however, their presence and future direction will rely heavily on the founders of the corporations and the development of these firms is closely connected to the royal family only.

According to Sieh (1992), Malay family participation in business has not been limited to the royal family. There have long been smaller-scale family enterprises organised around a critical proprietor. However, large Malay family-based business groups organised along modern corporate lines are new compared to Chinese family business. In an analysis of the ownership and control of corporate Malaysia, Edmund (2004) has identified that their existence to dominate the top 20 listed corporations in Malaysia are no longer available. This is because, according to Edmund (2004), is that these Malay firms had been badly affected by the 1997 financial crisis.

3.4.3.2 The Malay Political-Entrepreneurs

In addition to the royal family group, the emergence of ethnic Malay participation in business is also organised around a political elite. In his study of elites in Malaysia, Tilman (1965) defines political elites as: Individual or groups clustered within or around the structures of government who are able to exert influence disproportionate to their numbers in the formulation and implementation of government policies.

In other words, they occupy strategic positions within the ruling party, and directly participate in the determination of national policy. Edmund and Jomo (1997), term this group 'Malay politico-entrepreneurs', and say that it sprang up rapidly in the NEP period. It has resulted in large conglomerates which blur the distinction between business and politics (Mohammed, 1973). When the NEP sowed the seeds for the burgeoning of Malay capitalists, Malay-politico entrepreneurs proved to be the most fertile ground, for in the absence of other attractive fields,

they included a large number of professional Malays (Yoshihara, 1988; Edmund, 2002). This group has been uniquely well placed to take advantage of political connections (Sieh, 1992). They use the political base to create a business empire. Edmund and Jomo (1997) stressed that the success of this group was a historical product of NEP which could be attributed to the interplay of favourable political environment and business strategy. Perhaps the most notable example of an individual Malay politico-business entrepreneur is Daim Zainuddin, a former Malaysia Minister of Finance (from 1984 to 1991, and 1997 to 1999) (Edmund and Jomo, 1997; Edmund 2002). The Malay politico entrepreneurs tend to recruit their own kin, friends, and those who have direct personal relationships with them into commanding positions in leading firms.

Connections are based on pre-existing relationships of classmates, schoolmates, superiors and subordinates in the same work place, and so forth. These institutions may provide the resources and instruments to preserve their founders' interests and the status quo. Linked by ties that are formed among political parties, the Malay politico-entrepreneurs have been regarded as one of the strongest Malay business groups in the country. This is because their direct relationship and networks with the government are one of the most important success factors.

3.4.3.3 Bureaucratic Entrepreneurs

Compared to Malay business family and Malay politico-entrepreneurs, the bureaucratic entrepreneurs are perhaps the most widely known Malay business groups in Malaysia. According to Yoshihara (1988), the term 'bureaucratic capitalists' or 'bureaucratic entrepreneurs' are defined as: first, those who qualify as bureaucratic capitalists once held or still hold bureaucratic posts, which they used for their initial capital accumulation; second, although they may no longer be in the service, they may still maintain close relationships with the government and use these connections for their own interest in business; and third, they have their own businesses and operate the business as any other capitalist does. In Malaysia, the Malays have become businessmen by virtue of their role as civil servants. They began their

career in public enterprises and later entered private sector industry. They have been given an opportunity to become entrepreneurs through managing state-sponsored corporations and public enterprises.

Since the mid-1970s, there has been a rapid increase in the number of Malay executive directors appointed to serve and manage the huge investments made by trust agencies to extend Malay ownership in the business community. The government has encouraged Malays to develop themselves as entrepreneurs, and the shortage of Malays qualified for management positions in private corporations has placed civil servants at an advantage for entry into the business community upon retirement. It can be said that retirement from government service is equivalent to role-transition from an area of government influence to another realm of power, namely, business and the economy. These bureaucrats were employed on the boards of directors of companies or have been given some higher position in the organisation, especially in the private sector, so that there has been an important element supportive of such enterprises, reflected in bureaucratic attitudes (Sieh, 1992). Examples of the infusion of bureaucrats may be seen from the case study in the later chapters of this research.

For instance, all the Sime Darby chairmen since its emergence as a Malaysian MNE have been appointed from among the bureaucrats (ex-government officers) among their top management leadership(*will be discussed in next chapter*) From the viewpoint of the private sectors, the joining of this group into a leading organisation can add a valuable advantage in terms of their intimate knowledge of government machinery and close personal contacts with officials, which help in winning public-sector contracts and licences, and avoiding red tape.

3.4.3.4 The Malay Association

The explanation so far has been based on the family, politics, or the bureaucrat (and frequently all three). However, these are not the only sources of Malay entrepreneurs who have

dominated the country's business activity and controlled leading Malaysian-based firms. The emergence of the Malay businesses group also came from associations based on 'old boy' ties, military coalitions, and religious institutions. 'Old boy' networks refer to those from the same educational background, who share some common attributes. Such groups provide a broader basis than the family in terms of resources and talent, and sometimes they provide an opportunity for interracial participation. Notable examples of the educational institutions that generate this kind of group are the Malay College Kuala Kangsar (MCKK), and the University of Malaya.

Meanwhile, the military coalition operates through the Armed Forces Provident Fund or Lembaga Tabung Angkatan Tentera (LTAT), established in August 1972 under the Tabung Angkatan Tentera Act 1980. The primary objective is to provide superannuation and other benefits to members of the regular Armed Forces and to enable officers in the service to participate in a saving scheme. With RM 4.5 billion worth of funds, LTAT is among the top five fund managers in the country and is a source of economic power for the military elite. During the 1970s, LTAT took advantage of equity restructuring opportunities under the NEP to channel its large funds into profitable investments and emerged as an important corporate group in its own right. In early 1983, LTAT had interest in some of the 145 largest listed companies, including those where it had a 1% or more shareholding (Mehmet, 1988; Malaysian Business, August 16th - 31st, 2002). The military coalition controls the corporate interest of LTAT and LTAT is a trustee fund and the fundamental responsibility is to manage the contributors' funds and assets. It is funded by the monthly contributions of 10% of the salaries of members of the Armed Forces with the Government contributing 15%. Participation is voluntary for officers, who can contribute a minimum of RM25 and a maximum of RM200 per month. LTAT was one of the two Bumiputera institutions approved by the Ministry of Trade

and Industry in 1975 to take up a portion of the Special Bumiputera Issue proposed by the then British-controlled plantations group, Boustead Holdings Berhad. derives quasi-rents via patronage and non-competitive awards of government contracts through networking connections (Mehmet, 1988).

The other category of Malay interest-based associations which are moving into business activity and have an investment interest in leading corporations is a religious institution known as Lembaga Urusan dan Tabung Haji (LUTH) or the Pilgrims' Fund Board. A statutory body established by an Act of Parliament, LUTH has funds in excess of RMI0 billion and is basically a trust fund for collecting and managing Malay savings to facilitate Malays' pilgrimages to Mecca, as well as providing travel and other tourist services (Malaysian Business, 1 July 200). Like LTAT, LUTH has directed its savings so as to generate a rapidly growing and diversified investment portfolio. The investment portfolio covers the manufacturing, plantation, pharmaceutical, food, construction, and telecommunications industries. Based on privileged connections, LUTH was given a non-competitive award by the government for the development of the institution. It has become an important agency in expanding Malay ownership through the mobilisation and investment of its depositors' savings in the corporate sector of the economy.

The above discussion has highlighted the main characteristics of the two leading Malaysian firms: the first led by ethnic Chinese entrepreneurs' groups and the second led by ethnic Malay business groups. The emergence of the New Economic Policy has transformed the relationship between the Malay capitalists and the Chinese entrepreneurs. Given the Malay political dominance and seeing the need to establish a business relationship with such groups, e. g. the aristocracy, the bureaucracy, the military, and other centres of Malay power, the Chinese businessmen have carefully chosen their Malay patrons and allies. For instance, members of

various royal families and high-ranking former civil servants have regularly been sought for positions on boards of directors in the Chinese business firms (Sieh, 1992).

Based on above discussion, the following table summarizes some dominant differences and similarities features between Chinese business group and Malay business groups in Malaysia.

Table 3: Differences and similarities between Malay and Chinese business groups In Malaysia

Features	Chinese	Malay
Type of businesses	Diversified investments, banking and finance, insurance, securities, property development	Government-linked sector
Source of funding	Personal, families (Mainly internal)	Financial institutions, government funds-trust agencies
Type of connection	Strong kinship ties, the family, clan and Chinese home province	Strong government connection, political based relationship
Ownership types	Single individual, family business operations	State agencies, trustees, government owned corporations on behalf of Malays
Structural Development	From small to large firms	Acquisitions, Government owned companies
Organization Control	Interlocking directorship	Complex web connection among Malay capitalist groups
Type of business practice	Inter and intra ethnic	Inter and intra ethnic
Nature of networks	International	Domestic
Nature of control	Centralized	Decentralized

Sources: Yoshihara (1988), Sieh(1992), Edmund(1999), Edmund and Hsin(2001), Edmund(2004)

With the dominance of politics in the hands of Malays, and private businesses in the hands of Chinese, inter- and intra-ethnic networking are seen as the most viable business strategies for corporations in their domestic growth and international expansion. Peter (1999) in his study pointed out that connection between the two ethnic groups in the business area is a source of dynamism for corporate development, and could serve as a powerful source of competitive advantage that can be applied across industries for the firm's growth and expansion.

3.5 Malaysian government supports on outward foreign direct investment

Malaysia is one of developing Asian economies which has tremendously move forward in many aspects of industrialization and modernization. For more than 25 years, Malaysia has been progressing and achieving in both aforementioned aspects, most particularly, in year 2004, firms owned by Malaysian has established its industries, thus, it has triggered them to do vigorous investment at outside of the home country. Many factors could be related with this

‘unusual’ phenomena which the firms might be driven by internal and external economic changes. But we must realise that government policies have been playing its essential roles in assisting firms to set their footprint outside of home country. The role of government either informal or formal has played an important role in shaping emerging economies enterprises’ internationalization(Emerging market multinational enterprises) (Buckley, 2010; Hong et al., 2015; Wang et al., 2012).

The main question is how Malaysian firms accelerated swiftly to global expansion, despite of, lacking of technologies and know how skills? And according to Western based theories such as Ownership-Location-Internalization (OLI) is facing major drawback in order to explain the aggressive international catch up done by emerging market MNEs in recent years. Studies such as (Buckley, Clegg, Cross, Lin, Voss, & Zheng, 2007; Buckley, Cross, Tan, Liu, & Voss, 2008; Luo, Xue, & Han, 2010; Hope, Thomas, & Vyas, 2011) provides evidence that state policies help to shape outward foreign direct investments trajectories of emerging market MNEs. Thus, in the following section, the discussion on Malaysian government policies and how those assist Malaysian firms to set up their presence at cross borders.

3.5.1 Malaysian Government Policies and outward foreign direct investment

National Development Policy (herein;NDP) has transformed Malaysian firms internatioanlization process. NDP launched in 1991 by former prime minister, Tun Mahathir Mohammad. The purpose of NDP launch is to assist local firms in exploting technological resources, skills from overseas (Gomes and Nunes 2008).

The policies and specific measures of support for the internationalization of Malaysian companies were, as we have shown, carried out in accordance with the transformations which the Asian economy experienced, and with the economic policy objectives of the 1990s and the 2000s. However, they also resulted from the adaptations of the support programs for the

development of industry, technology, and exports, and for the attraction of FDI which the country had put into place in previous periods (Jomo, 1990).

One program, of particular note, was the modernization policy adopted by the Prime Minister, Mahathir bin Mohamad, as early as 1981, which came to be known as the Look East Policy. Its purpose was to promote heavy industry with export potential, thus accelerating Malaysia's growth process by means of *pro-bumiputera* capitalist enterprises. These were businesses with a minimum of 30% of indigenous capital and which, in the future, would have the capacity for domestic and regional expansion. At the beginning, the potential for regional and international company growth was accepted as a desirable characteristic, but no other effective policies were implemented to ensure the transformation of this possibility into reality (Gomes and Nunes, 2008).

At the end of the 1980s, the preparation of a new development plan by the Malaysian government, the Industrial Master Plan (IMP), diagnosed the principal impediments for Malaysian companies and established targets for the creation, growth, and further expansion of these corporations. The IMP gave more freedom for foreign investment and offered incentives to the export sector, concentrating its support among a small group of previously selected industries which were considered to have great potential. At this stage, the more effective policies in support of the formation of large national groupings were creating conditions which would attract the interest of the Malaysian business community towards corporate internationalization.

Nevertheless, as has already been noted, it was only in 1991, when the government instituted the NDP, that the process of company internationalization really began to attract attention.

From this point of view, the NDP served as a departure point for the long-term Malaysian development plan, Vision 2020, which was launched in 1991, and made explicit the country's interest and that of its companies in getting the internationalization process going via outward FDI to other regions, above all within Asia. In 2001, the revision of the government's proposed targets for industrialization, and for the country's insertion overseas, gave rise to the National Vision Policy which was intended to bring in concrete measures for expanding the level of Malaysian investments outside the country. This was the plan, with the help of a favourable external situation, on which the surge of internationalization, by Malaysian companies, after 2003, was based.

From that time onwards, Malaysia has adopted policies to give positive support for its companies' internationalization. In accordance with Unctad's classification (2006), and taking into account Yean's observations (2007), the instruments which provided support for Malaysian overseas investments can be categorized as follows: *i)* institutional structure, information support, and technical assistance; *ii)* monetary instruments through the management of the capital account; *iii)* financial and tax incentives, including the creation of special funds; and *iv)* treaties guaranteeing foreign investment, and trade and investment missions.

With respect to outward investments, the Malaysian Industrial Development Authority (Mida) has played a fundamental role in the coordination and planning intended to promote the internationalization of Malaysian industry, as has the Ministry of International Trade and Industry (Miti) of Malaysia which has provided financial and technological support for national companies. The creation and the operations of the Malaysia External Trade Development Corporation (Matrade), an agency specifically intended to promote foreign trade, has also helped the outflow of investments. Although the agency's primary role is to promote the export

of Malaysian products, its consultants and technical staff have been reallocated to tracking information and data on investment opportunities outside the country.

In addition, the Exim Bank has been of great support in financing internationalization. Although the bank's traditional area of operations is in providing credit for foreign trade, its loans have been redirected towards guaranteeing finance for international investments. The Malaysian sovereign wealth fund, Khazanah Nasional, has also participated in financing the internationalization of the country's companies. In relation to tax incentives, the Malaysian government began, from 1991 onwards, to reduce tax rates for activities incurring "pre-operational expenses", in other words, for those expenses preceding internationalization-related investments. From that time on, it was also permitted to pay less tax on all profits earned abroad and remitted back to the country. In addition, from 1995, companies' earnings, which were converted into foreign direct investment, were free of income and other taxes (Yean, 2007).

In 2003, these incentives were supplemented by an additional type of support: five-year tax breaks were given to Malaysian businesses which acquired foreign companies. The government also set up a corporate development fund to facilitate collaboration and partnership between Malaysian and Singaporean companies intending to seek opportunities in non-traditional markets. It should be mentioned that, in the 2007 budget, the government of the country included a special income heading for Malaysian companies wishing to internationalize.

Malaysia made use of monetary instruments which, although created for other purposes, assisted its companies' internationalization. As we have stressed, from the beginning of the 2000s, restrictions on capital outflows have been progressively relaxed so as to facilitate Malaysia's foreign direct investments. Prior to this, in 1998 and 1999, as a response to the

Asian crisis, a series of measures were adopted aiming to control the country's capital, with regulations for the obligatory repatriation of Ringgit funds held overseas by residents, and rules imposing restrictions on the outflow of capital belonging to residents and non-residents. In 1999, the effect of these rules was to stop Malaysian residents from remitting abroad amounts exceeding RM10 thousand without the Bank Negara's prior approval. In addition, on February 15, 1999, the government increased the taxation on outward remittances for short, medium, and long-term investments.

Prior to that date, the tax rates were 30% if the principal was repatriated less than 7 months after remittance, 20% if it was repatriated between 7 and 9 months, 10% for capital outflows which remained overseas for nine to twelve months, and no rate was quoted for funds held abroad for a period in excess of 12 months (Sicsú and Carvalho, 2005, p. 371). However, when the new rules came into force, the tax rate increased to "30% on capital gains obtained in less than 12 months, and 10% on gains over periods exceeding 12 months" (p. 371). These rules have been made more flexible, however, and more recently local companies have been able to invest overseas without any kind of restriction, as long as they have been using their own resources. If they raise capital in the domestic market, the limit is RM 50 million per year, and it is RM 100 million per year when foreign currency loans are used. There has also been an easing of the rules for institutional investors resident in the country (Khor, 2009).

There are also indications that part of the country's US\$ 105 billion in international reserves is being managed by Khazanah Nasional, which uses the sums under its management to carry out the country's internationalization policies and to increase the overseas competitiveness of Malaysian companies (IMF, 2010). In recent years, the fund has also provided credit for foreign mergers and acquisitions. Examples of this were the acquisition of PT Excelcomindo

Pratamaan Indonesian company, and the formation of a joint venture consortium with MobilOne Limited of Singapore (Cagnin *et. al.*, 2008).

Since 1995, Exim Bank has extended its medium and long-term lines of credit to Malaysian exporters and investors, with loans amounting between RM 300 million and RM 500 million. The bank has also given active support to the internationalization of Malaysian companies, especially the more technology-intensive ones. Projects that it has assisted are those with an investment horizon exceeding five years, and which require loans between US\$ 5 million and US\$ 10 million. (BMN, 2006) in 2005 Exim Bank merged with Malaysia Export Credit Insurance Bhd, a company specializing in foreign trade and insurance. Since then, the facilities offered by the bank include insurance against commercial and non-commercial risks for foreign investments. In the same year, Malaysia's National Treasury reinforced Exim Bank's funding capacity with the creation of a RM 1 billion reserve to encourage overseas initiatives.

In 2008, 25% of the credit provided by the institution was dedicated to overseas projects, principally those related to the manufacture of durable goods and infrastructure, and located in South East, or North East Asia. Miti has also arranged finance in support of small and medium-sized companies wishing to internationalize. In 1995, the government adopted a series of programs to assist these businesspersons, with the result that, by 2001, 4,723 small incentive packages had been approved, totalling RM 91.4 million, and 448 loans totalling MR 206.9 million had been granted to help in modernizing equipment, and information and technology management systems. These companies became small suppliers under contract to the large corporations, and since then the government has given them incentives to internationalize by arranging international agreements between the small and medium-sized companies, and the big transnationals (Felker and Jomo, 2007).

In 2004, the Malaysian government began organizing trade and investment missions. Even though the focus of these missions was on exports, discussions concerning outward

investments also gained increasing attention. The result of some of these missions, above all in the Asean countries, and in Central and Eastern Europe, was the signing of accords guaranteeing investments. The growing number of trade and financial agreements, signed by Malaysia, served as a measure to expand the area of internationalization of its companies.

In 2004 the country signed a free trade agreement with the United States, and a commercial partnership accord with Japan in 2005. In 2006 it began negotiations with Australia. In addition, Malaysia ratified treaties facilitating inward and outward FDI with Korea, India, and Pakistan, and it also reached a regional agreement with China which came into force in 2010 (Pholphirul, 2007). Even though the majority of these accords were initially intended to stimulate international trade between these countries, it appears that Malaysia is seeking to use the growth of its export quotas to these countries as the first step to remitting FDI. Although, the internationalization of Malaysian companies achieved over the last twenty years has been linked to the fluctuations in the international liquidity cycle and to the policies adopted by the country to stimulate and/or to control capital flows, but, most of all, it has been governed by the expansion of FDI flows in the intra-Asian region, and by the planned measures of gradual economic integration which has encouraged local companies to move into neighbouring markets.

In the 1990s, the macroeconomic management of the exchange rate and capital flows created difficulties for the export of Malaysian products. At that time, the government sought to create conditions to integrate the country into the Asia's regional framework, encouraging the internationalization of its companies. After going through a period of turbulence and adjustments imposed by the Asian crisis, in the 2000s, and in light of the advancement of industrialization and integration of the productive structures of the peripheral Asian countries,

Malaysia, in search of more competitive exchange rates, cheaper labor, and tax incentives, bet once again on the internationalization of its companies. These two separate periods show how the internationalization process has become an imperative for emerging Asian countries, and how the efficacy of the policies and measures implemented by the State are essential in order to take advantage of it.

The history of FDI in Malaysia and of the State's role in incentivizing the internationalization of its companies can be divided into three separate phases:

i) between 1991 and 1997 FDI volumes grew, along with the economic integration that the country was experiencing, boosted by the NDP and by the first series of financial and fiscal aids, limited though they were; *ii)* thereafter, between 1997 and 2003, capital flows contracted as a result of the Asian crisis and the capital control measures implemented in response to the financial upheaval, mechanisms which played a pivotal role in the relatively speedy recovery of the Malaysian economy: without them the resumption of internationalization in the following period would have certainly been in jeopardy; and *iii)* from 2004 to 2009, FDI took off again, assisted by a recovery in the dynamism of the world economy in general, and by the strengthening of the Asian economies in particular, however this resumption can also be attributed to the new round of liberalization, integration, and expansion of monetary, financial, and fiscal incentives, put in place by the country, in order to promote internationalization.

It is worth highlighting that at each of these stages, the pioneering spirit of the state-owned companies was of extreme importance. In spite of the international financial crisis of 2007-2008, the corporate internationalization policies and support measures introduced by the government show that adequate assistance was being provided to maintain the level of outward FDI. The fact that these investments continued to be concentrated in the Asian region and,

more recently, in the tax haven of Labuan reflected Malaysia's efforts at achieving a more successful insertion in the emerging countries of South East Asia. Between the first wave of FDI growth at the beginning of the 1990s, and the most recent wave at the end of the 2000s, some structural modifications were made to the process of internationalization.

Whereas in the previous decade, Malaysia's FDI was primarily directed at the service sector while maintaining a certain level of diversification, in the current decade it has been highly concentrated in the financial services and hydrocarbons sectors. This tendency is explained, to a great extent, by the existence of the Labuan tax haven, and the strategic operations of large companies. The large Malaysian oil and telecommunications corporations have attained extremely high levels of internationalization and foreign competitiveness, figuring among the largest transnational companies in developing and transitional countries, as has been the case of Petronas and Axiata. Thus, the case of Malaysia provides some important pointers in any reflection on the internationalization process companies belonging to emerging countries. Its adoption depends on a long-term project which will only avoid sinking or being aborted if it is accompanied by industrial and technological, monetary, fiscal, and credit policies that address the fluctuations in international liquidity and macroeconomic domestic turbulence. Its successful development is linked to the existence of some level of regional cooperation, as well as to the pioneering enterprise of certain state-owned companies, and to the courage of large private corporations supported by the government.

3.6 Concluding remarks

This chapter discusses about Malaysia as an emerging market, types of business groups in the Malaysia and support by government for outward foreign direct investment. It shows Malaysia do have an interesting platform to be researched, particularly on home country effects (business groups and government affiliation). Due to certain policies, Chinese businessmen choose OFDI to do capital flight. It is on par with Cazorra's viewpoint that firms from emerging

markets due escape their unfavourable home condition through OFDI. Therefore, I assert Malaysia as a potential avenue to analyse about home country effects and internationalization , particular strategic asset seeking.

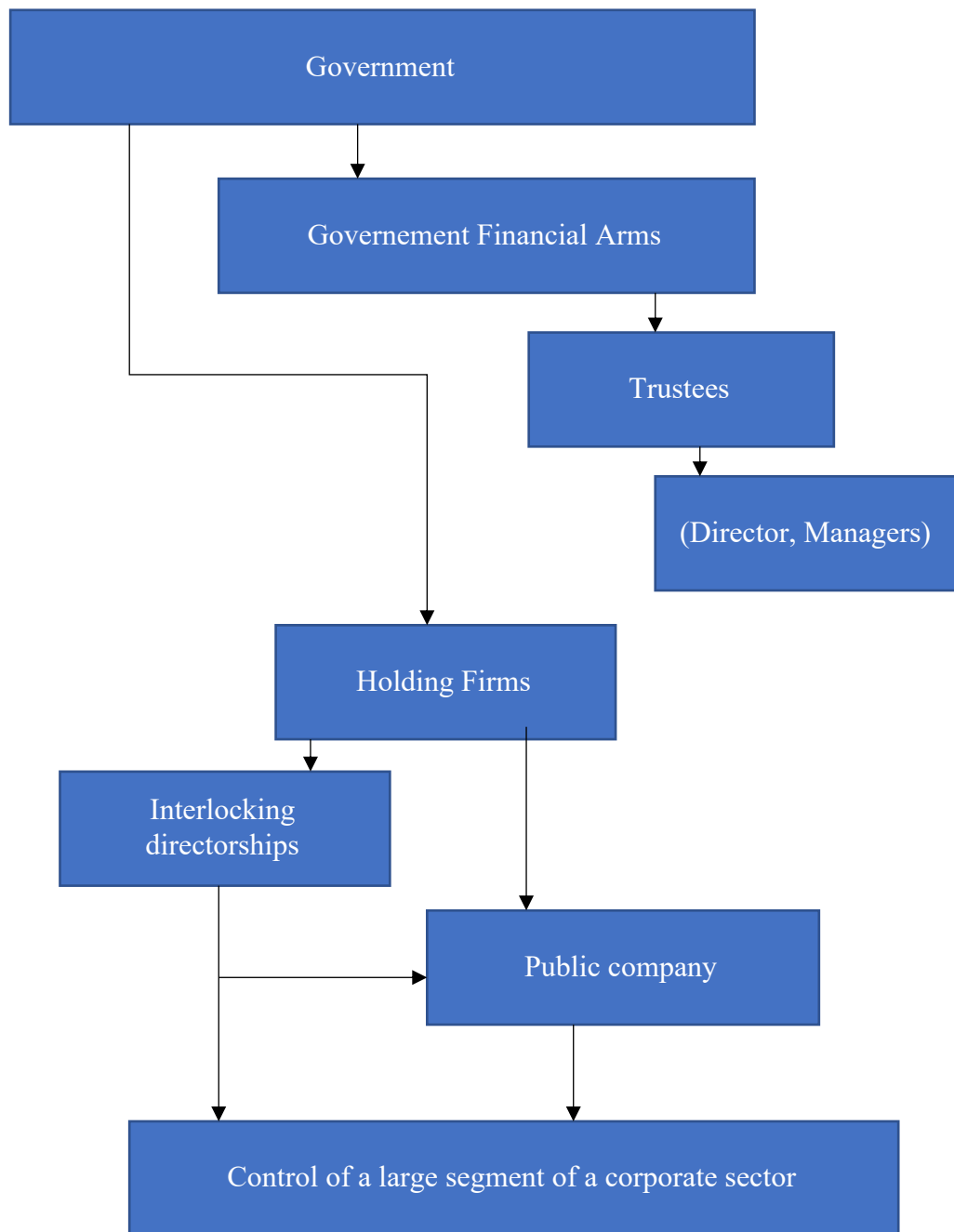


Figure 6: General Malay business groups/ government owned firms
Sources: Edmund (1990)

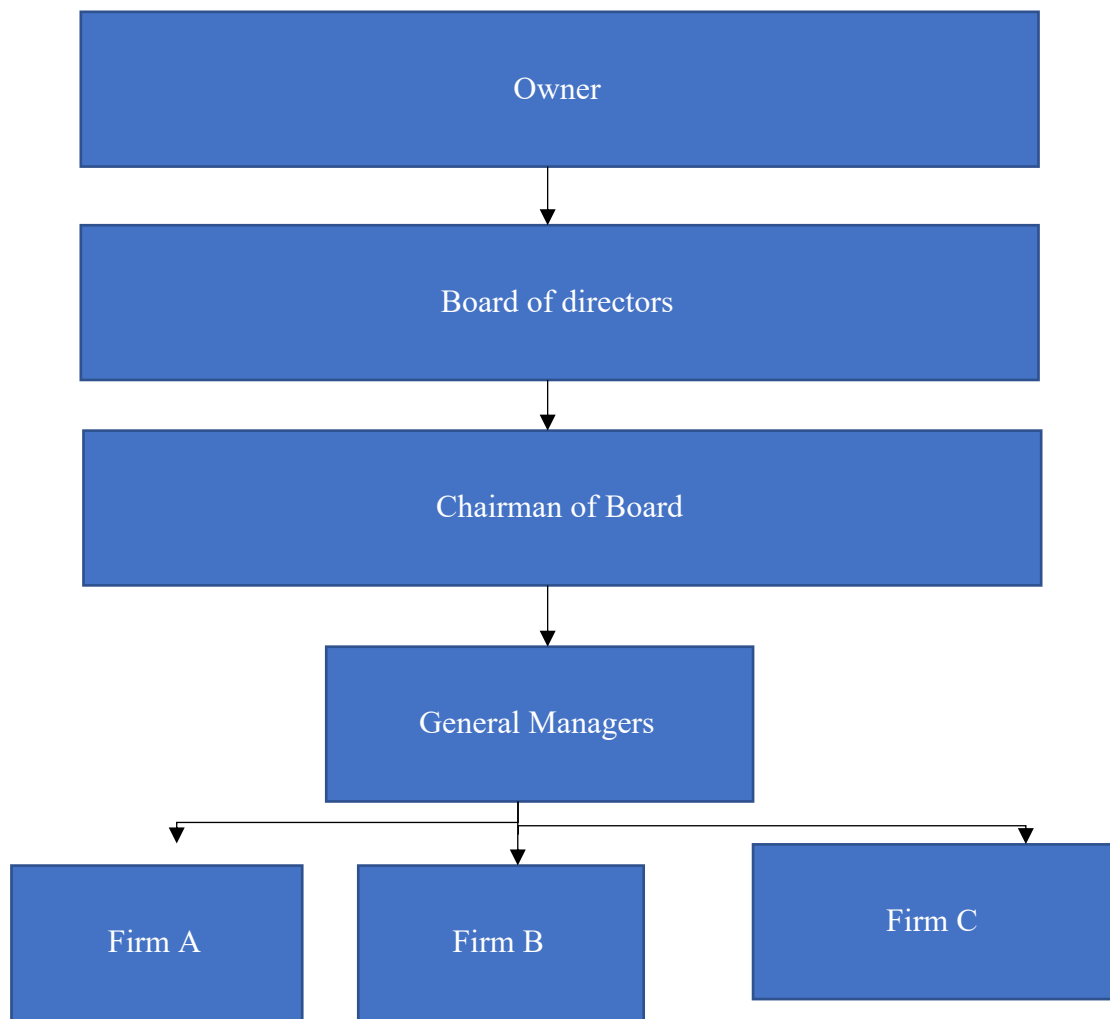


Figure 7: Malaysian Chinese Business group

Source: Author's illustration

Chapter 4 Data collection (Phase 1 and Phase 2)

4.1 Introduction

This section will discuss about procedures that involved throughout data collection for Phase 1 and Phase 2. Methodology for this study is based on a sequential explanatory mixed method approach. Thus, Phase 1 consists of steps of data collection for quantitative and Phase for qualitative as following in the next section.

The overall purpose of this empirical analysis was to explore the extent to which Malaysian MNEs engage in strategic asset seeking and specifically to examine whether certain features of Malaysian MNEs (i.e. type of business group affiliation) have any associations with strategic asset seeking behaviours via OFDI.

In general, the main data source for the study of EMNEs OFDI determinants have been retrieved from World Report Investment or from their own country official websites, such as China has their own websites which handled by their Ministry of Finance and Commerce (MOFCOM). In a similar vein, Malaysia have own department and websites (Department of Statistics) who updates the official statistics time by time for reference and perusal for citizens who eager to know the economies flows in and out of Malaysia. However, efforts to do research on those firms are hampered by data constraints, though, OFDI activities from emerging market MNEs are garnering huge attention among IB scholars. Previous studies have used three types of data: aggregate national level data (FDI) (Buckley, Clegg, Cross, Liu, Voss, and Zheng, 2007), survey-based data (Yiu, Lau, & Bruton, 2007), and case-studies (Deng, 2009). Aggregate data have serious limitations in internationalization. Survey-based results are not always reliable because “the true motives of foreign investors may not be disclosed for reasons of good public relations” (Hill & Munday, 1994, Sutherland & Anderson, 2015).

In this line, the main drawback of official statistics is their major bias towards tax haven and offshore financial centres. In the tax haven, MNEs set offshore share holding companies. Through official statistics, it mentioned that tax haven is a final destination of MNEs OFDI,

but, in reality, the firms might transit countries towards other countries or back to their own country (Sutherland et al., 2015). This phenomena is called as round-tripping OFDI. Therefore, it is important to consider firms that located at the tax haven , in order to avoid bias in getting data about OFDI.

Secondly, additional drawback of official statistics is that it does not allow scholars to measure the MNEs' economic activity, and in consequence blunder the scope of research that can be done with them (Stefphan and Ptaffmann,2001; Sutherland and Anderson,2015). Relatedly, a closer look to country bilateral FDI flows and stock show present several doubts about its utility. As for example, Israel's FDI inflows (more than half its volume) has been not declared since year 2012. This is considered as a big flaw by using official statistics as in UNCTAD other sources such as annual reports will not report on this and create a large gap in data due to confidentiality purposes.

Since, data reliability is very vital for analysing firms' internationalisation strategies. The use of firm level database deemed important to analyse emerging market multinational enterprises which represents the accuracy of their activities. As for example, Amighini, Cozza, Rabelotti, Sanflippo (2014) helps to catch up with a systematic analysis to know about the rationale of investments, underlying characteristics of investing firms and also to contribute for international business studies without ignoring factors such as industry breakdowns, ownership structures and modes of entry.

Most recently, the OECD has announced that those previous official data are irrelevant. Benchmarking 4 (BM4) has mentioned to use firm level data to get more reliable data. (OECD,2015). This has given a strong justification that the firm level data will be more reliable than official FDI data activities.

Orbis is compiled by Bureau van Dijk Electronic Publishing. It contains information from more than 150 million firms across the world (Kalemli-Ozcan et al.,2015). ORBIS has advantages of covering public listed firms and non-public listed firms as institutional investors. Additionally, as data providers, data compiled to national chambers and update periodicity differs across countries, for this, ORBIS do really represent differences among them.

The use of ORBIS is well accepted and not new for FDI literature, however, sometimes these works do not identify the foreign firm year of entrance or mode of entry. Databases would able to show vivid scenario on emerging market MNEs activities internally and externally.

Thus, I will employ these unique published firm-level datasets, ORBIS, which allow me to investigate comprehensively the firm, industry, and factors in shaping internationalization of firms and gather data on emerging MNEs. Some scholars (Jindra, 2015; Edamura,2014; Shi et al., 2021; Sutherland,Anderson & Hu,2019) use database for their research.

4.2 Phase 1 (Quantitative)

In the first stage, I collected the data on Malaysian multinationals' (MMNEs) via the Orbis database. Firstly I set the ultimate ownership as 51% and, at least the firms have one foreign subsidiary. Through this search criteria, I found 4,897 subsidiaries owned by Malaysian parent firms. I then double checked whether the firm really owned by Malaysian. This is because 4,897 firms are not solely owned by Malaysian. For example, while eyeballing the extracted data, I identified firms like Sunny Precision (M) with almost 500 patents, however, its Global Ultimate Owner (GUO) shows Nissei Technology Corporation (China). To get a solid confirmation, I cross-check with their websites and also with The Companies Commission of Malaysia¹ (SSM) to provide reliable data for the study. After re-check and sorting process, I obtained 2999 solely owned by Malaysian. Since, I am looking for patents and trademarks at foreign subsidiaries, I omit foreign subsidiaries at developing countries and tax haven. It is because this study investigates home country effects on strategic asset seeking

and prior literatures mentioned that emerging markets search for strategic assets in developed market (Luo&Tung,2007;Rui&Yip,2008), thus, data for this study only Malaysian firms with foreign subsidiaries at developed markets. In the second stage, I have to identify the owner ethnicity. For this, I have to refer annual reports and make sure the firms owned by Malay and Chinese as in this study b I'm only focusing on Malay and Chinese business group. As a result, I identified 932 firms belong to Malay and 1713 firms belong to Chinese.

In the third stage, I attained the Malaysian firm- level data from ORBIS. By using ORBIS, we have the an opportunity to derive reliable information about foreign subsidiaries, amounts of patents and trademarks, firm sizes, total assets, number of board directors, profit margin and global ultimate owner. Therefore, this study employs ORBIS database to derive data related to the variables of the study.

4.2.1 Variables

The overarching research question in the first, quantitative phase (“To what extent home country effects facilitate strategic asset seeking?”) preestablish a set of variables for this study. This section describes measurement of the variables in this study. They include business group affiliation, government support, foreign links, firm age, profit margins, total assets, public and industry variables (high technology, medium technology, low technology, knowledge-intensive, low knowledge) . To help ensure the relevancy of variables, this study used measures that had been used in previous studies(Table 4.1)

4.2.2 Dependent variable

Petersen and Seifert (2014) define strategic asset seeking as *‘know-how, technologies, brands, equipment, buildings, and sites acquired or leased abroad with the aim of creating or extending advantages in the future, or in businesses and territories other than where the assets are currently employed and exploited’* (p.381).

Scholars have used patents and trademarks as a proxy for strategic asset seeking in their studies (Anderson and Sutherland, 2015; Anderson, Sutherland, and Severe, 2015; Buckely et al. 2007; Chari and Acikgoz, 2016; De Deule and Duanmu, 2012; Deng and Yang, 2015; Drogendijk and Blomkvist, 2013; Ramasamy, Yeung, and Laforet, 2012; Shi et al. 2021; Zhao, 2009). In this study I employ the total number of patents and trademarks count (taken from Orbis) owned by the MNEs foreign subsidiaries as a proxy for patents and trademarks seeking. Based on the above discussion, I measured strategic assets by using the number of patents (*TNPAT*) and number of trademarks (*TNTRMK*) in foreign subsidiaries as a dependant variable for this study.

4.3.3 Independent Variables

Firstly, it could be that governmental support has an impact on asset seeking behaviours in their FDI. For Government support variable, I follow Yang et al.,(2014) I used an indicator variable (*GOVERNMENT SUPPORT*) with value 1 if the firm is mainly having board of directors who is related to any government sectors and 0 if otherwise.

Meanwhile, by using number of corporate businesses from ORBIS, I created variable for business groups affiliation (see Table 3.1) which captures the size and likely complexity of the overall group. I also identified Malay and Chinese firms by looking their ownership in the firm (51%) through annual reports, their websites and Orbis. Thus, if Malay, I value them as 1, and 0 if otherwise (Chinese).

¹The Companies Commission of Malaysia is a body formed by the Malaysian government to serve as aa information provider on Malaysian registered company and its business information to the public. It was formed in 2002.

Based on Mathews (2006) and Guler and Guillen (2010), I set a proxy for foreign linkages. By measuring number of investment in the host country. For instance, if Firm A has 10 foreign subsidiaries, and it invested in the Country A more than one, then I assume, Firm A do repetitive investment to establish a link with firms at Country A. In general, firm age is an important element to determine firm's heterogeneity. Moreover, when the firm is longer established, the accumulated knowledge and learning will be greater than short established (Wong, Hong, Kafouros, and Boateng, 2012). Longer established firms have a greater propensity to engage in SAS FDI than traditional FDI (Cui, Meyer and Hu, 2014; Xia, Ma, Lu, and Yiu, 2014; Yang et al. 2014). Thus in this study, I employed FIRM AGE based on year of incorporation.

Following Cui et al. (2014)'s approach, firms' total assets in US dollars (*LTASSET*) was also log transformed . In terms of financial performance, Yang et al. (2014) suggest that better performing firms have a higher likelihood of engaging in relatively long-term investment, potentially including the SAS FDI. Hence, firms' profit margin (*PROFIT*) was further employed as one control variable.

Prior research also uses an indicator variable to measure whether a firm is listed in a stock exchange and under market scrutiny or not (Chittoor, Kale, and Puranam, 2015).

I expected to know whether Malaysian firms choose to go public or not before their foreign expansion. Public status (*PUBLIC*), as a control variable, was measured as a dummy variable whereby '1' means the firms is listed, and '0' if otherwise. If firms had been listed in a stock market, they would be more capable of raising funds to support SAS FDI activities. In terms of industry types, I followed Jones and Temouri (2016)'s approach in classifying two-digit NACE industry codes into high technology (*HITECH*), medium technology (*MEDTECH*) and low technology (*LOWTECH*) manufacturing industries, knowledge intensive (*KIS*) and less knowledge intensive (*LKIS*) service industries (table xxx). Yang et al. (2014) argue that

industry factors might lead to emerging market MNEs' SAS FDI behaviour. This section described about variable measurements and related prior studies to support the reliability of variable usage in this study. I have summarised the measurements as in the following (Table 4).

Table 4: Variables and its measurements

Variable(s)	Measurements	Data obtained from
DEPENDANT VARIABLES		
Patents seeking	Number of patents at foreign subsidiaries	ORBIS database
Trademarks seeking	Number of trademarks at foreign subsidiaries.	ORBIS database
INDEPENDENTS VARIABLES		
Business group affiliation	Log (Number of corporate companies)	ORBIS database
Government support	Board of directors who related to any government sectors =1 and 0 Otherwise	Own websites, ORBIS database
Foreign linkage	Number of investment in certain host country =1 and 0 otherwise.	ORBIS database
Malay	Ownership or board of directors more 51%	ORBIS database, SSM, annual reports
Chinese	Ownership or board of directors more 51%	ORBIS database,SSM, annual reports
Firm Age	Log(Firm's age)	ORBIS database
Profit Margins	Profit margin%	ORBIS database
Total Assets	Log(Total assets)	ORBIS database
Public (listed/unlisted)	1 means the firm is a listed, 0 otherwise	ORBIS database
INDUSTRY CLASSIFCATIONS		
High Tech	Dummy variable where NACE 2-digit codes: 21 and 26 =1 and 0 otherwise	ORBIS database
MedTech	Dummy variable where NACE 2-digit codes:19; 20; 22; 23; 24; 25; 27; 28; 29; 30 and 33 =1 and 0 otherwise	ORBIS database
LowTech	Dummy variable where NACE 2-digit codes: 10; 11; 12; 13; 14; 15; 16; 17; 18; 31 and 32 =1 and 0 otherwise	ORBIS database
Kis	Dummy variable where NACE 2-digit codes: 50; 51; 58; 59; 60; 61; 62; 63; 64; 65; 66; 69; 70; 71; 72; 73; 74; 75; 78; 80; 84; 85; 86; 87; 88; 89; 90; 91; 92 and 93 =1 and 0 otherwise	ORBIS database

Lkis	Dummy variable where NACE 2-digit codes: 45; 46; 47; 49; 52; 53; 55; 56; 68; 77; 79; 81; 82; 94; 95; 96; 97; 98 and 99 =1 and 0 otherwise	ORBIS database
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Source: Author's own illustration

4.3 Research models

As well as using a tobit regression model approach to measuring the number of patents or trademarks as a dependent variable, an alternative approach is to use a binary model, in which the dependent variable takes a zero or one. In this case, the former indicating a subsidiary owns patents or trademarks.

Bowen and Wiersema (2005) note that:

“When a high proportion of the values taken by a dependent variable equals a single ‘limit value’ (here zero), an appropriate estimation technique is the nonlinear Tobit procedure” (p. 1161).

To support , if the dependent variable is an uncensored proportion (e.g., theoretically bounded between 0 and 100% without any censoring) researchers should consider the benefits of specific models such as the fractional Logit (e.g Papke & Wooldridge,1996; 2008; Wulff & Villadsen, 2019 and Baum, 2008). Instead, if the dependent variable shows many zeros, and the researcher assumes that these zeros are *true zeros* representing the actual choice of the economic agents under investigation , Tobit models may represent a valid choice when the zeros and the positive observations are driven by the same mechanism(Amore & Murtinu, 2021).

Moreover, before I choose Tobit model, I decide on which model to use based on Greene’s (2003) by applying Vuong test (Vuong,1989) .Since the Vuong Z-scores were insignificant, I finally adopted the Tobit models. In fact, I followed prior studies (Buckley et al., 2016; Deng and Yang, 2015) to run the tobit regression models with respect to the tests for the amounts of patents and trademarks. The model equations are explained below:

$$\begin{aligned} T_NPAT_{it} = & \beta_0 + \beta_1 \times BGAI_{i,t-1} + \beta_2 \times GOVERNMENT\ AFFILIATION_{i,t-1} + \beta_3 \\ & \times LAGE_{i,t-1} + \beta_6 \times PROFIT_{i,t-1} + \beta_7 \times LTASSET_{i,t-1} + \beta_8 \times HITECH_{i,t-1} + \beta_9 \\ & \times MEDTECH_{i,t-1} + \beta_{10} \times LOWTECH_{i,t-1} + \beta_{11} \times KIS_{i,t-1} + \beta_{12} \times LKIS_{i,t-1} + \varepsilon \end{aligned}$$

$$T_NTRADM_{it} = \beta_0 + \beta_1 \times BG_{Ai,t-1} + \beta_2 \times GOVERNMENT\ AFFILIATION_{i,t-1} + \beta_3 \times LAGE_{i,t-1} + \beta_6 \times PROFIT_{i,t-1} + \beta_7 \times LTASSET_{i,t-1} + \beta_8 \times HITECH_{i,t-1} + \beta_9 \times MEDTECH_{i,t-1} + \beta_{10} \times LOWTECH_{i,t-1} + \beta_{11} \times KIS_{i,t-1} + \beta_{12} \times LKIS_{i,t-1} + \varepsilon$$

T_NPAT_{it} represent the number of patents respectively that the foreign subsidiaries_i has in year t .

T_NTRADM_{it} represent the number of trademarks respectively that the foreign subsidiaries_i has in year t .

Furthermore, multicollinearity was also tested in the whole process of estimations. Stata contains a “post-regression” command called “vif” (variance inflation factor) that can be utilized to detect multicollinearity. To calculate the VIF factor for β_i , the following formula can be used:

$$VIF = \frac{1}{1 - R_i^2}$$

To generalize, a rule of thumb is that if $VIF(\beta_i) > 10$, then multicollinearity is high (Kutner, Nachtsheim, and Neter, 2004).

Moreover, business group affiliation is one of the main variables in this study, thus, as I explored the main influence of business group affiliation on EMNEs’ SAS OFDI, there would be necessities to deal with potential bias that may exist in the variable. Moreover, it may also cause the endogeneity problem as business group affiliation is potentially an endogenous variable.

On that note, I employed a two-stage model to resolve any potential bias in the data. Firstly, I used *probit* regression. Then, the derived value from first stage and transformed into mills ration called as. “lambda” (Heckman, 1979).

4.5 Summary

This section discusses data collection for choices of phase 1, models of regression and endogeneity issues. It helps us understand that, before we run the data, we took precautionary steps to ensure that no biases occurred in this study. Next part, I will discuss the methodological procedures for phase 2.

4.6 Phase Two: Qualitative (Case Study)

4.6.1 Introduction

This study seeks to explain specifically how firms undertake SAS FDI by using home country effects variables. This is conducted through the experience of companies with backgrounds from internationalization to emerging economies, as we strive to explore and possibly adapt internationalization theory towards their context, acknowledging their experiences. Qualitative data are defined as data in the form of words, gathered through various sources such as interviews, observations, questionnaires with an open-ended approach, and through written sources. Moreover, Birkinshaw, Brannen, and Tung (2011) emphasize the characteristics of the qualitative method and its importance to international business research. An example of mixed methods research is the process of collecting, analyzing, and integrating qualitative and quantitative data in an individual study, or in a series of related studies (Creswell, 2015a). There has been a continuous increase in the number of mixed methods dissertations (McKim, 2017) and funded mixed methods studies (Coyle et al., 2016), providing a strong indication of its spread worldwide.

4.6.2 Case Selection

In this research, it was anticipated that a single case study would not supply enough evidence to validate all principles and correspondent heuristic 'implementation approaches'. Therefore, a multiple case study design appeared to be the most appropriate configuration for this research, because it increased the degree of certainty and judgmental accuracy about replications. The more the results may be replicated in multiple cases, the more compelling is the overall study (Herriott and Firestone, 1983, Yin, 2014).

According to Remenyi et al., (1998) evidence from multiple-case studies is more compelling, replicating pattern matching and the results are thus more robust. In addition, a multiple-case approach encourages researchers to study patterns common to cases and theory and to avoid chance associations (Eisenhardt, 1991, Yin, 2014). Moreover, multiple-case study design

demands the formulation of a protocol for data collection that reduces the chances of missing important data and thus facilitates subsequent analysis (Robson, 1993; Yin, 1994). Although multiple case study research requires more time and resources, this methodology has been chosen because it best fits the central purpose of achieving both a 'literal replication' and 'theoretical replication' (Yin, 1994; Guetterman & Fetter, 2018).

4.6.3 Criteria for Case Selection

The selected Malaysia-based corporations were chosen for the case studies in this study on the following criteria based on Yin (2014) recommendation;

- a. pioneering position of these corporations in their respective industries;
- b. they are among the leading corporations in their national industries;
- c. they are among the highest contributors to the country's economic growth;
- d. they are the most actively engaged in overseas investment;
- e. their recognition in business performance in terms of profitability, and management proficiency;
- f. the willingness of the firms to participate in the investigation;
- g. accessibility to the researcher of the firm's internal resources and information.

4.6.4 Participants selection

Respondents from both companies and external sources who are knowledgeable of the case companies' asset-seeking internationalization activities are included. Respondents in different ranges and different positions are selected to reduce informants' bias (Maxwell, 2005). Both respondents from headquarters and overseas subsidiaries are included. Since this research deals with the strategic choice of case companies, which is largely determined by headquarters, respondents from headquarters can provide valuable information because they are closer to the companies' decision making. Meanwhile respondents from overseas subsidiaries are also included, because they have been directly involved in SAS activities and therefore can provide detailed accounts on particular events. Former managers who have left

case companies are also included. The incumbents may be afraid to provide negative comments about a particular issue; however, interviewing people who have left the company would provide the researcher with more objective opinions about the same phenomenon.

In this research, researcher employed snowballing techniques (Patton, 2002) to approach and identify suitable respondents. Researcher focused on identifying contacts that have direct or indirect connections with case companies. I arranged meetings with contacts who were deemed to be capable to introduce or recommend respondents to me. In most cases, the contacts recommended me to respondents via emails or phone calls. In other cases, the contacts introduced suitable respondents to me and gave me their corresponding details. After respondents were identified, I approached them by emailing the background to my work and making phone calls to ascertain interview dates and places. During interviews, other suitable respondents were identified through recommendation and introduction by previous respondents. Through the snowballing technique, the sample of respondents was extended (Patton, 2002). Altogether, 18 respondents has identified through snowballing for this study. Specifically, a detailed discussion of how researcher approached respondents and the relevance of respondents in each case are presented below.

Respondents in Malaysia 1:

The key contact in Malaysia 1 was Mr. Samad who himself as a senior manager in Malaysia 1. Mr. Samad is not an appropriate respondent as he was in charge of financial and real estate investment issues. He has been with the company more than 10 years. A meeting was held with Mr. Samad to introduce the research to him. After hearing the researcher's proposal, Mr. Samad recommended Respondent 1 as the appropriate interviewee. Respondent 1 has been working in the company for 12 years. She was the assistant of the vice president when the event took place. She has sufficient and valuable knowledge about Malaysia 1 since she was personally involved from making investment decisions, making inquiries and the negotiation process to the time

when the acquisition was completed. Respondent 1 also introduced Respondent 3, a senior manager who also had been personally involved in a key event along with Respondent 1, and Respondent 4, a senior engineer who acted as technology expert when undertaking key event 1. Other suitable respondents were identified through another key contact, Dato Azmi. Dato' Azmi introduced me to Respondent 2 who was a former senior marketing manager of the overseas division. He has now moved to the US. He disclosed valuable detailed information about the acquisition. Respondent 5, a senior engineer, was also identified as a suitable respondent. He has been working in Malaysia 1 since he graduated from university. He has witnessed and experienced the event. He introduced Respondent 6 in the department of public relationship. Respondent 6 has been in the company since he graduated from university. He is considered to be a suitable informant as he retained a great deal of information about the company. In this way, it is considered that these respondents are suitable respondents and can provide a reliable source of information for Malaysia 1.

Respondents in Malaysia 2

The key person that helped me to get access to Malaysia 2 and found suitable respondents is Dato Azmi. He recommended me to Respondent 1, a former vice director in Malaysia 2's UK market. She was with the company more than 10 years. She recommended Respondent 3 and Respondent 4 as appropriate respondents to talk to. Respondent 3 possessed and was familiar with a great deal of both general and detailed information about Malaysia 2's major events. Respondent 4 was the marketing manager in headquarters, who was aware of headquarters' strategic considerations towards Malaysia 2's overall internationalization strategies. Through Respondent 4, I also interviewed Respondent 5, a former member of staff in the marketing department, who had assisted Respondent 4's work in making investments in the European market. Respondent 6 was a human resources manager, who was aware of not

only general case company information but also issues relating to gaining talents from internationalization.

Apart from this, I also talked to Respondent 2, who formerly worked as marketing manager. He was with the company for 7 years since he graduated from university. He was not involved directly in the SAS events in question. However, he had been very familiar with headquarters' international marketing strategies and considerations. He was also involved in expanding to Africa and other developing markets. He took part in my interviews, and provided me with information about Malaysia 2 and its internationalization in general. He also commented on these SAS events. Respondent 7 has been in the R&D department of a tele-communication technology company for a long time.

Respondents in Malaysia 3

Tuan Haji Fairuz is the key contact in accessing Malaysia 3. He recommended several respondents to me. Respondent 1 has worked in the company for almost two decades. Respondent 2 was identified as an appropriate respondent as he possessed much data and information about the company's major activities including the company's internationalization strategies. Through the snowballing approach, Respondent 3, senior engineer, and Respondent 4, human resource manager were identified as appropriate respondents. They both have been working in the company for around ten years. Respondent 4, who had participated in Malaysia 3's internationalization activities as a technology expert, was considered to be a suitable respondent to comment on Malaysia 3's R&D capabilities in general and technological related issues. Respondent 5, human resources manager at headquarters, was particularly knowledgeable of Malaysia 3's strategic intent and practical challenges in terms of gaining talents from SAS events.

It is important to develop interview questions in advance in order to ensure a focused and efficient data collection process (Daniels and Cannice, 2004). In the interview process, the

researcher may not strictly follow the guide. The order of the questions may be different from interviewee to interviewee, depending on the actual interaction between interviewer and respondent. The questions may be slightly different, however, by and large, all of the themes are covered during the interview. Most interviews (15) lasted between 1 to 2 hours; the rest (3) lasted 40 or 50 minutes. Since respondents were approached through personal connections, they are friendly and willing to provide detailed accounts of the SAS activities, and issues they faced and how they resolved them. In some cases, interviewees were invited to a restaurant or cafe due to their schedule. The relaxed atmosphere encourages respondents to be more open.

4.7 Interview

An interview can be defined as “a process in which a researcher and participant engage in a conversation focused on questions related to a research study” (DeMarrais, 2004, p. 55 in Merriam, 2009). A qualitative research interview can be defined as “an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena” (Kvale, 1983, p. 174 in King, 2004, p. 11). Qualitative research interviews generally have the following characteristics: a low degree of structure imposed by the interviewer; a preponderance of open questions; and a focus on “specific situations and action sequences in the world of the interviewee”

(Kvale, 1983, p. 176 in King, 2004). Interviewing has a strong claim to being the most widely used qualitative research method (King, 2004). A range of approaches to interviewing exist which differ in terms of breadth and focus (Rubin & Rubin, 2012).

King (2004) identifies three different approaches to interviews: realist, phenomenological, and social constructionist. The approach taken in this study was a realist approach. By taking a realist approach, the participants’ accounts were seen as providing a ‘real’ representation of their experiences beyond the interview situation. Interviews grounded in the realist assumption are often used in conjunction with quantitative survey data in order to benefit from

triangulation. Realist interviews also tend to be more structured in nature than phenomenological or social constructionist interviews.

4.7.1 Procedures of interview

Clear explanations about what to expect as part of the interview can ease the interview process (Patton, 2002). Before conducting the interview, participants were reminded of the topic areas to be covered, the format, purpose, and need to record the interview (as in the appendix). The importance of understanding the complexities of organisational culture and innovation at a subsidiary level was emphasised. The procedure for handling the interview recordings and transcripts was reiterated. Finally, participants' questions were addressed and written consent for participation was obtained.

The interviews were constantly aware of the ethical responsibility she had to interviewees in the study.

Online interviews were recorded using the recording functionality of Skype, whereas interviews that were conducted in person were recorded using a voice recorder. Audio recordings were saved onto a computer and transcribed verbatim. The transcriptions were undertaken by another person but prior to analysis each transcript was reviewed to check for quality and to correct mistakes. There were occasions where re-listening to the recordings enabled the researcher to fill incomplete sections where the transcriber could not interpret.

Braun and Clarke (2006) propose that qualitative analytic methods can be divided into two camps: 1) those that are tied to a specific theoretical or epistemological position where there is limited flexibility in how the method is applied within the selected framework (for example, conversation analysis and interpretive phenomenological analysis), including those where there are different manifestations of the method from within the broad theoretical framework (for example, grounded theory, discourse analysis, or narrative analysis); and 2) those methods that are essentially independent of theory and epistemology and can be applied across a range of qualitative approaches. Thematic analysis is positioned in this second camp.

Thematic analysis is a common general analytical strategy for qualitative data which facilitates the search for patterns within the data set. It is defined as “a data reduction and analysis technique by which qualitative data are segmented, categorised, summarised, and reconstructed in a way that captures the important concepts within a data set” (Ayres, 2008, p. 867). In their landmark paper on thematic analysis, Braun and Clarke (2006) define thematic analysis as “a method for identifying analysing, and reporting patterns (themes) within data”. They further identify six phases of thematic analysis: 1) familiarising with the data, 2) generating initial codes, 3) searching for themes, 4) reviewing themes, 5) refining and naming themes, and 6) producing the report.

As the researcher collected the data herself, she had some prior knowledge of it and some initial thoughts. The first phase of thematic analysis involved immersion of the researcher in the data to the extent that she was “familiar with the depth and the breadth of the content” (Braun & Clarke, 2006, p. 87). This was achieved through multiple reads of the data whilst searching for patterns. The audio recordings of the individual interviews were also listened to. Initially, the researcher read through all transcripts and notes, making notes as to the general themes and comments on the entire data set (all four interviews). This was followed by the repeated study of the transcript of each individual interview where impressions and ideas were noted and compared with those from the entire data set.

In the second phase of the analysis, the researcher generated initial codes from the data. In qualitative data analysis, codes are used to identify segments or passages of text, assigning symbolic meaning to the descriptive or inferential information (Miles, Huberman, & Saldana, 2013). Transcripts were reviewed line by line and text labels were attached beside each segment. At this stage of open coding, the major categories were freely generated and referred to general descriptors of the data. Transcripts were re-read and as many headings as necessary

were written down to describe all aspects of the content. Taking interview transcripts as the primary source of data, with each code representing a label for participants' comments, the coding process contributed to the rigour of the analysis by constituting an audit trail linking the raw data with the emerging categories. Codes were categorised according to their area of focus and these categories were then explored separately to identify sub-themes that related to each focal area.

In order to organise, store, and retrieve data the researcher used the qualitative data analysis software ATLAS-TI. ATLAS-TI provided a reliable tool to illustrate the reduced data in a compressed and accessible way and facilitated the process of data display. The use of a software program to code qualitative data is usually more complex and more detailed than manual thematic sorting (Bazeley, 2009). The use of computer-assisted qualitative data analysis software has a number of advantages; it allows for quick and easy access to data, can handle large amounts of data and facilitates consistency in coding (Bazeley, 2009).

Once all the interview transcripts were coded and collated the third phase of data analysis, which involved the search for broad themes, was undertaken. Braun and Clarke (2006, p. 82) propose that a theme captures "something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set". Sub-themes were reviewed in the context of the overall data corpus, and overarching themes identified. Interview transcripts were re-read along the finalised list of categories and sub-categories to ensure that the codes comprehensively covered all aspects of the interviews. Adjustments were made as necessary. Categories were subdivided into subcategories; for example, 'Strategic asset' was divided into 'patents', and 'trademarks'. Data reduction continued through the coding and organising of the data and themes. This process allowed the researcher to sort, focus, discard and organise data in a way that final conclusions could be drawn and verified (Miles & Huberman, 1994). The main themes were checked against one

another, each sub-theme, and against the impressions and thoughts initially documented during the familiarisation phase to ensure that they were consistent, coherent, and distinctive.

4.8 Summary

This chapter illustrates the decisions made throughout this research project as the researcher integrated two very different research approaches to fulfil the research aims. We will see results of quantitative and qualitative in the following chapters.

Chapter 5: Results (Tobit regression and Multiple Case studies)

5.1 Introduction

The overall mixed research design of this study and the reasoning for its selection were discussed in the previous chapter. This chapter presents a comprehensive overview of the first quantitative phase of the research, as well as the analysis and discussion of these findings. In the previous chapter, a primary research question and four hypotheses and sub-hypotheses (Table 5.0) that guide the first phase of this study were outlined. The overarching research question being addressed is “What extent home country effects facilitated EMNEs do strategic asset seeking related outward foreign direct investment”?

The structure of this chapter is as follows: first, a correlation matrix is presented to show the association between variables and multicollinearity. Finally, the results of Tobit regression analyses and a further study of Phase Two findings (case study) will be

5.2 Findings

This section focuses on the results of data analyses that have been performed in this study. This involves the analysis of descriptive statistics, correlation and Tobit regression for patents seeking and trademarks seeking.

5.2.1 Descriptive Statistics

According to Miller (1988), the correlation analysis is mainly used to identify multicollinearity between variables. In addition, the matrix of pair correlation could also correctly identify the problem of missing value. So I chose Stata to run and to achieve an important level of 5%. More realistically, I did the VIF test, although variables were not highly correlated in the correlation matrix. As a result, the VIF of all variables was below 10 (Table 5), so I confirmed that this dataset does not present a problem of multi-collinearity (Kutner et al. 2004).

The average number of patents that firms' foreign subsidiaries had (1.217) (Table 4.1) is far larger than the average number of trademarks of firms' foreign subsidiaries (1.164) (Table 4.2). Interestingly, there was a greater proportion of Malaysian affiliated to a business group, occupying 87% of the total number of firms. In terms of foreign links, 89% of Malaysian firms had foreign links to achieve their strategic asset seeking related outward foreign direct investment.

Table 5: Correlation Matrix (Patents Seeking)

	<i>Obse rvati on</i>	<i>Mean</i>	<i>Stand ard. Dev</i>	<i>Min</i>	<i>Max</i>	<i>VIF</i>	<i>Number of patents</i>	<i>BG affiliation</i>	<i>Govern ment</i>	<i>Foreign Links</i>	<i>Firm Age</i>	<i>Total Assets</i>	<i>Profit Mar</i>	<i>Listed/Non- Listed</i>	<i>High Tech</i>	<i>Med tech</i>	<i>Low Tech</i>	<i>Kis</i>	<i>Lkis</i>
<i>Number of patents</i>	2,999	1.217	1.755	0	9.216		1												
<i>BG aff</i>	2,999	0.871	1.781	0	7.524	2.11	0.370*	1											
<i>Govern ment</i>	2,999	0.289	0.453	0	1	1.78	0.174*	0.031	1										
<i>Foreign Links</i>	2,999	0.894	0.308	0	1	1.41	0.221*	0.494*	-0.012	1									
<i>Firm age</i>	2,999	40.453	27.163	3	106	1.96	0.383*	0.520*	-0.224*	0.207*	1								
<i>Total assets</i>	2,857	20.468	2.879	0	25.798	1.53	0.158*	-0.068*	0.386*	-0.004	-0.102*	1							
<i>Profit Mar</i>	2,730	12.301	18.206	- 86.667	99.915	1.09	0.067*	0.125*	-0.034	0.049*	0.088*	0.181*	1						
<i>Listed /Non Listed</i>	2,999	0.583	0.493	0	1	1.19	0.091*	-0.196*	0.045*	-0.061*	-0.016	0.282*	0.065*	1					
<i>High Tech</i>	2,999	0.022	0.148	0	1	1.03	-0.088*	-0.046*	0.028	-0.058*	-0.062*	0.031	0.016	-0.014	1				
<i>Med tech</i>	2,970	0.166	0.372	0	1	1.67	0.404*	0.446*	-0.088*	0.145*	0.593*	-0.022	0.062*	0.010	-0.068*	1			
<i>Low Tech</i>	2,999	0.278	0.448	0	1	2.42	-0.178*	-0.197*	-0.266*	-0.047*	-0.064*	0.145*	0.033	0.204*	0.002*	0.048*	1		
<i>Kis</i>	2,999	0.335	0.472	0	1	2.18	0.012	0.129*	-0.092*	0.075*	0.002	-0.108*	-0.093*	-0.122*	-0.036	-0.064*	-0.440*	1	
<i>Lkis</i>	2,996	0.200	0.400	0	1	2.00	0.056*	0.134*	-0.041*	-0.020	0.165*	-0.271*	0.085*	-0.213*	0.082*	0.112*	-0.311*	-0.354*	1

Table 6 :Correlation (Trademarks seeking)

	Observation	Mean	Stand.Dev	Min	Max	VIF	Number of trademarks	BG affiliation	Foreign Links	Government	Firm Age	Profit Mar	Total Assets	Listed/Non- Listed	High Tech	Med tech	Low Tech	Kis	Lkis
Number of trademarks	2.999	1.164	1.654	0	6.944087		1.000												
BG affiliation	2.999	0.871	1.781	0	7.524022	1.94	0.4163*	1.000											
Foreign Links	2.999	0.894	0.308	0	1	1.48	0.2326*	0.4937*	1.000										
Government	2.999	0.289	0.453	0	1	1.75	0.0572*	0.0309	-0.0124	1.000									
Firm age	2.999	40.453	27.163	3	106	1.31	0.4140*	0.5200*	0.2073*	-0.2238*	1.000								
Profit Mar	2.999	12.300	18.206	- 86.667	99.915	1.06	0.0435*	0.1250*	0.0492*	-0.0337	0.0882*	1.000							
Total assets	2.999	20.468	2.879	0	25.7981	1.54	-0.0119	-0.0676*	-0.0036	0.3855*	- 0.1017*	0.1807*	1.000						
Listed /Non Listed	2.999	0.583	0.493	0	1	1.35	0.0385*	-0.1961*	-0.0607*	0.0451*	-0.0158	0.0650*	0.2821*	1.000					
High Tech	2.999	0.022	0.148	0	1	1.02	-0.0813*	-0.0459*	-0.0579*	0.0281	- 0.0622*	0.0158	0.0307	-0.0140	1.000				
Med tech	2.999	0.166	0.372	0	1	1.10	0.4436*	0.4459*	0.1452*	-0.0879*	0.5934*	0.0624*	-0.0217	0.0100	- 0.0677*	1.000			
Low Tech	2.999	0.278	0.448	0	1	2.48	-0.1558*	-0.1966*	-0.0473*	-0.2657*	- 0.0643*	0.0325	0.1450*	0.2036*	0.0019	0.0480*	1.000		
Kis	2.999	0.335	0.472	0	1	2.26	0.0258	0.1290*	0.0745*	-0.0919*	0.0022	- 0.0929*	- 0.1076*	-0.1221*	-0.0355	- 0.0642*	- 0.4403*	1.000	
Lkis	2.999	0.200	0.400	0	1	2.14	0.1175*	0.1342*	-0.0198	-0.0413*	0.1652*	0.0850*	- 0.2709*	-0.2133*	0.0823*	0.1123*	- 0.3105*	- 0.3535*	1.000

In the meantime, Table 7 reports the results of the Tobit regression model to test the likelihood of patents seeking FDI from Model 1 to Model 5. Models 1-5 have been designed to test the hypotheses H1, H2, H1a and H2a. Model 1 is the basic model without the addition of industrial control variables (including HITECH, MEDTECH, LOWTECH, KIS, and LKIS). Model 2 added control variables to the industry. Model 3 is a full sample (Malaysian companies) with *lambda*. Then I split up two subsamples. Model 4 was primarily designed to study the sample of Malays firms and Model 5 for Chinese firms. I have added "*lambda*" from Model 3-5.

I have achieved significant modelling results from Model 1 to Model 5. As far as Pseudo R2 is concerned, a better model fit from model 1 to model 5 was achieved. The mean VIF value for each model was less than 5 which means that there was no multicollinearity issue affecting the results. .

Firstly, the coefficients for *BGA* in model 2 was positive and significant (0.231 at $p < 0.001$), indicating that firms affiliated with business group are more likely to seek patents than independent firms. In this regard, I can support the Hypothesis 1. Even though, after I added *lambda* in model 3. The coefficient is still consistent and positive. It shows no endogeneity issues with *BGA* variable.

Secondly, government support also positive (0.912 at $p < 0.001$), hence, I accept Hypothesis 2. It shows Malaysian firms with government supports are more likely do patents seeking.

Meanwhile, model 4 shows Malay firms that affiliated with business groups and receive government support (0.352 at $p < 0.001$ and 1.180 at $p < 0.001$, respectively) are more likely to do patents seeking than Chinese firms. Hence, I accept Hypothesis 1_a and 2_a.

For further understanding, I have included marginal effects related to business groups, government support and foreign links on Malaysian firms' strategic asset seeking.

Table 7: Patents seeking

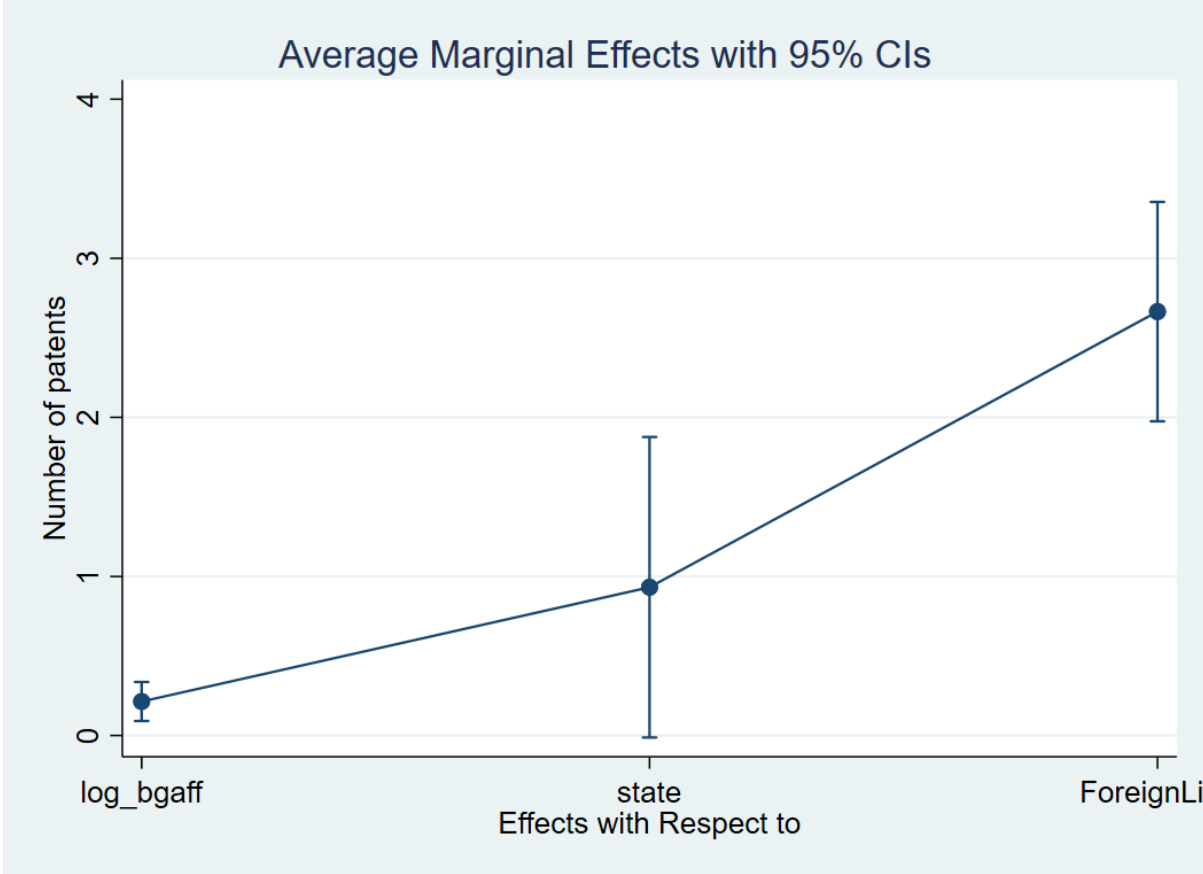
VARIABLE(S)	(1)	(2)	(3) FULL SAMPLE
<i>BG AFFILIATION</i>	0.322*** (0.048)	0.231*** (0.051)	0.216*** (0.048)
<i>GOVERNMENT SUPPORT</i>	1.312*** (0.159)	0.912*** (0.162)	0.980*** (0.173)
<i>FOREIGN LINKS</i>	2.705*** (0.365)	2.735*** (0.377)	2.684*** (0.348)
<i>FIRM AGE</i>	0.042*** (0.003)	0.027*** (0.003)	0.015*** (0.003)
<i>PROFIT MARGINS</i>	0.002 (0.003)	0.003 (0.003)	0.004 (0.003)
<i>TOTAL ASSETS</i>	0.078** (0.027)	0.109*** (0.023)	-0.029 (0.034)
<i>PUBLIC(LISTED/NON- LISTED)</i>	0.458*** (0.135)	0.633*** (0.123)	1.270*** (0.166)
<i>HIGH TECHNOLOGY INDUSTRY</i>		-2.194** (0.750)	-2.146*** (0.487)
<i>MEDIUM TECHNOLOGY INDUSTRY</i>		1.490*** (0.218)	1.679*** (0.189)
<i>LOW TECHNOLOGY INDUSTRY</i>		-1.373*** (0.209)	-1.357*** (0.201)
<i>KNOWLEDGE INTENSIVE INDUSTRY</i>		-0.087 (0.199)	0.048 (0.181)
<i>LOW KNOWLEDGE INTENSIVE INDUSTRY</i>		0.319 (0.202)	0.389 (0.207)
<i>LAMBDA</i>			53.164***
<i>CONSTANT</i>	-8.300*** 2677	-7.634*** 2645	-57.464*** 2645
<i>OBSERVATIONS</i>			
<i>SIGMA CONSTANT</i>	7.369***	6.542***	6.436***
<i>F TEST</i>	847.98	1031.94	1075.42
<i>PROB>F</i>	0.0000	0.0000	0.0000
<i>PSEUDO R2</i>	0.1021	0.1250	0.1303
<i>LOG LIKELIHOOD</i>	-3728.1021	-3611.7527	-3590.0130
<i>MEAN VIF</i>	1.40	1.70	1.83

p<0.05, **p<0.01, ***p<0.001

Table 8: Malaysian firms’ Marginal effects

Variable	Dy/dx (standard deviation)
Business groups	0.214** (0.063)
Government involvement	0.932** (0.482)
Foreign Link	2.665 ***(0.352)

Figure 8: Malaysian Firms (Marginal Effects)



Source: Stata

Table 9 : Patents seeking (Malay firms and Chinese Firms)

<i>Variables</i>	Malay (4)	Chinese (5)
<i>Business groups</i>	0.352*** (0.076)	-0.083 (0.074)
<i>Government affiliation</i>	1.180*** (0.279)	0.477* (0.239)
<i>Foreign Links</i>	2.762*** (0.648)	2.859*** (0.435)
<i>Firm Age</i>	-0.005 (0.005)	0.047*** (0.005)
<i>Profit Margins</i>	0.010 (0.006)	0.001 (0.004)
<i>Total Assets</i>	0.037 (0.059)	-0.039 (0.043)
<i>Public(listed/non-listed)</i>	0.579* (0.257)	1.345*** (0.239)
<i>High Technology Industry</i>	-3.126*** (0.641)	-1.433* (0.686)
<i>Medium Technology Industry</i>	2.518*** (0.326)	1.786*** (0.277)
<i>Low Technology Industry</i>	-1.745*** (0.298)	-1.485*** (0.279)
<i>Knowledge Intensive Industry</i>	-0.383 (0.309)	-0.047 (0.243)
<i>Low Knowledge Intensive Industry</i>	-0.603* (0.301)	0.450 (0.308)
<i>Lambda_BGA</i>	25.024*** -30.042**	66.513*** -70.605***
<i>Constant</i>	932	1713
<i>Observations</i>	5.132***	6.660***
<i>Sigma Constant</i>		
<i>F test</i>	574.84	557.34
<i>Prob>F</i>	0.000	0.000
<i>Pseudo R2</i>	0.168	0.118
<i>Log likelihood</i>	-1423.750	-2076.409
<i>Mean VIF</i>	2.16	1.74

p<0.05, **p<0.01, ***p<0.001

Figure 9: Malay firms’ Marginal Effects

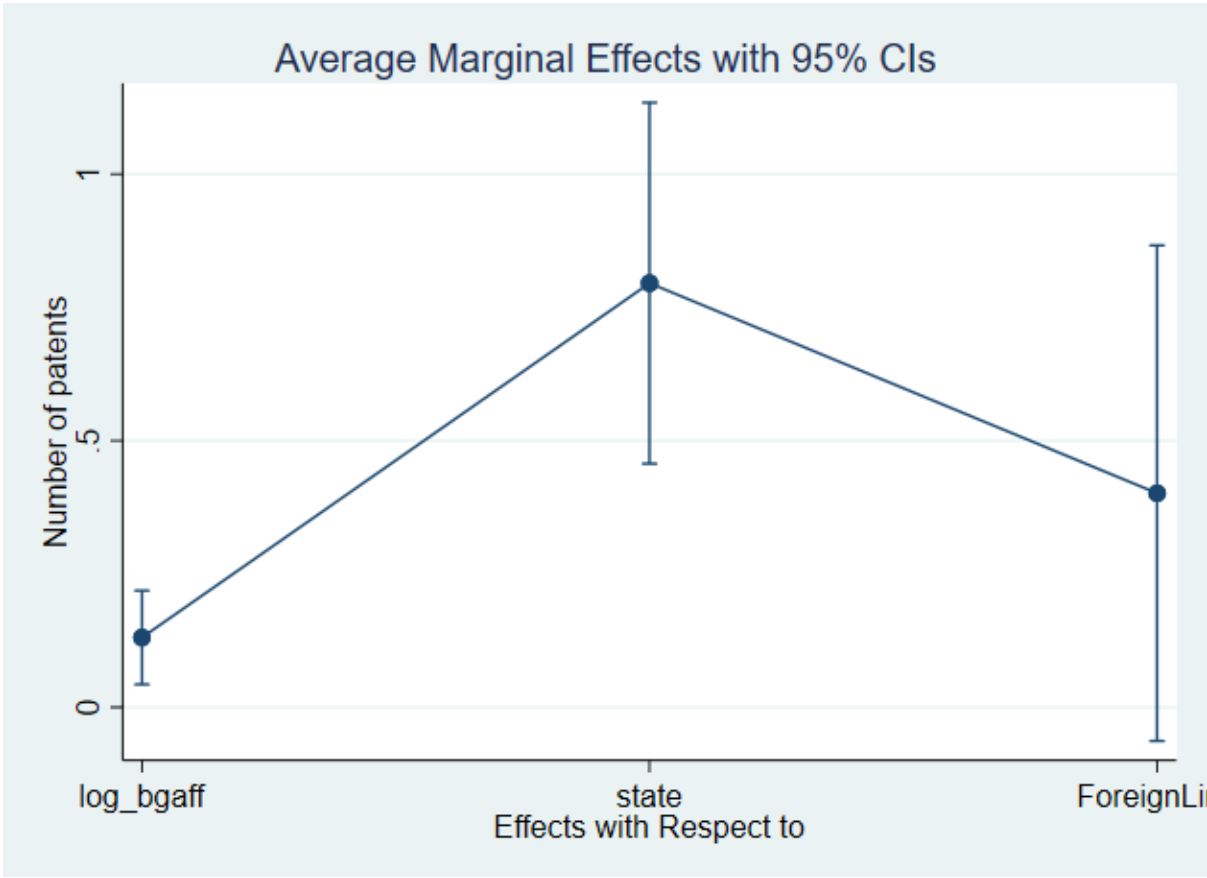


Table 10: Malay firms’ Marginal effects

Variable	Dy/dx (Standard deviation)
Business group	0.131** (0.449)
Government Involvement	0.796*** (0.172)
Foreign Link	0.402*** (0.237)

Figure 10 : Chinese firms Marginal Effects

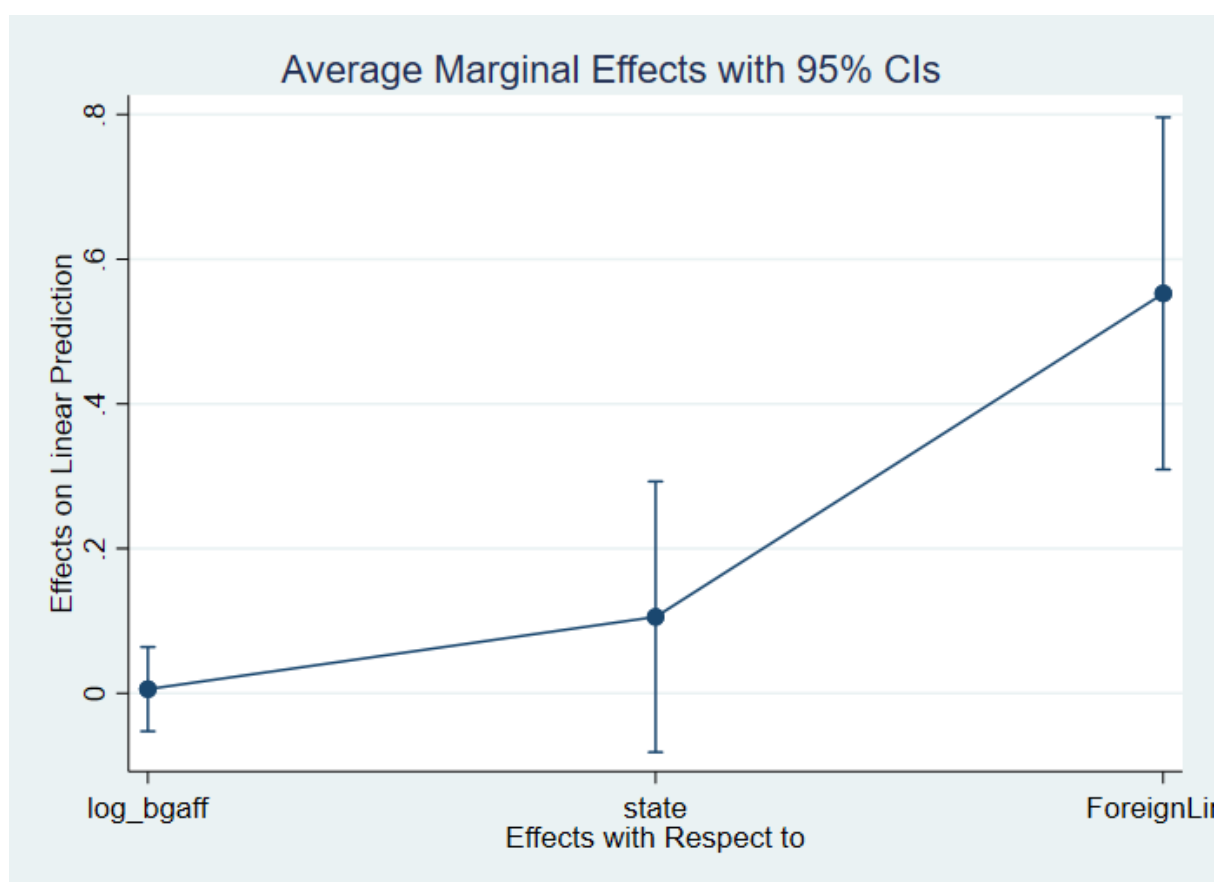


Table 11: Chinese firms (Marginal effects)

Variables	DY/DX (standard DEVIATION
Business groups	0.006 (0.030)
Government Affiliation	0.105 (0.095)
Foreign Link	0.553 (0.124)

Table 4.8 reports the results of the Tobit regression model to test the likelihood of trademarks seeking FDI from Model 6 to Model 10. Models 6-10 have been designed to test the hypotheses H3, H4, H3a and H4a. Model 1 is the basic model without the addition of industrial control variables (including HITECH, MEDTECH, LOWTECH, KIS, and LKIS). Model 7 added control variables to the industry. Model 8 is a full sample (Malaysian companies) with *lambda*. Then I split up two subsamples. Model 9 was primarily designed to study the sample of Malays firms and Model 10 for Chinese firms. I have added "*lambda*" from Model 8-10.

I have achieved significant modelling results from Model 6 to Model 10. As far as Pseudo R2 is concerned, a better model fit from model 1 to model 5 was achieved. The mean VIF value for each model was less than 5 which means that there was no multicollinearity issue affecting the results. .

Firstly, the coefficients for *BGA* in model 7 was positive and significant (0.288 at $p < 0.001$), indicating that firms affiliated with business group are more likely to seek patents than independent firms. In this regard, I can support the Hypothesis 3. Even though, after I added *lambda* in model 8. The coefficient is still consistent and positive. It shows no endogeneity issues with *BGA* variable.

Secondly, government support also positive (0.618 at $p < 0.001$), hence, I accept Hypothesis 4. It shows Malaysian firms with government supports are more likely do patents seeking.

Meanwhile, model 9 shows Malay firms that affiliated with business groups and receive government support (0.237 at $p < 0.001$ and 0.552 at $p < 0.05$, respectively) are more likely to do trademarks seeking than Chinese firms. Hence, I accept Hypothesis 3_a and 4_a. For further understanding, I have included marginal effects related to business groups, government support and foreign links on Malaysian firms' strategic asset seeking.

Table 11 Trademarks seeking Malaysian firms

Variable(s)	(6)	(7)	(8)
Base Model			
<i>Bg Affiliation</i>	0.412*** (0.051)	0.288*** (0.049)	0.279*** (0.051)
<i>state</i>	0.928*** (0.169)	0.618*** (0.172)	0.743*** (0.186)
<i>Foreign Linkages</i>	2.889*** (0.402)	2.958*** (0.404)	2.984*** (0.383)
<i>Firm age</i>	0.035*** (0.003)	0.019*** (0.003)	0.016*** (0.003)
<i>profit margins</i>	-0.002 (0.003)	-0.001 (0.003)	0.000 (0.003)
<i>Total assets</i>	-0.071** (0.028)	-0.041 (0.025)	- 0.110*** (0.033)
<i>public</i>	0.650*** (0.144)	0.761*** (0.137)	1.014*** (0.158)
<i>HighTech</i>		-1.043 (0.575)	-1.049* (0.451)
<i>Medtech</i>		1.846*** (0.196)	1.883*** (0.199)
<i>LowTech</i>		-1.227*** (0.222)	-1.176*** (0.215)
<i>Kis</i>		0.084 (0.199)	0.143 (0.193)
<i>Lkis</i>		0.294 (0.216)	0.353 (0.219)
<i>lambda_BGA</i>			15.453***
<i>Constant</i>	-5.783***	-5.097***	-19.093***
<i>Sigma Constant</i>	7.957***	7.059***	7.004***
<i>Observation</i>	2,677	2,645	2,645
<i>F-test</i>	707.82	877.99	891.46
<i>Prob>F</i>	0.0000	0.000	0.000
<i>Pseudo R2</i>	0.091	0.114	0.115
<i>Log likelihood</i>	-3534.084	-3423.985	-3417.248
<i>Mean VIF</i>	1.40	1.70	1.83

Table 12 : Marginal Effects. (Malaysian Firms)

Variables	Dy/dx (Standard Deviation)
Business groups	0.288(0.051)
Government	0.618 (0.183)
Foreign Links	2.958(0.384)

Figure 12 : Marginal Effects (Malaysian Firms)

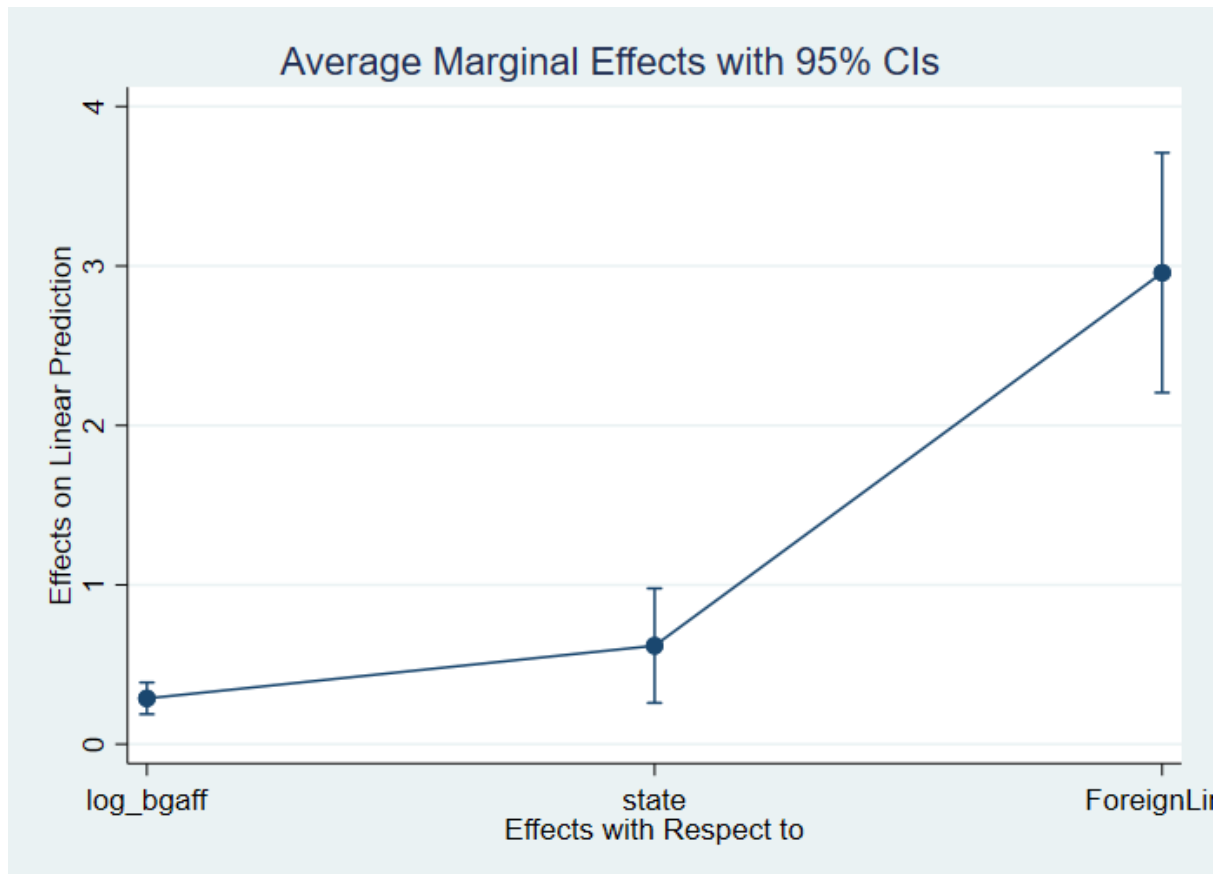


Table 13 : Trademark seeking (Malay and Chinese firms)

Variable(s)	(9) Malay Owned Firms	(10) Chinese Owned Firms
<i>BG Affiliation</i>	0.237*** (0.061)	-0.007 (0.846)
<i>State</i>	0.552* (0.230)	0.006 (0.280)
<i>Foreign Link</i>	2.227*** (0.536)	4.006*** (0.516)
<i>Firm age</i>	-0.010* (0.004)	0.268*** (0.005)
<i>Profit Margins</i>	0.005 (0.003)	-0.004 (0.005)
<i>Total assets</i>	0.075 (0.049)	-0.117** (0.044)
<i>Public</i>	-0.008 (0.207)	1.077*** (0.242)
<i>HighTech</i>	-1.043 (0.240)	0.444 (0.605)
<i>Medtech</i>	4.126*** (0.268)	-0.155 (0.332)
<i>LowTech</i>	-1.724*** (0.267)	-1.492*** (0.323)
<i>Kis</i>	-0.526* (0.250)	-0.062 (0.281)
<i>Lkis</i>	-0.698** (0.241)	0.440 (0.355)
<i>Lambda_BGA</i>	14.186***	12.836***
<i>Constant</i>	-18.383***	-16.277***
<i>Sigma Constant</i>	3.118***	8.743***
<i>Observation</i>	932	1,713
<i>F-test</i>	849.29	250.45
<i>Prob>F</i>	0.000	0.000
<i>Pseudo R2</i>	0.263	0.057
<i>Log likelihood</i>	-1189.355***	-2056.754***
<i>Mean VIF</i>	2.29	1.63

Table 13 : Marginal Effects (Malay)

Variables	Dy/dx	Standard deviation
Business group affiliation	0.248**	(0.060)
Government Involvement	0.570**	(0.231)
Foreign Links	2.205***	(0.542)

Figure 14 : Marginal effects (Malay)

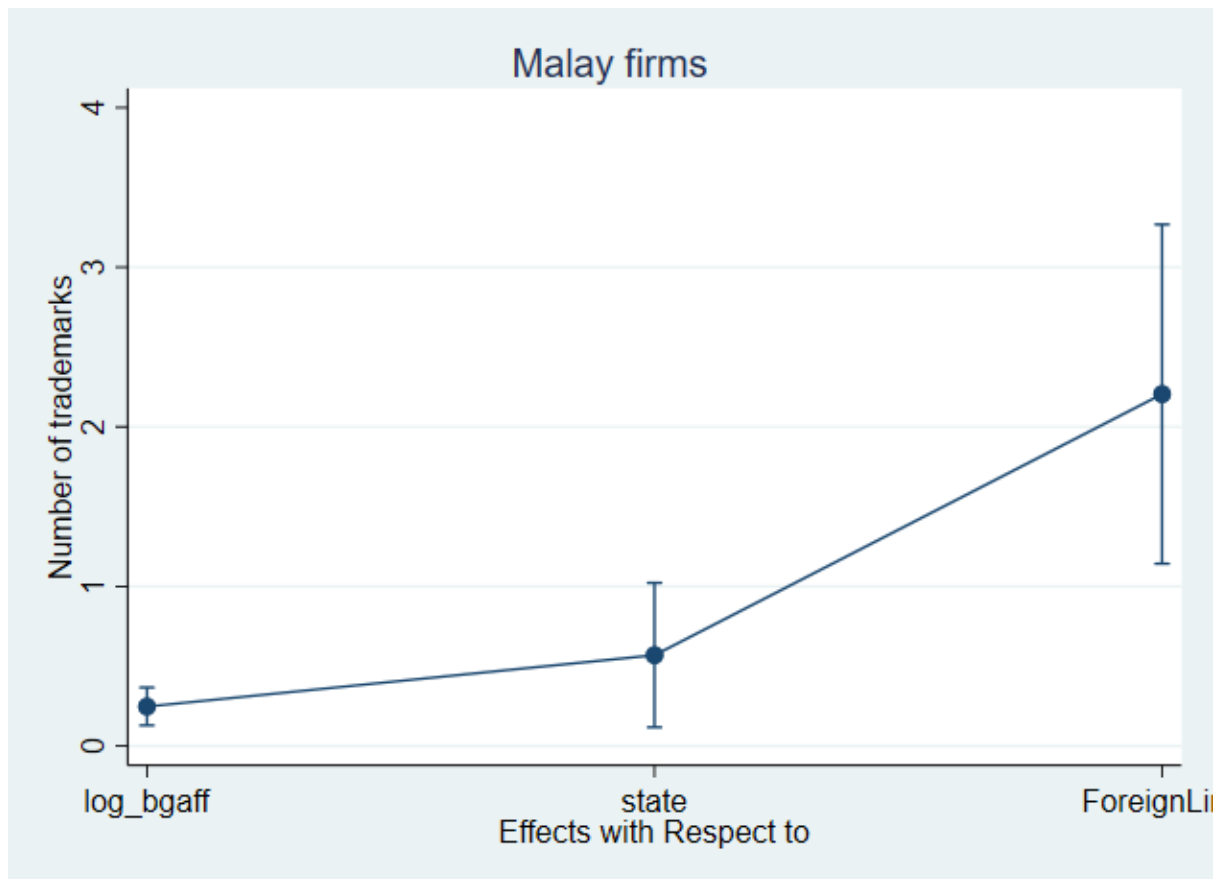
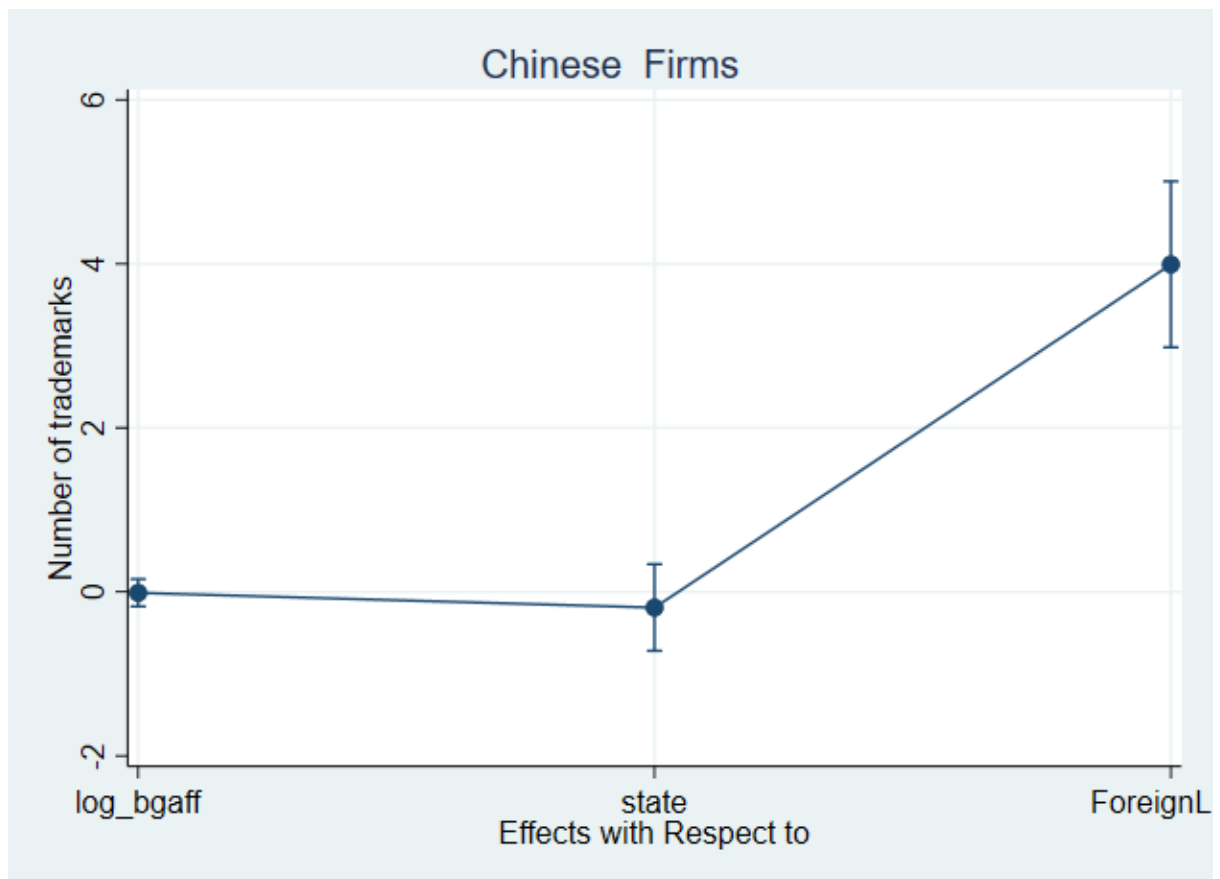


Table 15 : Marginal effects (Chinese)

Variables	Dy/dx (Standard Deviation)
Business group	-0.012 (0.085)
Government Involvement	-0.192 (0.270)
Foreign Link	3.994***(0.516)

Figure 16 : Chinese firms (Marginal Effects)



5.3 Phase 2 Multiple Case studies

5.3.1 Introduction

Extensive literature have explored EMNEs escaped to the abroad to offset their competitive disadvantages and abscond from home country “institutional voids” (Child & Rodrigues, 2005; Luo, 2000; Luo&Tung,2007; Mathews,2002 ; Mathews,2006). Institutional gaps can be defined as uncertain institutions at home country which comprises of imperfect capital market, discriminative policy, (Adomako et al., 2020;Buitrago R. & Barbosa Camargo, 2020;Cuervo Cazurra and Genc, 2008; Gammeltoft et al., 2010; Cuervo-Cazurra et al., 2018; Kong et al., 2020; Pattnaik et al., 2021). Existing research noted that EMNEs choose co-operation with foreign firms to hamper those institutional imperfection at their home country (Siegel,2004).

This chapter discusses about multiple cases regarding home country effects in Malaysia and how do they assist the firms in Malaysia to seek strategic assets. The following multiple cases discuss about the Malaysian firms (Malaysia 1, Malaysia 2 and Malaysia 3) and home country effects ; ethnic ties and role of government in assisting strategic asset seeking).

5.4 Case Study: Malaysia 1

The intriguing phenomena of the expansion of firms into international marketplace lead to plenteous studies within the fields of international business, management, international marketing and business management (Calof and Beamish, 1994; Blomstermo and Sharma, 2003a and 2003b; Ramamurti, 2004, Sim, 2005, and UNCTAD, 2005). Moreover, some prominent researchers noted that internationalization is employed by firms in infiltrating, entrenching, and gradually operating business in the cross borders (Beamish, 1990; Pananond and Zeithaml, 1998; Luo, 1999; Sim and Pandian, 2003, Kitchen and Ahmad, 2007). In the following section, we will look at case studies related to selected Malaysian firms for this study.

5.4.1 Business Development

Comprehension of SD's history offers knowledge about organisational progression and is expected to provide insights that might act as a basis for decisions about the future (Eisenhardt, 1989; Gummesson, 1991; Kitchen and Ahmad, 2007). The complex and overlapping process of the group structure, product and geographical diversification occurs in four chronological periods: its early development: from a plantation-based to a trading-based business (1910-1929), followed by domestic expansion (1929-1950s), conglomerate diversification (1950s-present), and international expansion (1970s-present).

Established in 1910 by two British planters, William Middleton Sime and Henry Darby, Sime Darby, known as Messrs Sime Darby & Co Limited manages 500 acres of Radell Rubber estates in the state of Malacca with a capital of US\$20,000. (Malaysian Business, 1 September 2003). Sime Darby transformed from managing agent of plantation companies into general trader of goods and services from the rubber estates. A branch office was set up in Singapore in 1915.

Due to booming trades, Sime Darby later transforms into an agency house for general trading business which includes acting as selling agents for variety of firms and manufacturers, import and export businesses, in supplying a wide range of consumer and other products domestically and internationally. Then, a branch was set up in London as a network branch to market the company's rubber. Profits from the rubber were literally ploughed back to buying more plantation land. Later in 1926, a British competitor, R.G. Shaw & Co bought it and ventured into discounting, money brokering and insurance brokering (Utrecht, 1981).

SD expansion focused in the plantation-based business, specifically in rubber, palm oil and cocoa plantations. SD ' growth marks its vital milestone in 1929 by acquiring the Sarawak Trading Company which held a franchise of Caterpillar equipment (now known as Tractors Malaysia) (Cheong, 1989). Acquisition were required for heavy earth-moving equipment as SD invested in more land. SD, then after the Second World War in 1952, ventured into other lucrative business domain, such as engineering, electronics and management services (Allen and Donnithorne, 1957). Over the years, SD supplies, finances, selling, and shipping products for various plantations, and by 1954, SD manages over 80,000 acres of rubber land with a total of 18 branch offices in Malaysia, Singapore, Brunei, and British North Borneo (ibid). SD continues to develop as it acquire Ewart & Co. in 1946, which was later, renamed Sime Singapore.

In the late 1950s, the company expanded into a holding company, known as Sime Darby Holding Limited, in London. Then, in the late 1960s, SD ventured into manufacture. The company then established itself as a major force in the plantation industry through the acquisition of Seafeld Amalgamated Co. and the establishment of Consolidated Plantations in 1971. The rapid growth and extensive diversification of Sime Darby gave the company multinational status even prior to Malaysian independence (Ragayah, 1999). Because of this

strategic importance as an MNE, and to protect the national interest whereby many critics viewed the largely British management of the company as a sore reminder of colonial exploitation, the Malaysian Government through its trust agency Pemas or National Corporation acquired the company in the mid-1970s. According to Utrecht (1981): “The SD take-over is a clear sign that the Malaysian government wants a greater say in producing and marketing its resources”

SD employs this process and became among the first Malaysian multinationals in the country. Although SD initially expanded within plantations, the group’s desire to grow further into non-core activities led to major diversifications in many industries, starting in the early 1980s. To name a few, these included motor vehicles, paint and tyre manufacturing in 1981, oil and gas in 1983, property and insurance in 1984, health and hospitality in 1990, travel and tourism in 1991, power generation in 1994, finance in 1996, hypermarkets in 2000, and retail petroleum in 2001. Through its own subsidiaries, Sime Darby diversified into a variety of projects including hospitals, housing development, manufacturing, gasoline and motor fuel distribution, shipping operations, shop lots, golf courses and many others. In brief, Sime Darby’s domestic growth was made up of three major waves. The first wave of expansion was focused in the plantations sector while the second wave was based on geographical expansion of its trading business, and finally, the third wave covered a range of diversified business strategies both upstream and downstream, such as oil and gas, financial services, property development, energy, and motor vehicle distribution. It can be seen that the group’s diversification strategies were incremental, rather than revolutionary within each specific industry. The group has used a market segment strategy to expand its business operations both domestically and internationally. Following this account of the domestic development of the group, the international activities are discussed in the next part of this study.

Sime Darby's international exposure began through international trading activities particularly exports of commodity products, as Malaya during that period was the biggest rubber and cocoa producer in the world (Allen and Donnithorne, 1957). It was in the early 1970s that the company experienced phenomenal expansion both geographically and sectors. The expansion began with the purchase of China Engineers (Holdings) Limited, Harpers International Limited, and Amoy Canning Corporation (Hong Kong) Limited, all based in Hong Kong (United Nations, 1985). With Amoy Canning came the production of canned food, and with China Engineers came engineering, manufacturing, insurance and shipping activities. Harpers provided SD with the franchise for the distribution of Ford, BMW, and Mitsubishi automobiles (ibid). Meanwhile, in the United Kingdom, SD acquired Shaw and Co., a company engaged in investment, shipping, and trading with considerable investments in South Asia. SD also moved into discounting, broking and insurance with the acquisition of Clive Holding Ltd., Guy Butler and Robt Bradford and Co. Limited (United Nations, 1985).

In Singapore, having been a market player since 1928, and the sole Caterpillar dealer in Malaysia for more than 70 years, SD, via Tractors, managed to penetrate the Singapore market. In fact, 95% of Sime's business in Singapore's heavy equipment sector comes from the sale of Caterpillar products. Nearer home, the company ventured into downstream processing activities with the purchase of Edible Products Ltd., a major vegetable oil refinery in Singapore. Administratively, the group's international expansion can be divided into four main regions. Priority was given to neighbouring Asian countries with a similar culture. Like its domestic business activities, SD's international operations involved the group's five core areas: plantations, motors, heavy equipment, property and energy. Figure 1 lists the geographical locations of the group's international activities by region. SD acted on the assumption that the

diversification of business based on geographical area would work well in reducing its business risks (Ragayah, 1997, 1999; Kitchen and Ahmad, 2007).

According to Dato Azmi (one of the board directors), the group had 185 subsidiaries and associated companies involved in various business activities in the Malaysian market. In its international operations, the group had 46 companies in Hong Kong, 72 in Singapore, 9 in the Philippines, 11 in Australia, 5 in Indonesia and 19 in other developing countries. In the developed countries, the group had 12 companies in the United Kingdom, 2 in the United States, and 15 in New Zealand. Overseas operations accounted for about 60% and 35% respectively of the group's gross revenue and pre-tax profits for the past four years with Malaysia, Hong Kong, Singapore and Australia collectively, holding the prize in posting revenues in excess of RM1 billion. By virtue of the fact that SD has operations in 20 countries, international business is one of the key sources of growth for the group. The next section elaborates on how SD has built up its ownership advantages and business strategy.

5.4.3 Brand seeking

With more than 95 years of corporate history and involvement in various avenues of diversified business, SD established a strong reputation in domestic and international trading as a well recognisable brand products through its franchises and dealership agreements with various foreign parties. For instance, in the group's motor business, brands such as BMW, Ford, Land-Rover, Peugeot, Caterpillar and Kawasaki, to name but a few, are among the well-renowned brands to which the group holds primary distribution rights in several countries. Through these and other recognisable brand names, SD has gained a reputation for the high level of quality and higher standards in its products typology.

The broad range of quality products offered by the group, has not only enhanced SD's market power but would also compensate for any declining revenues in specific highly competitive

industries. For instance, in the automotive industry, the group suffered a setback as it lost its exclusive BMW automobile distribution franchise, which was expected to have a significant effect on revenue. In June 2003, the German-based Bayerische Motoren Werke (BMW) group formed a 51:49 joint-venture company with Sime to take over wholesale distribution of BMW vehicles in the country. BMW invested about RM93 million in the venture (Malaysian Business, 1 September 2003). Losing its exclusive distributorship will have an impact on SD, as it was considered Sime's largest revenue contributor - at approximately 35-40% every year. It remains to be seen, however, as the group's diverse range of automotive brands seeks to minimise its investment risks.

SD has employed an acquisition strategy since its early establishment, with the purchase in 1929 of Sarawak Trading, which held the Caterpillar franchise. Benefiting from this acquisition until now, the group has the sole distribution rights for Caterpillar and this has contributed towards the growth of the group's business operations. As a result, SD enjoyed substantial advantages over newcomers, and consequently their industries became and remained oligopolistic. In order to facilitate its marketing activities, the group continues to invest in the expansion of its distribution network and services facilities. With access to the group's marketing networks both domestically and internationally, customers do have confidence in accepting SD's products. In addition, recruiting its own staff to oversee day-to-day operations in all of its marketing networks ensures that quality meets international standards. This strategy has enabled the group to distinguish itself from other competitors in the same industry. It would be too simplistic, however, to claim that the group's ownership advantage derived from its reputation in selecting quality brands and extensive distribution marketing channels alone. The SD group's competitive advantages domestically and internationally were also derived from several other sources which will be discussed next.

As discussed earlier, SD established a brand of quality. However, relying on brand name alone is no longer sufficient in the today stiff competitive business environments. The group's competitive advantages in the domestic market were also derived from its strong management-orientation, lucrative financial standing and adoption of a conservative business strategy. Having the Malaysian government via its state agencies and trust funds such as Skim Amanah Saham Bumiputera, Employees Provident Fund, Permodalan Nasional Berhad (PNB), and Lembaga Tabung Haji as its major shareholder made SD rather exclusive in the corporate scene. SD's corporate strategy and management professionalism were guided by strong company values and its code of conduct. Hard work, honesty, integrity, professionalism, and entrepreneurship are some of the company's key principles, adopted by all levels of staff. The group's mission statement demonstrates attempts to the seriousness of its professionalism and commitment toward its image as a reputable Malaysian Corporation. As well as its management orientation, SD's excellent financial standing was another source of advantage for group expansion. SD has been seen as among the wealthiest domestic corporation. The links of SD with the country's major trust funds and state agencies have contributed towards its domestic and international expansion. PNB, for instance, is among the country's leading investment institutions with total funds of more than RM49 billion and having a 40.82% interest in the group. This is followed by Employee Provident Funds (EPF) with 12.99% interest and Pilgrims Fund Board with 2.13%. This has given the group an image and reputation for credibility that not many other Malaysian corporations have enjoyed. This privileged status made the group a preferred choice for foreign firms seeking a joint venture partner in the domestic market.

Furthermore, SD's credibility also enhanced the group's relationships with financial institutions. SD has never had much difficulty in getting support to finance its operations and

expansion. However, links with the Permodalan Nasional Berhad (PNB) do not necessarily bring benefits, especially for the group's business strategy; which is considered conservative and too systematic (Malaysian Business, 1 September 2003). The group's investment strategy is often described as 'conservative', focusing on exploiting incremental investment opportunities under the guidance of the holding company and its major shareholder. As an example, evidence of this was seen when the group took on a smaller player, IOI Corporation Berhad, in its bid to acquire Palmco Holdings Berhad in 2003, and lost its bid. For the record, Sime ended up with a 22% stake in Palmco and two board representatives, while IOI went to buy Lodders Crocklaan BV in the Netherlands (Malaysian Business, 1 September 2003).

The group's ownership advantages were not only based on its management skills in managing the organisation, but also on its knowledge and experience in international trade, and knowledge about the regional market. The ability to understand how developing country markets work was another important advantage of SD. The group's past experience in dealing and managing an international project and trading business in the region provided a useful advantage for the group's international expansion. By focusing its business operations on the Asian market, segmenting its business operation into several product groups, and geographically spreading into five main regions, SD was able to take full advantage of its management know-how in plantations and other businesses to tap those markets without much competition from either local or foreign competitors. The group's skills and strength in plantations contributed to other business operations. Although SD is known for its international investment in 20 countries worldwide, including Hong Kong, Singapore, Australia, New Zealand, Macau, China, Qatar, the Philippines, Papua New Guinea, Thailand, the United Kingdom, Egypt, Indonesia, Solomon Islands, and New Caledonia, the focus of its business is on exports and international trading activities. SD's interest in foreign direct investment only began in 1990s, when the domestic market was becoming saturated and internationalisation

was another way to expand. Although the group's export markets were spreading to various developed countries such as the United Kingdom, European countries, and the United States, the group's destinations for foreign direct investment were still mainly concentrated in nearby Asean member countries and the Pacific Basin region.

5.4.4 Home country effects and asset seeking

Home country networks are a stepping stone for the international expansion for developing countries (Sharma and Blomstermo, 2003). In addition, networking with partners and other players in the industry may help a firm to acquire resources, market information and accessibility or business opportunity, domestically or internationally. Most businesses now rely on business alliances and networking as a strategy, and SD is not excluding from this strategy. With the group's diverse range of business activities, it was unlikely that the group could succeed without having assistance from other players.

With regard to this, close ties with PNB and (Employee Provision Fund) EPF certainly benefited the group's expansion. The group's close links with government trust agencies have been a source of its ownership advantage. Widely known as the first multinational in the country, the fact that SD enjoyed close links with the government cannot be denied. Because of its strategic value and status as a national company, it was given access to the right places, since any failure could have negative implications for the economy and government (Malaysian Business, 1 September 2003). Links with the PNB gave SD a remarkable advantage, in accessing investment opportunities to which other industrialists did not have access. In addition to these connections, SD's close links with the government can be seen since its early establishment, inviting top-management officials in the civil service with extensive experience to join the group as advisors or even as full-time employees. These included a former Minister of Finance (1959-1974), Tun Tan Siew Sin, as the first SD chairman from 1976-1988; a former Bank Negara governor (1962-1980), Tun Ismail Mohamed Ali as the second chairman from

1988-1998; and a former Chief Secretary to the Government as the third chairman (1998-2000) (Malaysian Business, 16 October 2002; Annual Report, 2005).

Links with the government alone were not enough for the group's development, however. The second necessary sources of the group's connections were joint ventures with domestic and foreign partners. Because the technological sophistication of developing country MNEs tends to be insufficiently advanced, a developing country's firms need to accumulate technological capabilities from suitable foreign partners (Bell and Pavitt, 1997). In the case of SD, the group was able to form joint ventures and learn from its established partners in their respective industries in order to accumulate technological competencies. For instance, when the group decided to embark on entry into the petroleum industry, SD made an acquisition of 60% of C. E Crest Engineering (M) Company, which provided engineering and construction services to the petroleum industry. The group's expansion into agro-genetic engineering is another example where it decided to team up with a California -based company, International Plant Research Institute, which specialised in the research application of genetic technology to tropical crops (United Nations, 1985). A similar case was the group's decision to diversify into petroleum retailing, when it formed a joint partnership with the Houston-based Conoco Corporation (Business Times, 6 December 2001). As observed from the SD case, forming joint partnership with established foreign counterparts enabled the group to learn and accumulate technological skills. The group then made the effort to add more value and modify acquired technologies and needs. SD interviewees claimed that gaining technological competence enabled the group to expand its operations in foreign countries.

In sum, the domestic and international growth of SD was achieved through a mixture of the factors discussed above. With a strong business reputation and track record, the company has managed to grow from a company offering a single product and service in one country into a

strong and dynamic international group with a comprehensive range of business activities domestically and internationally. The business networks of the group come not only from its early and ongoing connections with the government, but also from joint ventures and alliances with foreign partners. Additionally, the limitations of its internationalisation knowledge were compensated for by its relationship with various parties for the group's expansion.

Conventionally, a firm becomes multinational by going through three stages: it begins as a domestic firm and through the normal process of development acquires technological, management and marketing capabilities to become a domestic leader. Limitation of the domestic market forces motivates the firm to begin to export abroad in order to increase revenue (imperfection capital market). Finally, when exports are threatened by tariff protection or competition, it uses its competitive advantage to produce products abroad and is then involved in direct investment (United Nations, 1985; Johanson and Vahlne, 2003). Following this view, a closer look at the development of SD as a national MNE, reveals that the company was internationalised prior to its emergence as a Malaysian conglomerate. The group became a Malaysian MNE overnight through the acquisition of a British firm operating in the country. SD was a British-controlled corporation until the company's residing place was transferred from the United Kingdom to Malaysia in 1979.

In line with the New Economic Policy (NEP) to increase Malay equity, the Malaysian government, after consulting investment bankers Rothschild and through its state trading arm Pernas, bought a number of SD shares on the London Stock Market. Through the efforts of Tradewinds (M) Sendirian Berhad, a Pernas subsidiary, Sime's equity became Malaysian-owned in 1977. Prior to its establishment as a Malaysian MNE, SD had international business in several foreign countries, and this included having offices in London and Singapore to

support its international trading operations. The argument proposed here is that the techniques employed by the Malaysian government through its state agencies, which allowed a massive acquisition drive, signified a new era in the method of internationalisation and thus went well beyond traditional theories of FDI as suggested by most scholars. However, it could be argued that the company possessed significant internal and ownership advantages created by nationalisation and favourable treatment by the Malaysian government.

Nonetheless, advantages such as aforementioned had to be accompanied by strategic initiatives within the context initially of a regionally located competitive scenario. Nonetheless, the experience of SD presents an interesting alternative for companies attempting to become international by acquiring an existing MNE. Joint venture with foreign partners is another alternative arrangement available for SD's participation in international expansion. In some countries, the group chose to set up joint ventures with local partners in the host countries, for the mutual benefit of both parties. There are many reasons for SD to expand internationally and choose a particular country to be the recipient of its investments. In general, these may be classified as 'push' or 'pull' factors such as finding new markets, diversifying risks, home government disincentives, higher returns on investment, cheap and abundant resources, overcoming import restrictions, competition to enter new markets and to exploit technological innovations and the production process better. As with these views, SD's international expansion was driven by its goal to seek growth constantly through entry into new markets abroad and to facilitate the export of products to another country, especially in other developing countries. This was the reason for the group setting up regional divisions in countries like Hong Kong, Singapore, the Philippines and Australia, to support its business. This is because the developing countries not only offered opportunities for growth but also shared some similar features with which the group were familiar. Specifically, from the interviews of key

executives in the company, three primary reasons appear to be important reasons for SD to invest abroad.

The first is to take advantage of market opportunities, that is, regionalising to key markets and access growing consumer demand in the region. The second is to diversify risks. And, the third is related to motivations which invariably revolve around diversification to escape high costs, labour, and other resource constraints in Malaysia. An equally important factor is the familiarity of the countries where the investment is directed, in the sense of common or shared experiences in history, culture, economics and even politics. From the point of view of location strategy, familiarity with the country and closeness to Malaysia will be the main criteria. Diversifying risk is also an important determinant of the choice of overseas location. SD emphasises that the very nature of its organisation is to diversify risk by having a variety of products or geographically located businesses. The diversification strategy has worked for the group, since it may be that one business is declining but that it will be compensated for by the other businesses. The group's strategy in its investment is to be a long-term player and try to make business work in every economic condition. In some countries, the group's business strategy was to start in trading; this then provided a window of opportunities, enabling SD to identify both new businesses and partners for establishing joint ventures. With regard to its long-term strategy, SD wants to strengthen its position in the Asian regional market, and then the next logical step for SD is to be truly global. For this, it has to aim at inclusion in the Fortune 500 companies and thus must strengthen its presence in the European Community and the North American markets. As mentioned in the interview, "although Sime Darby has set up subsidiaries, joint ventures and acquisitions in the United Kingdom and the United States, these are still inadequate. Moreover, it needs to be rather more aggressive about growing the business that it already has, as well as establishing new business".

The domestic and international expansion of the SD group, one of the largest Malaysian multinational conglomerates have been discussed as above. Being “internationalised” from its inception through the reverse takeover of foreign companies operating in the country, SD could be viewed as a new model for the internationalisation process. The group’s growth was achieved through a combination of its expanding its capacity as a diversified corporation. Its ownership advantages were derived from various internal and external sources, such as strong brand names, extensive marketing and support networks, strong financial standing, good management capabilities, international knowledge and experience, and business networks with various parties. SD’s unique ties with the Malaysian government through its trust and state agencies helped the development of the group, and gave the group an established image of credibility and reliability. Its relationships with foreign partners in developing its technological capabilities also played a significant part in its domestic and international expansion. The group plans to grow using internal resources as well as to expand via acquisitions. Having recognised the need to adapt to the challenges of globalisation, the group has outlined the broad strategies that it believes are vital for it to compete effectively in the international arena.

Among these are:

- a) a renewed focus on core competencies. This extends beyond the rationalisation of business units to leverage the group’s underlying strengths in building market leadership,
- b) aiming for continuous growth in synergistic, related businesses through horizontal and vertical integration
- c) fostering a learning culture which encourages the sharing of knowledge across organisational boundaries and geographical divides.
- d) SD’s overall strategy is to maintain its reputation as Malaysia’s leading and most geographically diverse conglomerate, focusing primarily on the growth of the Asia Pacific region through products and services of flawless quality.

5.4.5 Concluding remarks

Based on the experience of SD, three primary insights can be drawn. Firstly, the acquisition method used by the Malaysian Government to acquire MNEs seems to portray a new dynamic in the extant patterns or modes of internationalisation. Secondly, although SD can now be considered as an established and successful MNE, without its proper investment strategy and skills required for its diverse activities, SD would have faced difficulties in expansion and this would ultimately have led to potential losses in their investments at home and abroad. Finally, in terms of international expansion, the group can now further capitalise upon its knowledge on international business in order to further augment its international prominence in the future.

****Lembaga Tabung Haji (Pilgrim Fund Board)**

5.5 Case Study: Malaysia 2

Francis Yeoh's father, Yeoh Tiong Lay was born in 1930 in Selangor. Francis' grandfather, Yeoh Cheng Liam was a timber merchant with some involvement in the construction industry, operating through his family company, Yeoh Cheng Liam Construction Sdn Bhd. In 1950 at the age of 20. Yeoh Tiong Lay secured his first contract, to construct two police explosives magazines in Pahang and Selangor. From this modest start, Tiong Lay's company, Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd became involved in bigger construction projects including high rise buildings in the national capital, like the headquarters of two foreign banks, Citibank and the Hongkong & Shanghai Bank and the headquarters of the Malaysian-controlled multinational, Sime Darby (The Diplomat February 1986; Malaysian Business 16 February 1994).

In 1984, Tiong Lay gained control of Hong Kong Tin plc, a nearly moribund tin mining company. Through a spate of shares for assets swaps and rights issues, Tiong Lay injected a few subsidiaries owned by his family company, Syarikat Pembinaan Yeoh Tiong Lay including Buildcon Sdn Bhd, Batu Tiga Quarry Sdn Bhd and Yeoh Tiong Lay Brickworks Sdn Bhd into the publicly listed company; the company was renamed Hong Kong Tin Corporation (M) Bhd. Through a reverse takeover, Syarikat Pembinaan Yeoh Tiong Lay was injected in 1988 into Hong Kong Tin which was then renamed YTL Corporation Bhd; Malaysian Business 16 January 1992). Although YTL Corp had established a reputation as a contractor for turnkey projects by the end of the 1980s, the company still remained a relatively small construction, property development and manufacturing concern. In term of market capitalisation, the company's paid up capital was just about RM73 million in 1991.

Buildcon Bhd, Malaysia's largest ready mixed concrete manufacturer is another company in the YTL Corp group, which was publicly-listed in 1993 on the second board of the KLSE (Kuala Lumpur Stock Exchanges). Buildcon, soon to be renamed YTL Cement, is expected to

record annual sales of approximately two million tonnes of cement by 1998; by this time, its market is expected to include the Indochina region (The Star 26 February 1997). In mid-1997, YTL Corp will publicly list YTL Power International (YTLPI) Bhd, which will become the largest independent power producer (IPP) on the KLSE (The Edge 17 March 1997).

Yeoh Tiong Lay has seven children, all of whom are educated abroad. His eldest, third and fourth sons, Francis Yeoh Sock Ping, Yeoh Seok Hong and Yeoh Sock Siong respectively, and the second daughter, Yeoh Soo Keng, all qualified as engineers in the United Kingdom. The second son, Yeoh Seok Kian is a quantity surveyor while Tiong Lay's eldest daughter, Yeoh Soo Min is an accountant and his youngest son, Yeoh Seok Kah is a lawyer (The Diplomat February 1986). All seven third generation Yeohs are directors of YTL Corp. Tiong Lay is the chairman of the company, while Francis Yeoh, who is primarily responsible for the management of the YTL Corp group, is managing director; second son Seok Kian is the deputy managing director. The largest shareholder of YTL Corp, with a 48% stake, is Tiong Lay's family holding company, Yeoh Tiong Lay & Sons Holdings Sdn Bhd. Publicly quoted Buildcon is also led by Yeoh Tiong Lay (as chairman) and Francis Yeoh (as managing director); three of Yeoh's other children also sit on the board of this company. 53.32% of Buildcon's equity is held by YTL Corp (Business Times 26 November 1993).

5.5.1 Home country effects and asset seeking

Bumiputra participation in the YTL Corp amounts to 16.29 %, of which only 0.68 per cent is held by Bumiputera individuals and 1.39% by Bumiputera nominees. The armed forces' provident fund, the Lembaga Tabung AngkatanTentera(LTAT), is the main Bumiputra shareholder, with a 13.21%. Among the prominent Bumiputra directors of the company are Yahya Ismail, who is well linked to UMNO (United Malays National Organization), and former civil servant Raja Mohar Badiozaman(KLSE Annual Companies Handbook 21 (2),1996:257-65). Total Bumiputera equity participation in Buildcon is 16.22 per cent , of which Bumiputera individuals, including nominees, account for a third, or 5.16%; LTAT is the

largest Bumiputera equity holder with 8.86% equity in Buildcon (KLSE Annual Companies Handbook 21(2),1996:595-9). YTL also used networks from outside as their cash cow. As for example, YTL roped in Chinese big group, Yudong Group into its new acquisition in Jordan. Yudong Group is providing cash assistance for YTL Corp and obtain shares in this acquisition. Francis Yeoh is believed to have close relations with the former Perak royal family(Cheong,1992), as well as with the former Prime Minister; Tun Dr Mahathir Mohammad, with many seeing Francis Yeoh as a “Mahathir man”. However, Francis Yeoh has repeatedly denied that any patronage from the government was attributable to his “ political connections” and has insisted that he has “ no special relationship with the Prime Minister” quoted in Malaysian Business 16 February 1994), while Mahathir has reportedly justified government contracts to Francis Yeoh on the grounds that ‘he got things done” (quoted in Asiamoney November 1994).

YTL has certainly benefited from major government projects. In 1990, the company was awarded a RM840 million contract to design and develop 12 hospitals as part of the government’s plans to create a nationwide rural healthcare network. The company also secured the contract to build a RM112 million airport in Sibu,Sarawak.YTL Corp has also been awarded two projects in the state of Perak, a low and medium cost privatised housing scheme and a 120ha light industrial park(Business Times 26 November 1993).

YTL Corp rose to prominence, if not notoriety, in 1992 when the government announced that the company would be the first to be awarded an independent power producer (IPP) licence worth RM2.5 billion; YTL Corp had submitted plans to the government to construct two power plants. The announcement was both significant and controversial since YTL Corp is a Chinese controlled had no experience in power generation. However, YTL Corp managed to grab the projects and finished it up successfully. It has been explained in the following speech on how

they managed to complete the projects, in spite of, lacking expertise and experiences particularly in power generation field.

“After we secured a licence from the government to produce electricity, we went into a joint-venture with German firm, Siemens to execute this project. Through this linking and learning process, we learnt the technology in producing electricity and has begun to venture abroad, developing and international reputation in power generation” (Francis Yeoh, 2009)

Based on above explanation, it shows that YTL Corp sought after technologies by collaborating with foreign partners and learnt and utilise it for them to venture abroad and creating expertise in the particular industry.

Not unexpectedly, since this activity proved so profitable, YTL hoped that this project would be a stepping stone to becoming an international power supplier. It has been proved through the following quoted interview by Francis Yeoh ;

“In future, Malaysia could be the regional centre of power exchange with links to Singapore, Thailand and further”.

Subsequently, in 1994, Francis Yeoh secured a contract to supply electricity to Singapore and in 1996, a USD 600 million power deal in Zimbabwe, which involved the acquisition of a power plant and the development of two new power generating units at the plant (The Star 4 April 1997). YTL Corp has similar deals in Thailand and China, and is exploring possible power supply projects in Philippines, Vietnam and India (The Star 4 April 1997).

In October 1996, YTL tried unsuccessfully to take over 80% of Consolidated Electric Power Asia (CEPA), the power supply subsidiary of the Hong Kong based Hopewell Holdings, controlled by Gordon Wu (Hong Kong businessman). The takeover was seen by YTL as a golden opportunity to expand and create YTL controlled Pan Asian power giant and it has been concurred by Tun Dr Mahathir that “a brilliant deal that got away” (The Edge 17 March 1997).

Amazingly, the government's investment holding company, Khazanah Holdings had agreed to provide YTL Corp with RM1 billion as financial backing for the takeover. As a consequence from this acquisition, YTL successfully secured big projects from different countries. As for example, in May 1997, YTL Corp announced plans to list YTL Power International on the main board of KLSE which was expected to help the company raise around RM2 billion. Apart from the contracts secured in Singapore and Zimbabwe, YTL Power International's subsidiaries and associate companies will include YTL Power Generation, a 30 % stake in Teknologi Tenaga Perlis (Overseas), now known as Teknologi Tenaga Perlis Consortium Sdn Bhd, which is supply power to Thailand's electricity Generating Board and a 51 % stake in a joint venture company, Nanchang Zhongli Power Co Ltd formed in China; the other members of the joint venture are Jiangxi Provincial Power Electric Corp and Jiangxi Provincial Investment Corp (The Edge 14 April 1997).

YTL Corp has gone on to develop even closer ties with the government, working with a number of other state agencies in different sectors. The company is in a joint venture with the government's Urban Development Authority (UDA) to build apartments and office towers on prime land in Kuala Lumpur's golden triangle. In 1994, YTL Corp also reached an agreement with the government's railway company, Keretapi Tanah Melayu (KTM) Bhd, to develop 1.4 million sq ft of prime land in Brickfields, also in the federal capital (Business Times 19 December 1994). YTL Corp entered into joint venture property development projects with a number of state development corporations (SEDCs); this has given the company access to lucrative housing development projects on land owned by state governments (Malaysian Business 16 February 1994). With Pasdec Corporation Sdn Bhd, a company owned by the Pahang State Government, Buildcon formed a joint venture, Pahang Cement Sdn Bhd, to construct a 600,000 TONNE fully integrated cement manufacturing plant near the capital,

ostensibly to catalyse the industrialization of the eastern corridor of the Malaysia Peninsular (Business Times 26 November 1993).

It obviously shown that YTL Corp has benefited substantially from government patronage since the early 1990s. The company's rapid growth, in terms of capitalisation, profits and turnover, is primarily attributable from the IPP contracts secured from the government in 1993.

Yet, it is clear that YTL Corp not depended solely on economic concessions from the state to develop. It has made its move towards acquiring technology. For instance, to implement another major project secured from the government, involving the construction of 12 rural health care nucleus hospitals, YTL Corp has teamed up with the British based construction company, John Laing plc.

YTL Corp's management has attributed its diversification to the increasing competitiveness of its main stream business, construction. However, the return from this sector neither lucrative nor contribute to the company, thus, it leads the group to move into the hotel industry, which giving the group to access land, building its own hotels and developing its asset base. Apart from power generation, the other sectors that the group is concentrating on are manufacturing(primarily through (Buildcon) and property development.

“Construction and manufacturing continue to be major contributors to the group's revenue but that the ‘earnings contribution’ from the two power plants “will underpin the Group's long term growth” (Francis Yeoh ,2000)

“According to one estimate, at least 70% of the group's earning will come from its power supply arm,allowing earnings from the sector to provide the capital required to finance further group expansion” (Asiamoney November 1994).

With YTL Corp's professionally qualified management, led by Yeoh Tiong Lay's children (referred to as "the cabinet"), the company's ability to obtain and developed technical expertise and competence augurs well.

5.6.2 Concluding remark

The purpose of this chapter is to explain about Chinese owned firm (a reputable) in Malaysia. Their business strategy and how do they build the competitive advantages, are providing insightful platform to be analysed. Chinese based business are predominately in Malaysia compared to other ethnics. Their emergence and internationalization providing many questions for IB scholars. Therefore, this case study is expected to contribute for IB literature, specifically internationalization strategies.

5.6 Case study-Malaysia 3

"The Petronas corporate vision is to become 'A Leading Oil and Gas Multinational of Choice'" (Tan Sri Mohd Hassan Marican, President and Chief Executive, Petronas)

Because of its extensive international activities in over thirty-five countries and its being Malaysia's only Fortune Global 500 company, the Petronas group has often received the accolade of being a role model as one of the most successful multinationals from a developing country. Although the firm is still an 'infant' where the oil industry is concerned, it has managed to take on the veteran multinational oil and gas giants both at home and abroad. Petronas has managed to become a versatile, diversified, fully integrated and global player.

When the group first embarked on its internationalisation strategy at the turn of the 1990s, its objectives were to augment Malaysia's crude oil reserves, add value to its core business, and provide new challenges for its young employees, while at the same time contributing to the well-being of the nation and the people of the respective host countries where it operates (Bowie, 2001).

Nowadays internationalisation has become a key element and new dimension for the firm's growth strategy (Interview: 19 April 2017). Its status as a 'National Oil and Gas Corporation' and being fully owned by the Malaysian Government, led to the transformation of the firm from its humble beginnings in 1974, to its present day status. The Petronas group is often seen as a leading representative from Malaysia (UNCTAD, 2003,2005), and by any corporate measure, it is the country's greatest success story, and a true testament to Malaysian capability (Interview: 19 April 2017).

The oil industry in Malaysia has the distinction of being one of the earliest industries, besides tin and mining (Bowie, 2001). The industry is more than 100 years old. Official records indicate that oil was first found in 1882 in the Miri area in the East Malaysian State of Sarawak. Commercial exploration activities that followed in the area eventually led to the discovery of the onshore Miri field in August 1910 by the Anglo-Saxon Petroleum Company (now known as Sarawak Shell). The Miri oil strike marked the beginning of the Malaysian petroleum industry (Noor, 1984). In the early days, these exploration activities were conducted under a concession system.

Under this system, large areas were made available to oil companies under very generous terms and the government played a minimal role, merely as a collector of taxes and royalties from the operating oil companies (Arjun, 1985). The global oil crisis of 1973, however, proved to be a turning point for the Malaysian petroleum industry, and awakened the country to the precious and strategic nature of its oil and petroleum resources (Ahmad, 2001). The oil embargo, in which several Arab oil producing states decided to stop oil shipments to certain countries, especially the United States of America in retaliation for their support of Israel in the conflict, made several oil-producing countries of the world, including Malaysia, realise the importance of controlling their own petroleum resources. To achieve this objective, the Petroleum Development Act (PDA) was introduced to oversee and manage the development of the country's hydrocarbon resources and the setting-up of Petrolia Nasional (Petronas) in 1974.

Petronas was incorporated to serve as the Government's instrument to take charge of petroleum matters and to exercise, on behalf of the country, its sovereign rights over its own oil and gas resources (annual reports, various issues). Under Petronas' stewardship, the Malaysian petroleum sector grew from the status of tax collector to that of a fully integrated petroleum

industry. Among the initial steps undertaken by Petronas in its early establishment was the conversion of the concession system (Balakrishnan, 2002). The concession system, which favoured the oil companies, was replaced with Production Sharing Contracts (PSCs) in 1976. The alteration was made in order to ensure a more equitable partnership between Malaysia and multinational oil companies, and to fulfil its obligation to disseminate the wealth derived from this indigenous petroleum to the people of the nation in line with the New Economic Policy and National Petroleum Policy (Interview: 20 April 2017).

The PSCs provided an increased share of revenue to the government, which enabled the government to implement an accelerated programme for the long-term development of the Malaysian petroleum industry, to spur and support the nation's economic growth. As such, petroleum replaced rubber as the country's main earner of foreign exchange in 1980. In 1985, new and more attractive PSC terms were introduced. As a result, many more companies were attracted and new contracts were signed. In 1987 alone, seven PSCs were signed. The number of PSCs has increased considerably and in the event of empirical research in Petronas, there are 53 PSCs in operation, the highest level for the last 40 years. Two of the PSCs are for ultra deepwater blocks covering water depths of up to 4,000 metres.

The petroleum industry in Malaysia can be described as oligopolistic in nature, with various foreign and domestic oil companies involved in the business, namely, ExxonMobil, Shell, British Petroleum, Caltex and Petronas. The large capital investment needed to operate a petroleum company limit the involvement of many other corporations. In addition, the Petroleum Development Act 1974, which gave Petronas the entire ownership of, and exclusive rights, powers, liberties and privileges in exploring, exploiting, winning and obtaining

petroleum whether onshore or offshore, constituted an entry barrier. By virtue of the Act, Petronas remained the sole concessionaire of petroleum resources in Malaysia (Ahmad, 2001).

With the development of Petronas, the country's petroleum and gas industry has now grown rapidly and Malaysia has been identified as an important market for the oil and gas sector . Now that the country's petroleum industry background has been given in brief, the next section looks at the domestic and international growth and development of the Petronas group in greater detail.

The Petronas group has been one of the most successful and discussed domestic business groups in Malaysia. With consolidated revenue in the year 2015 of RM137,046 billion (US\$36,070.0 billion)³ and profit before tax of RM58,030 billion (US\$15,273 million), the Petronas group ranks top among Malaysia's largest and most profitable corporations (Malaysian Business 16 October 2015). From a firm capitalised at a mere RM10 million in 1974, Petronas has now become a giant RM100 billion (US\$38.0 billion) oil and gas company with assets in excess of RM239 billion (US\$62.9 billion), thanks to well-structured, professionally managed, and carefully thought out domestic and international operations, and of course, higher and more volatile crude oil prices. The group total shareholder's fund are currently RM129,383 billion (US\$34,053 billions); total assets are RM239,077 billion (US\$62,923 billions). With net cash of RM22.4 billion, the group is one of the richest companies in the country.

Since its establishment, Petronas has grown to be a fully integrated oil and gas company engaged in a broad spectrum of petroleum and related value-adding activities with business interests in thirty-five countries, mostly in developing nations, and with more than 60,000 staff worldwide (Annual Report, 2016). More than 90% of the staff is Malay.

As a result, the company is always seen as a showcase of specifically Malay achievement - providing a convincing demonstration of Malay's capability to manage a large, sophisticated, high-tech industry. During an interview, an interviewee, was quoted claiming:

“A successful growth and development of Petronas is an example of bumiputera leadership and management capability in managing a multinational corporation. This is resulted from the achievement of our New Economic Policy in developing the Malay ethnic group.” Petronas was recognised as one of the truly Asian national oil companies (New Straits Times, 3 July 2004). The holding company, Petrolia Nasional is not a publicly listed company. However, its three subsidiaries, namely, Petronas Gas Berhad (PGB)⁴, Petronas Dagangan Berhad (PDB)⁵, and Malaysia International Shipping Corporation Berhad (MISC) were listed on the Malaysia Stock Exchange (MSE) (formerly known as Kuala Lumpur Stock Exchange.

As at the end of March 2004, the group comprised 93 wholly-owned subsidiaries, 19 partly-owned outfits and 55 associated companies (Petronas Financial Highlights, 2004). In terms of business and operations, the group is engaged in a wide spectrum of petroleum activities, ranging from the domestic and international upstream exploration for and production of oil and gas, to downstream oil refining, marketing and distribution of petroleum products, trading, liquefied natural gas, gas processing and liquefaction, gas transmission pipeline network operations, petrochemical manufacturing, shipping and property investment (Annual Report, 2005).

This section looks at the group's domestic and international development from its inception until the present and is divided into three primary stages: the turning point and the formation of Petronas (1973 - 1974), domestic growth (1974 - present), and international exposure and expansion (1975 - present).

The origin of Petronas can be traced back to 1973, when the world faced an oil crisis due to the Arab-Israeli War. Bowie (2001) explained that:

“The firm was born due to the economic crisis and political drama during that time, and a late Malaysian Prime Minister 1971 - 1976, Tun Abdul Razak initiated the development of the company.”

The experience and impact from the crisis caused the Malaysian government to begin to take a more dynamic and proactive role in overseeing and managing the country's petroleum resources in the best interests of the nation and its people. To achieve these objectives, Petroliam Nasional Berhad (Petronas), was created and incorporated as a business entity on 17 August 1974, under the Companies Act 1965. "It was the energy crisis of 1973 that made the governments of developing nations realise that they had to better manage their own vast oil and gas resources" (The Star, 17 August 1999). This decision was not a surprise, considering the fact that similar approaches were also taken by governments of other countries, for instance, in Indonesia, Saudi Arabia, Nigeria, Venezuela and Norway, which all nationalised their newly-found oil to form state-owned corporations (Ahmad, 2001). In this way, they sought to protect their own petroleum resources for both political interests and economic objectives. Like many other national oil companies (NOCs) in the world, the primary objective of Petronas is to strike an appropriate equilibrium between commercial and social obligations such as maximising production versus the conservation of oil and gas reserves, maximising export as opposed to diverting crude to manufacture for domestic consumption, and sacrificing profitability in order to bring a wider range of products to the general population (Interview: 20 April, Annual reports, various issues). This led to the formulation of the Petroleum Development Act enacted in Parliament on the 1 October 1974.

The introduction of the PDA provided the legal form of Petronas to exercise control over the petroleum industry. Under the Act, the entire ownership in, and the exclusive rights, control, powers, liberties and privileges of, exploring, exploiting, winning and obtaining petroleum in the country whether onshore or offshore are vested in Petronas.

This new arrangement envisaged Production Sharing Contracts (PSCs) to replace the previous concession system, which granted exploration and production acreages to the private oil companies on the most generous of terms, under leases of up to 40 years or more, and subject to minimal control. If oil or gas is discovered and commercial production commences, Petronas and the PSC contractors share such production in accordance with the terms of the governing PSC. Realising the national interests, strategic reasons and economic objectives, the group was structured with government interest and control through interlocking stock ownership. However, unlike other NOCs, it is incorporated in the private sector as a profit-oriented organisation with the objective of ensuring that Malaysians enjoy the fullest benefits from their indigenous petroleum resources. This is one of the unique features of the Malaysia National Oil Corporation (MNOC), compared to NOCs in other countries.

Being involved in the domestic oil and gas industries, the primary business activities of the group can be divided into two: upstream activity and downstream activity (Petronas, 1988). Petronas' upstream activity and operation are focused on enhancing and sustaining oil and gas reserves by promoting exploration and production (E&P) activities within the country and securing new acreages overseas. Although in its early operation, Petronas' role was limited to the supervision of contracts with companies like Shell, Esso and Elf Aquitaine in their E&P activities, and the approval of their expenditures and work Programme, by 1978 Petronas started to grow by venturing into exploration and production too. This activity is undertaken and managed through production sharing contracts (PSCs) with a number of established

international oil and gas companies as well as with the group's subsidiary, Petronas Carigali Sendirian Berhad (PCSB) which was incorporated in 11 May 1978 as Petronas' E&P arm.

The exploration efforts of Petronas and its contractor have led to the discovery of oil and gas fields with significant reserves. The strategic moves made by PCSB have marked the growth of the group as a successful National Oil. Currently, the group has 53 producing oil fields and several others under development. These oil fields produce five high quality blends of crude , namely, Tapis, Tembungo, Labuan, Miri, Bintulu, and Dulang.

In the downstream operation, the activities consist of oil business (refining and marketing activities), gas business petrochemical business logistics and maritime business.

Early in its life, Petronas ventured into downstream activities to achieve integration as an oil company and to ensure that in times of crisis and shortage, it would have greater assurance of supply of petroleum and its products (Malaysian Business, 1 March 1994). It first entered the retail petroleum products market in 1977 with the supply of aviation and bunker fuel. In 1979, in response to a domestic shortage of kerosene and diesel, Petronas began to operate retail outlets known as skid tank stations. Two years later in 1981, Petronas commenced operation of service stations to cater to the growing market for automobile fuel and other products. Nowadays, the group aims at maximising value creation by expanding the value chain of its business and strengthening the integration of its operations. The group is very active in the retailing of various petroleum products through its subsidiary and public-listed company, Petronas Dagangan Berhad (PDB). As a marketing arm of the group, PDB carries out specialised marketing functions and distributes a wide range of petroleum products at airports, seaports and a network of service stations and LPG outlets throughout the country.

Currently there are 729 service stations across the nation and this number continues to expand yearly. Although the market for petroleum products is very competitive, with some other major

oil companies involved in the business, Shell, ExxonMobil, British Petroleum, and Caltex to name but a few, the group has successfully maintained its leading position as the largest supplier in the country with 40% market share.

A total volume of 73.2 million barrels of petroleum products, LPG and lubricant was sold in 2005. Petronas owns and operates two refineries in the country (in Melaka and Kerteh) with a current combined capacity of 356,500 barrels per day (bpd) to supply petroleum products. The refined products are exported as well as marketed domestically. The group has enjoyed a wide market acceptance and customer confidence, as evidenced by its rapid growth and development.

A significant development in Petronas' refining and marketing business was its acquisition of the entire holding in Engen Ltd, a leading South African oil .The acquisition of Engen will allow the group to further build its strategic position to make further inroads into the growing Southern Africa and Indian Ocean rim markets. Petroleum products remain the highest contributors to the group's revenue and other products are on the rise, thanks to the government's action through the Automatic Pricing Mechanism in controlling and putting a ceiling price on such commodities.

In the manufacturing sector, Petronas has embarked on various world scale projects to add value to the nation's abundant gas resources and to spearhead the development of the gas and petrochemical industries, specifically LNG production and gas processing, refining and petrochemicals.

The group has gone into joint ventures with several well-known entities in refining and the manufacture of petrochemicals. The process led to the inflow of most of the foreign direct

investment to the country in the past ten years. To carry out its role and strengthen its position domestically, the group began diversification into non-petroleum enterprises when it invested in the maritime and logistics business (Malaysian Business, 1 September 2002). Petronas invested in shipping through a series of asset transfers and acquisitions involving Malaysia International Shipping Corporation Berhad (MISC) in August 1997 and Konsortium Perkapalan Berhad (KPB) in March 1998. The group holds 62.4% in the national shipping line MISC from 29.3%. Many critics have claimed that the group's investment in KPB was intended to 'rescue' the company from its losses - one estimate of these was RM1.7 billion (Far Eastern Economic Review, 19 February 1998) and they feared that the decision made could deplete Petronas' reserves. However, the move was to protect Malaysia's strategic and sensitive industry and in addition these acquisitions were relevant to Petronas' business.

Petronas is able to benefit from its stronghold in shipping, as it needs to use vessels to export its oil and gas products to the region. The purchase of MISC allowed the group to conduct rationalisation activities so as to achieve economies of scale for its operations in LNG, crude oil and petroleum product exports (New Straits Times, 1997). As was pointed out by the group's Chairman, the late Azizan, the NOC is one of the major users of sea transportation and he had always considered shipping as part of its core business (Bowie, 2001). MISC, having acquired Petronas' entire shareholding in Petronas Tankers, together with the other acquisitions, has become the largest shipping company in Malaysia and the biggest single LNG tanker operator in the world (Malaysian Business, 1 June 2005). Petronas' next wave of diversification into non-core activity was in property development. In 1988, the group acquired the Dayabumi Complex in Kuala Lumpur for RM445 million. In 1992, it invested RM681 million for a majority stake in the company developing the world's tallest buildings, now called the Petronas Twin Towers (Malaysian Business, 1 September 2002). These towers have now become the head office of the group, which is not just a national landmark but also a top tourist attraction.

On the surface, these investments may look totally unrelated. However, on closer analysis, these diversifications are partly derived from the group's commercial commitment and partly from its duty as a national company. In addition, the investment was also driven by value creation. As stressed by the late Azizan: We are creating a national capital and it is vital for Petronas to be a leading participant in the national development (New Straits Times, 17 January 2000).

5. 6.1 International experiences

Closely similar to its domestic operation, the group's international business activities also involved both downstream and upstream operations. Currently, Petronas has ventures in 35 countries internationally. Meanwhile, joint-ventures with a foreign partner have become a main entry strategy for its internationalisation.

Having established its operations at home, and as part of its strategy to expand its oil and gas reserves base, the group embarked on the international route in 1990 (Interview:20 April 2017). The group's upstream activity successes achieved on home ground motivated the firm to venture overseas. The decision of the Petronas group to go international turned out to be a step in the right direction, although it was questioned by many at the time. Among the arguments were a lack of skilled and experienced workforce, financial constraints, and limited resources to carry out research and development on oil exploration. The biggest hurdle was getting the stakeholders and employees to agree that going global was the way forward. Petronas was the first national oil corporation in the region to go international (Business Times, 3 July 2004). It was a decision sparked out of the realisation that the firm could no longer depend solely on the small domestic market of Malaysia but had to venture beyond national boundaries to ensure its continued future growth and survival, as well as to increase the country's oil and gas reserves, which are currently projected to last 19 and 33 years respectively.

Consciousness of the depleting nature of oil and gas resources, and the limited size of domestic market were strong factors in driving Petronas overseas to access alternative resources. The late

Azizan, the group's chairman, posited the internationalisation plan of Petronas as 'global civilisation' (Bowie, 2001). Petronas' international ventures are focused primarily on its upstream activities, i. e. exploration and production, and undertaken by a wholly-owned subsidiary, Petronas Carigali Overseas Sdn Bhd (PCOSB), through various subsidiaries.

Besides that, Petronas also grab the opportunity by approaching Vietnamese oil producer and as a result, Vietnam provided a springboard to expand throughout Indo-China as one of the emerging markets, and also to Africa ,a further and different environment.

A successful return to Myanmar was achieved in 1997 with the MOGE (Myanmar Oil and Gas Enterprise) project, through several agreements signed with its newly acquired associated company, Premier Oil Plc of the United Kingdom, to develop the Yetagun gas fields in the Gulf of Martaban, vacated by the US oil giant Texaco This is an interesting project, bringing together for the first time three ASEAN National Oil Companies, namely, PTT of Thailand, MOGE, and Petronas. Under the agreement, Petronas, through a wholly-owned subsidiary, Petronas Carigali Sdn Bhd, acquired a 36.4% interest in Yetagun Gas Project from Myanmar Ltd, a wholly owned subsidiary of Premier Oil Plc (Balakrishnan, 2002).

In the early 1990s, Malaysia and Thailand formed a Joint Authority to develop the JDA (Joint Development Area) to exploit the hydrocarbon reserves in what would otherwise be the disputed zone covering an area of 7,101 sq Ian that straddles the Thai-Malaysian boundary in the South China Sea. The JDA was established to resolve the overlapping claims between Malaysia and Thailand over the hydrocarbon resources in the area.

In South Africa, Petronas is not only a significant player in downstream and upstream activities, but has also become a showcase for modernising the country .Petronas entered into a commercial alliance with Engen in 1996 as a strategic partner. The takeover was phased, beginning with an equity interest in the company but leading to full acquisition. The group paid US\$436 million (US\$1 = RM2.48) for a 30% stake in Engen Ltd and became its single largest

shareholder. The acquisition was to enable both companies to implement a shared growth strategy in Africa and the Indian Ocean Rim, while allowing the development of potential operational synergies between the two business entities (Padayachee and Valodia, 2002). From here, the group was to spread to Angola, Sudan, Libya, Tunisia, Algeria, Chad, Gabon, Mozambique, Botswana, Burundi, Rwanda and Cameroon, developing countries with growth business potential. South Africa would be the anchor operation for Petronas' long-term expansion in the African sub-continent (Interview 20 April 2017) The acquisition should be viewed as a partnership to create new business opportunities, rather than a corporate manoeuvre (Business Times, 18 June 1996). On 12 November 1998, Petronas acquired the entire capital of Engen, for a consideration of US\$775 million. Prior to this, Engen was listed on the Johannesburg Stock Exchange and the Namibian Stock Exchange.

As the CEO of the group commented:

“There were two factors: first we were the new boys in the international scene. So, if we were to do it quickly and more convincingly, we had to go into uncharted areas, and second we needed to build our curriculum vitae if we wanted to be a serious player on the global scene (The Star, 3 July 2004).

Petronas went to markets which were not yet mature and to emerging economies where they could grow with their hosts, thanks to the group's management strategies and capabilities.

5.6.2 Home country effects and asset seeking

In searching for oil and gas resources, Acha (2002) argued that technological capabilities are regarded as an important factor in, if not a prerequisite to, commercial success for every petroleum company. He believed that performance of the firm in the petroleum industry is mainly based on the level of its technological capabilities, where the higher the level of technology, the better the performance of the firm in the market. Once a firm has built its technological skills, it can then move to search for superior asset positions such as in ultra-deep

water exploration. Although it cannot be denied that the growth of Petronas in the domestic and international market followed a similar line to the that charted by Acha, Petronas' development does not stem only from its technological capabilities, but also from various other sources.

Prior to the establishment of Petronas, oil exploration in the country was carried out by multinational oil companies such as Shells¹, Esso, Elf Aquitaine, Oceanic, Conoco, and Mobil under the concession system (Balakrishnan, 2002). Some of these companies had been in the industry for more than 100 years and had gained much experience dealing and operating businesses in Malaysia.

Realising its limitations at its inception, Petronas has acquired industry knowledge and experience through partnerships and alliance with these major oil companies (Interview:20 April 2017)

The first partnership was in 1976 with Esso Production Malaysia Incorporated when the first PSC was signed. Since then, the group has entered many PSCs with the established oil companies. When asked how the firm accumulated its internationalisation knowledge and experience and technological capabilities, the interviewee replied,

“Working with major oil companies has enabled our people to gain knowledge and achieve transfer of technology that let us go forward in the development of our oil and gas resources.”

He further reiterated;

“Also this relationship will assist Petronas to master petroleum technology sufficiently to offer its services elsewhere in the world through Petronas Carigali (Overseas) Sdn Bhd, its exploration and production subsidiary”

Benefiting from its strong relationships with the giant oil companies, the group has utilised their industry knowledge and technological learning process. Many Petronas staff were sent

abroad for training to gather the necessary skills and capabilities. It has been noted by Yiu (2005;2007) whereby business groups have the capability to create internal labour market by using trainings and skills from their networks.

For instance, Shell has allowed a number of Petronas staff to be trained in its exclusive training school in Holland, which is known as the Shell Training Center in Leeuwenhorst NL. Entering into joint ventures with the world's first-class players has promoted not only the firm, but also offered advantages to employees. The process by which individual learning is converted into institutional learning is part of the way for a firm to develop industry knowledge and capability over a period of time, especially for a latecomer such as Petronas. Learning from these foreign partners was a major contribution to Petronas'.

This is because the established foreign multinational oil corporations have resources and expertise that Petronas needed. In the selection of partners, apart from synergies in the business operation, Petronas looks for common shared values such as loyalty, professionalism, integrity, cohesiveness, and the potential for growth. Characterised by large capital investments, and being the only Malaysian National Oil and Gas Corporation, Petronas does not have any challenges from other domestic competitors. The group has expended without any major interference and managed to develop its industry knowledge and experience rapidly. The industry knowledge and experience gained has enabled Petronas to become a versatile business entity while maintaining the characteristics of a National Oil Corporation when expanding its operation internationally.

Another type of advantage that has contributed to the domestic and international growth of Petronas is its strong brand name. At home, the brand name of Petronas ensures a reliable level of quality for its products and good services in shipping and maritime business. With more than 700 petrol stations across the nation, Petronas became a somewhat forced choice for many customers. As evidence, the group successfully maintained its leading position with 40%

market share in its downstream operation. In the international market, many recognised the Petronas brand through the advertising of the name in Formula One racing (Interview: 20 April 2017). In addition, having its headquarters operating in one of the tallest twin buildings in the world the Petronas Twin Towers enabled the group to reap the benefit of becoming known.

5.6.3 Asset seeking activities

In terms of technological sophistication and skills, many developing country multinational firms lag behind those from developed countries. The developing country MNCs often use 'appropriate technology' which enables them to compete with local and foreign firms by occupying a niche market (Luo and Tung, 2007)

The above line of argument on developing country MNCs' technological expertise and sophistication does not seem to be applicable to the growth and expansion of Petronas. It is believed that the nature of the Petronas business in the oil and gas industry required the firm to have high-end technology and skills from its inception.

Although Petronas was far from being handicapped as a newcomer, its technological skills were acquired through joint-venture relationships with established oil corporations from developed countries that reciprocally needed a local partner in order to penetrate protected markets. This sophisticated technology was then modified and adapted to the local market and various factor conditions such as product specification and design. The most evident area of the group's success in asset seeking terms was in the Formula One industry. For instance, Petronas's partnership with Red Bull Sauber Holding AG of Germany allowed the group not only to learn in the field of automotive engineering, but also to develop performance oils and lubricants through the effective transfer of technology. Syntium was first developed as a performance lubricant for the Sauber-Petronas team for the use of the Formula One racing car. However, operating conditions in Formula One cars are different from those of a normal car and syntium lubricant is not suitable for use in a normal car. To commercialise this product,

Petronas through its research and development units has developed a new formula of syntium lubricant for use in normal cars that meets and exceeds all international standards. It was the sophisticated technology and skill available to the firm that enabled Petronas to do this . The ability to acquire foreign technology from its foreign partners, and the ability to turn that skill into generic organisational know-how, became a significant competitive asset for Petronas in its domestic and international expansion. As reported, The biggest asset of the group is the ability to pick the best technologies and management and operating skills from their various foreign partners and inculcate these positive things into their corporate culture (The Edge, 20 May 1998).

The CEO of Petronas, Hassan commented:

“If it were not for the technology it has acquired working with multinationals since it set up shop in 1974, among other factors, Petronas would not have had the confidence and capability to go abroad as an operator (New Straits Times, 26 February, 1997).

To add in; during the interview, interviewee has stressed most of the time:

“Business in exploration and production requires technologies and expertise; otherwise we are exposing ourselves to huge capital and investment loss. For instance, if we did not find oil, the losses that we would need to face would be very high. Therefore, we need to build human capital, technology and expertise and these assets are built over the years through the transfer of technologies. The expertise that we bring along through the whole spectrum of the business from upstream and downstream: those are the main and valuable assets that we have”

Being a latecomer, Petronas had to look for the quickest way to acquire technological capabilities. One way was to learn from established corporation. The group acquired and

entered into joint venture arrangements with research-intensive and innovative foreign companies and eventually transferred some of the research findings and innovations back to Malaysia.

“Alliances with foreign partners have several benefits. Among them are sharing business and operation risks, sharing capital fund, tapping local market knowledge and networking’s, technical support, and as an entry strategy for market penetration (Chairman of Petronas,2007)

The explanation presented indicates that the firm gained its initial competitive advantage by combining its generic assets, developing its technological competence, building its brand name, and working closely with reliable local and foreign partners.

Within the Malaysian context, through the Petroleum Development Act, Petronas has grown in a comfortable position without much competition, thanks to its status as national oil corporation. Its monopolistic position gave the group sufficient time-frame to accumulate its industry knowledge, experience and other related capabilities. Petronas' unique ties as a government-owned corporation have helped bring the group much benefit toward its growth and expansion which no other domestic companies enjoyed.

This connection has proved to be of crucial significance towards the group development. With strong management capabilities and skills, the group embarked on a strategy of working closely with many parties. Business networks with government and foreign partners are important as they have helped the company to build up its core capabilities and registered their name at an international arena.

5.7 Concluding remarks

Our results confirm that strategic asset seeking has taken place among Malaysian business groups more strongly than non business group affiliated firms. This supports the ideas of some (Yiu, 2011), that business groups are important in driving EMNE expansion. Business groups are also a response to home country pressures – i.e. imperfect market conditions that push up transaction costs. In this sense business groups are vital micro organisational units of growth.

Table 16 : Summary of case studies

Case	Businesses group	Government	Patents	Brands
Case Study 1	Use to seek for technology/ market seeking	Financial support. Ease constraints at host country. Colonial ties	√	√
Case Study 2	To expand business/ to seek technology	Due to colonial ties. Getting information about business at host country		√
Case Study 3	To seek to upgrade current technologies	Financial support. Ease constraints at host country	√	√

Source: Author's illustration

Table 17 : Technology partner for Case study 1

Foreign technology partners	Country	Business
Aero-green Technology	Singapore	Aeroponic
Caterpillar	The United States of America	Heavy equipment
Caterpillar Financial		
Sembcorp Engineering	Singapore	Oil and Gas
BMW	Germany	Motor Franchises
Ford	USA	
Mitsubishi	Japan	
Alfa Romeo	Italy	
Suzuki	Japan	
Land-Rover	United kingdom	
Rengo	Japan	Packaging
Kansai Paints Co Ltd	Japan	Paint
W & J Leigh Co	United Kingdom	
Inax	Japan	Sanitary
B.F Goodrich Philippines	Phillippines	Rubber
Amston	Singapore	Filter
National Oil Services of Vietnam	Vietnam	Electric control panels
Tesco Limited	United kingdom	Retail
China Engineers Limited	China	Heavy equipment
Microsoft	USA	Data/ cloud infrastructure

Sources: Interview/ archival databases/ Author's illustration

Chapter 6 Discussion, Limitation Future Research

6.1 Overview

EMNEs have been emerging as important competitors in the world (UNCTAD, 2019). The study of EMNEs has generated significant academic interest and generated the ‘Goldilocks debate’ regarding the need to analyze their distinctiveness in relation to theory (Cuervo-Cazurra, 2012). The debate has three perspectives: (i) EMNEs behave differently and there is a need to have new theories and models to analyse their behaviour; (ii) EMNEs are not a new species and existing theories can adequately explain their behavior; and (iii) the analysis of EMNEs does not require new theories but some modification or extension to existing theories and models (Cuervo-Cazurra, 2012). Research on EMNEs’ FDI strategies provides much research implication on existing theories and studies. Luo and Zhang (2016:333) contend that: *“The internationalization of EM MNEs [EMNEs] promises to change the landscape of world business, and provide a new laboratory for developing international business (IB) theories.”* This study is expected to make a significant contribution to extant theorizing and further understanding of EMNEs, with a particular reference to MMNEs.

Chapter five firstly discusses and summarises the key findings and contributions, highlighting the importance of understanding the business group affiliation and government affiliation that determine MMNEs’ specific outward FDI strategies. Identifying these unique home country effects in the world’s largest emerging economy may contribute to further evaluation research on EMNEs’ outward FDI performance. As Meyer (2015:57) stresses, *“The identification and classification of investment motives is important for foreign direct investment (FDI) research because the objectives of an action determine how the performance should be assessed.”* Secondly, chapter five focuses on the discussion about theoretical contributions of this research. Thirdly, it discusses the shortcomings of this thesis and identifies some future research areas.

6.2 Contribution to past literatures

6.2.1 Introduction

This study is therefore among the first to examine how home country effects determine foreign acquisitive strategy at firm-level across different types of target assets. Prior influential work on FDI from emerging economies has either neglected to account for business group affiliation and role of government (Buckley et al., 2007; Drogendijk and Blomkvist, 2013; Cui et al., 2014; Ramaswamy et al., 2004) or has not attempted to differentiate (theoretically or empirically) between types of SAS (e.g., Luo and Tung, 2007; Deng, 2009; Drogendijk and Blomkvist, 2013; Cui et al., 2014; Buckley, 2018). Some work ignores home country characteristics completely (Kolstad and Wiig, 2012). I address these deficiencies and extend the literature on EMNE internationalization by clarifying the effects of business group and government affiliation on the seeking of different types of foreign strategic assets. In doing so I show that the logic of location-boundedness found in new internalization theory (Rugman and Verbeke, 1992, 2001; Verbeke and Kano, 2015) (in particular, the extent to which the foreign strategic assets are non-location bound, i.e., patents (Branstetter, 2006)), can help in our understanding of how foreign intellectual property can be attractive for EMNEs in general and Malaysian firms in particular.

6.2.2 Business group and government affiliation towards asset seeking

There is now huge interest in better understanding EMNEs. Previous research uses mostly location choice modelling using country level proxies (i.e. number of patents granted *nationally*) (e.g. Buckley et al. 2007; Deng and Yang, 2015; Kang and Jiang, 2012; Ramasamy, Yeung, and Laforet, 2012; Yang and Deng, 2017), I used firm-level data instead (i.e. foreign subsidiaries' number of patents). Strategic assets by types were further disaggregated (i.e. patents and trademarks), which provides further insights into EMNE theory. I achieved several key findings regarding home country effects in assisting strategic asset seeking.

Amsden and Hikino (1994) argue that business groups from late-industrializing countries possess ‘project execution capability’. This argument implies that business groups in emerging markets become experts at internalising technology acquisitions and have strong motives to do so. Further, this argument that business group affiliation in emerging economies may facilitate SAS related FDI, a view generally in accord with the EMNE literature (*though not tested*)

The first key finding is that stronger evidence proving that business group affiliation significantly facilitates Malaysian MNEs’ patent-based asset seeking FDI, contributes to past literature. Chari (2013) found a significant relationship between business group affiliation and Indian firms’ outward FDI. Likewise, Sutherland (2009) testified that business groups contribute to outward FDI, though there is no significant result of strategic asset seeking FDI. Thus, my findings further extend Chari’s (2013) and Sutherland’s (2009) empirical work. Moreover, Yiu (2011) argued that business groups facilitate asset-seeking internationalization, too.

Since I found that business group affiliation in emerging economies is a facilitator for Malaysian MNEs’ NLB assets seeking, it could be seen as one unique ‘ownership’ advantage. Ramamurti (2012) argued that EMNEs may have differing ownership advantages. There are FSAs and country-specific advantages (CSAs) that EMNEs can exploit when undertaking OFDI (Ramamurti, 2009; Rugman, 2009). Compared with independent firms, business groups’ unique attributes, such as internal markets, inward linkages, and institutional support, as Yiu (2011) argues, potentially provide additional support to SAS FDI activities.

In the context of emerging economies, the prevailing assumption about business groups suggests that their emergence is to internalize various transactions as a response to address market failures or institutional voids (Khanna and Palepu, 1997). Business groups have been regarded as a ‘catch-up’ mechanism so as to imitate and absorb foreign technologies (Carney,

2008a; Kock and Guillen, 2001), which is significantly supported by my findings. Through empirical and case study, I have found that business group affiliation significantly facilitates MMNEs' NLB assets and LB assets. To add, Hennart (2012:168) highlights that *"Some CSAs [country specific advantages] have owners, usually local firms, who can sometimes derive significant gains from the monopoly control of these resources. They can use this monopoly power to finance intangible-seeking investments in developed countries to obtain the firms specific advantages (FSAs) they lack and, hence compete with FSA-rich MNEs in their own market, and then internationally."* As noted above, business group affiliated firms relatively control more complementary local resources (CLRs) (i.e. financial and human resources) than independent firms. My findings suggest that business group affiliated firms with R&D centers, strong financial standing have a higher likelihood of seeking LB and NLB assets via joint ventures. Thus, these research findings partially support Hennart's (2012) bundling model argument. For instance, one of interviewees claims that *" we use joint venture to gain technologies competencies and also sharing our name with the foreign firm through JV. It helps us to engrave our firm name in consumers mindset that we are producing such world class products."*

To reiterate *" we are producing oils and lubricants, though, it has been 7 years, still we fail to convince our consumers that they are using number 1 brand. We initiated JV with Formula One, from there, we able to change our existing consumers and also new consumers about our products. We bring back technologies that we learnt and use our research units and produce quality products,henceforth."* (Interviewee 1_2017). Therefore, I restate that my findings support Hennart's (2012) bundling model perspective.

Moreover, owing to the distinctive home market conditions in emerging markets, Ramamurti (2012) argues that EMNEs may have differing ownership advantages. There are FSAs and

country-specific advantages (CSAs) that EMNEs can exploit when undertaking OFDI (Ramamurti, 2009; Rugman, 2009; Mathews, 2002; 2006). Also, Hennart (2012) suggests that CSAs can facilitate EMNEs' foreign activities for their asset augmentation purposes. In this study I found that business group affiliation significantly facilitates MMNEs' NLB and LB asset-seeking, respectively. To support, one of the interviewees mentioned about patent seeking and brand seeking as followed, "we acquire brand name because it is an international brand. Malaysian brands are still very restrictive. We acquire international brand and use it for our own purposes (interviewee 2_2017). To reiterate, "when we link with foreign firms, the primary reason is to tap their technologies, global reach and start technology transfer" (interviewee 3_2017). Furthermore, why should technology seeking be more common in business group affiliated businesses? In my hypothesis development I argued that current business group related theory shows how business groups developed what Amsden and Hikino (1994) referred to as 'project execution capability'. It was defined as *'the skills required to establish or expand operating and other corporate facilities, including undertaking preinvestment feasibility studies, project management, project engineering (basic and detailed), procurement, construction and start-up of operations'* (Amsden and Hikino, 1994:129). Business groups in emerging markets become experts at internalising technology acquisition. They have strong incentives to do so, moreover, in part because they have access to local complementary resources, i.e. their domestic markets (Amsden and Hikino, 1994; Hennart, 2012; Petersen and Seifert, 2014). There are therefore very strong incentives for them to go overseas and acquire foreign technologies. Such codified technologies are relatively easily transferable. They can then be exploited in their domestic markets. Herein, it further supports that MMNEs tend to acquire foreign technologies for repatriation and exploitation in their home markets. Prior study has also proven that acquiring DMNEs significantly enhances patenting activity in the domestic market (Anderson, Sutherland and Severe, 2015). As a

consequence, I imply here that business group affiliation as one unique ‘ownership’ advantage or FSA for MMNEs.

Besides that, I also found sub-samples (Malay owned firms and Chinese owned firms) behaviour in seeking LB and NLB asset seeking. I found Malay owned firms do more patents and trademarks seeking compared to Chinese owned firms. Though, Chinese predominately do more businesses compared to Malay, yet, they do not show aggressive interest towards asset seeking activities. In the similar vein, interviewees from Malaysia 3(previous chapter) mentioned that “ we do seek technologies and international brand to boost our business growth. However, we do not aggressively seek for any technologies. We do upgrade our technologies through linking with foreign firms. As for example, we did JV with Siemens to learn on how to produce telecommunications service. Once back to Malaysia, we use the knowledge to provide the best telecommunication service for Malaysian. Yet, it did not reflecting our asset seeking activities. We focus more on diversifying our businesses to earn more profits” (Interviewee 2_2017). Though this sequence does not in line with LLL model, we can elaborate this scene partially in the words of Mathews(2002;2006;2017): “ *Latecomers will link up with external firms from developed nations to upgrade not only technologies, but also their knowledge(management skills) that they(EMNEs) are lacking of (...)*”.

Moreover, from my finding, Malay owned firms do more LB and NLB activities compared to Chinese owned firms when affiliated with business group and government, it evidently explains by the following interviewee “ *In Malaysia, networking is very important. You must be someone (Tan Sri, Dato’)*¹, or else how you will open doors for business growth... *We really need political and group embeddedness altogether in order to gain what we need(financial standing, management skills, liability of foreignness)for our firm.*” (Interviewee_1_2,2017). In contrary, Interviewee_3(2017) claim that “ We are Malaysian businessman. We are Western

educated so we see ourselves more like western businessman.(...) We are not typical Chinese which have a limitation in how far they can go if they do not bring the networking .(...)"

This concluded why in my finding where Chinese owned firms less likely seek strategic assets compared to Malay owned firms.

Moreover, my findings reveal that types of strategic assets (e.g. Child and Rodrigues, 2005; Deng, 2009; Luo and Tung, 2007; Rui and Yip, 2008) . For instance, advanced technologies and known brands are invariably bundled together under the single term of 'strategic assets' (Deng, 2009; Luo and Tung, 2007; Ramamurti, 2012). It makes little attempt to disaggregate firms' strategic assets by their types or properties, largely neglecting the new internalization theory's suggestion proposed by Rugman and Verbeke (1992). However, in factual cases, it may lose value and be costly to transfer reputational resource-based assets to a foreign and unknown market (Rugman and Verbeke, 1992; Verbeke and Kano, 2015).

Accordingly, groups have capacities of combining financial, technical and managerial resources into business operations (Carney, 2008b). This study provides empirical evidence showing the positive and significant relationship between business group affiliation and Malaysian firms' NLB related FDI (i.e. patent seeking), and LB (trademark seeking) FDI. This is an interesting finding and one that warrants further discussion. As discussed above, in terms of CLRs (Hennart, 2012 business groups may own greater monopoly resources and advantages than independent firms. As such, their brands wield considerable power in the domestic market, which remains partially closed to foreign competitors owing to their access to CLRs.

In addition, this is not to say some LB assets could still be of great interests for EMNEs. EMNEs are likely seeking foreign market expansion. LB assets are likely to be more easily exploited between MNEs from geographic areas in which there are similarities and shorter

physical distances. CMNEs, however, are likely to undertake rapid acquisition deals in comparatively distant developed markets (Child and Rodrigues, 2005; Deng, 2009; Kedia, Gaffney, and Clampit, 2012; Luo and Tung, 2007). Subsequently, the difference in patent seeking and trademark seeking should be given more attention as it can further assist the understanding the true antecedents of EMNEs' OFDI behaviours.

My findings regarding strategic assets enhance further understanding in Petersen and Serfert's (2014) related propositions. Petersen and Serfert (2014) suggest that the assumption of asymmetrical LOF between EMNEs and DMNEs can adequately explain the springboard perspective, and the key to understanding the springboard perspective is not EMNEs' access to country-specific resource that facilitate FDI, but the high LOF addressed by DMNEs expanding in emerging markets relative to EMNEs in developed markets. In other words, the use of the LOF concept is based on the assumption that all EMNEs have an advantage over DMNEs regarding the exploitation of acquired foreign assets in the home market. Specifically, foreign firms may be akin to local firms in emerging economies that do not have privileged treatment by the government and experience a liability of outsidership (LOO) (Petersen and Serfert, 2014). Moreover, Petersen and colleagues argued that EMNEs are subject to LOO in their home market that make them difficult to sufficiently exploit acquired strategic assets from developed markets, but EMNEs that are affiliated to government have 'insiders' advantages that do not have to address LOO in their home market..

Moreover, Wang et al., (2012) argued that government involvement able to accelerate EMNEs' internationalization. In this study, however, I proved relative sufficient evidence that higher government affiliation more significantly facilitates MMNEs' strategic asset seeking in developed counterparts. Traditionally, a number of related studies used firms' actual amount of annual OFDI (e.g. Buckley et al. 2007; Hong, et al. 2015; Wang et al. 2012) or counts of

investment projects in target countries (Ramasamy, et al. 2012). This study specifically used different firm-level data, following a micro-econometric estimation method and improvise on research findings.

According to Yiu et al., (2011); Khanna and Palepu (1997) proposed that EMNEs have special organizational form (i.e., business group affiliation) that giving multinational advantages such as internal capital market, internal labour and internal product market. In this study, based on the interviewees answer on this proposition, my study support the proposition, “ there is no problem for us in term of financial as we have numerous financial assistance from our affiliated banks, financial institutions such as Khazanah, Permodalan Nasional Berhad..” (Interviewee_1,2017). He then further stressed: “ *we know our weakness where we need good marketing people who are able to handle consumer preference either in domestic or foreign, therefore, we offered scholarships to excellent students and staffs to pursue study at regional and overseas universities ; recruiting local and international professional managers to join the group..*” Then he added “ we able to produce our own products (palm oils) because we build partnership, eg.. We planned to expand our firm into agro-genetic engineering, therefore, we team up with California compamy “ International Plant Research institute” which specialised in the research of genetic technology to tropical crops. We learn and accumulated the knowledge or technologies and produce products successfully”. Consequently, I assert that MMNEs do really facing information asymmetries while doing foreign activities, however, as claimed by Yiu et.al., (2011) and Khanna et.al.,(1997), the organizational form do reduce the transaction cost and improve strategic assets activities. Therefore, my study support the both scholars’ propositions.

This study findings largely support the hypotheses that I postulated in the beginning that EMNEs with government affiliation I choose distinct SAS strategies. In similar vein, these

findings are somewhat consistent with the results of existing studies. For example, Yang and Deng (2017) provided the evidence that government involvement further enhances the main effects of SAS in developed economies.

In terms of the industry factor, Cui, Meyer, and Hu (2014) show that Chinese listed manufacturing firms tend to have a general SAS FDI based on survey research. My findings have shown that MMNEs in the manufacturing industry are more likely to seek foreign patents. Further, I have found that only those related to lower technology levels have a higher likelihood of acquiring foreign trademarks. Thus, my findings contribute significant evidence to existing research.

6.3 Conceptual contributions

To identify specific home country effects that facilitate MMNEs' FDI strategies, I integrate two traditional firm theories including resource-based view (RBV) and institution-based view (IBV). Based on a specific literature view on MMNEs' outward FDI strategies, there are big gaps. These gaps mainly refer to the lack of studies on the role of business group affiliation and government affiliation on MMNEs seeking strategic assets in what types and properties they predisposed. To this end, my findings may further extend the logic of the RBV and the IBV in understanding MMNEs' FDI strategies.

6.3.1 Resource-based view

The resource-based view (RBV) suggests “*what a firm wants is to create a situation where its own resource position directly or indirectly makes it more difficult for others to catch up*” (Wernerfelt, 1984:173). Barney (1991) further argues that resource heterogeneity and immobility are critical assumption that enable us to understand sources of sustained competitive advantage. Business groups are seen as a pool of resources that can facilitate member firms' internationalization (Carney, 2008; Yiu, Bruton and Lu, 2005). Du and Boateng

(2015:431) state that “*the resource-based view literature suggests that one important reason for CBM&A [cross-border mergers and acquisitions] is to gain access to strategic assets, such as natural resources, product differentiation, patent-protected technologies, and superior managerial and marketing skills.*” I found that Chinese business group affiliated firms with R&D center have a higher likelihood of seeking patent-based assets and a greater amount of patent-based assets. Drawing from the RBV, it may extend the view that business group affiliation can be seen as a unique ‘ownership’ advantage.

6.3.2 Institution-based view

The institution-based view (IBV) suggests that national institutions can be regarded as the rules of the game that influence firms’ strategies (North, 1990). Moreover, North formally defines institutions as “*the humanly devised constraints that structure human interaction*” (1990:3), which contains formal institutions (i.e. laws, regulations) and informal institutions (i.e. social customs, norms, cultures). The organizational form of business groups is to address the voids that emerging economies lack the effective formal and informal institutions (Khanna and Palepu, 1997, 2000). In comparison, SOEs’ behaviors or strategies may be more influenced by formal institutions, while POEs’ may have to address both formal and informal institutions.

Peng, Wang, and Jiang (2008:923) argued that “*it is research on emerging economies that has pushed the institution-based view to the cutting edge of strategy research, which is becoming the third leg in the strategy ‘tripod’ (the other two legs being industry- and resource-based views*”. Therefore, my findings contribute to extending the IBV by investigating the role of government affiliation on MMNEs’ FDI strategies. Furthermore, my findings may enable to extend the IBV by examining the role of business group affiliation on MMNEs’ specific SAS FDI strategies. My findings in chapter four have shown that business group affiliation significantly facilitates Malaysian firms patent-based asset seeking FDI. Group affiliated firms

with business groups have a higher likelihood of seeking patent-based assets, especially when comparing with independent firms. As discussed above, the RBV may better explain the significant role played by the business group affiliation on MMNEs' SAS FDI. A substantial literature suggests that business group's ability lies in addressing institutional voids is often remarked upon (Carney, Essen, Estrin, and Shapiro, 2017; Granovetter, 1995; Kedia, Mukherjee, and Lahiri, 2006; Khanna and Palepu, 1997; Lee, Peng, and Lee, 2008). Above all, both the RBV and the IBV should be combined to explain the role of business group affiliation and government affiliation types on MMNEs' specific FDI strategies. This also suggests that the argument that home country effects play a vital role in assisting outward FDI from emerging markets, in particular strategic asset seeking (Nayyar & Maity, 2021).

6.4 Methodological contribution

Our study has important methodological implications. When studying EMNE FDI strategies, there are two main issues. First, as noted above, aggregate FDI data—which has been commonly used—is a biased measure of MNE subsidiary activity (Beugelsdijk et al., 2010; Sutherland and Anderson, 2015). The reality is that if we are to better understand the role of foreign technology in firm internationalization decisions, we need to collect and analyze data at the firm level. I would argue that the use of firm-level data can better assist us to understand the determinants of Malaysia outward FDI than aggregate data. A second issue lies in the measurement of strategic assets. Alon (2010: 11) states that “there is no theoretically established variable best suited to capture strategic-asset-seeking FDI”. Existing empirical research cannot reach a consensus here. One plausible explanation may be attributed to the difficulties of collecting firm-level patent or trademark information. This study marks a methodological step forward by capturing in detail SAS FDI activity at the firm level from an important emerging economy.

6.5 Limitation and future research

This research has several limitations that may suggest avenues for future research. First of all, although business groups are particularly prevalent in emerging economies, there are significant differences between them and they are also known by various kinds of designations (Carney, 2008). Thus, this study's findings may be subject to the research generalizations of other emerging economies due to differing characteristics of business groups.

Secondly, I focused on all MMNEs which have foreign subsidiaries from 2006 to 2016. Moreover, neglecting greenfield FDI might lead to a biased finding regarding MMNEs' SAS FDI. Therefore, in the future, I would like to get data on greenfield investment of Malaysian firms and analyse their distinct OFDI strategies in seeking different types of strategic asset seeking. Thirdly, scholars suggest that two different dimensions should be considered for explaining EMNEs' state influence, including the percentage of state-owned shares and the type of government affiliation (e.g. Li, Cui, and Lu, 2014; Wang et al. 2012

Fourthly, this study simply selected a single country, Malaysia, as research sample. Therefore, findings from MMNEs' FDI related to strategic asset seeking may be limited to research generalization on other EMNEs. In the future, I would attempt to build a comparative study between MMNEs and another EMNEs in exploring their distinct OFDI SAS strategies.

6.6 Managerial and Policy Makers

This study is of great significance to provide practical guidance for firms that have already or are planning to undertake strategic asset-seeking activities. This study unveils what pioneer SAS investors can actually gain, and the underlying factors which influence the outcome of SAS events. Thus, it helps firms form a clear expectation about strategic asset-seeking through internationalization and also provides guidance for Malaysian firms and other emerging economic firms to make rational decisions in terms of whether to choose

internationalization to initiate gap filling, and how to make effective efforts in order to achieve a high level of success. The findings can assist policy makers and managers in understanding the real determinants of emerging economy firms' SAS FDI. The findings can help managers in advanced countries to assess the competitive threat from EMNEs, especially from those affiliated to business groups. Our findings imply that emerging economy firms affiliated to business groups are more likely to pose a competitive threat in international markets by seeking to acquire firms with strategic assets. Understanding the extent to which home country effects facilitates emerging economy firms' strategic asset-oriented FDI is important. There is a growing need for policy makers and managers in the West to determine the threat from emerging economy firms and our findings can help them to foresee where potential acquisition bids may originate and to which types of target firms they will be focused. Moreover, owing to asymmetric market access, it may well be in the interests of a foreign target firm to be acquired by Malaysian firms.

“SHRI RAMA JAYAM OM SAKTHY “

Appendices

Cover letter to request a permission for an interview

Greeting to: Y. bhg. Tun / Dato/ Mr / Mrs / Ms:

My name is MUGHANESWARI SAHADEVAN, a second year Ph. D student from the University of Durham, United Kingdom. I am now entering the empirical phase of my research, which requires depth interviews with key executives in selected Malaysian-based firms.

For your information, I am currently undertaking research entitled "Home Country Effects on Emerging Market's Strategic Asset Seeking", under the supervision of Assoc.Prof Dr Dylan Sutherland.

Notable Malaysian-based firms have been selected as samples for my study on the international expansion of corporations, and your organisation: (name of company) is potentially one of the case companies.

Until now, very little empirical research has been done in examine the investment activities by Malaysian corporations abroad. The main concern of this research is to explain and explore the internationalisation process of notable Malaysian-based multinational firms. The overarching objective of this research is to investigate the emergence of Malaysian multinationals. It intends to explore how the firms emerged from their domestic realm and undertook international expansion activities by utilising home country effects (business groups and government involvement)

The study also aims to explore the following objectives:

- a. to introduce new empirical evidence to the current international business literature about Malaysian firms;*
- b. to shed light on the dynamic aspects of the internationalisation process of Malaysian firms, and thus, develop new information on the international expansion of firms;*
- C. to reflect upon what can be learned from the experience of these firms in growing domestically and expanding internationally;*
- d. to understand the pattern of outbound direct investment activities of these corporations which is considered new in terms of the Malaysian economy;*
- e. to add to the knowledge of multinational firms from Malaysia in order to potentially improve policy-making and investment decisions.*

Two main topics will be discussed:

- a. how the firm carried out its international expansion; and*
- b. what were the most significant competitive advantages for the firm in their domestic growth and international expansion*

Key questions to be addressed are:

- a. how to explain the internationalisation pattern and process of Malaysian-based multinational firms, the nature of their investment activities with regard to entry modes and expansion strategies;*
- and*
- b. what the (potential) sources of advantage of these corporations in growing their business domestically and expanding internationally i. e. what they were based and how are these progressing.*

How this research will be valuable to the company?

- a. the present study attempts to explain the trend of outward direct investment activities by Malaysian firms, and thus, the findings may enable the company to improve investment decisions and business strategy;*
- b. a firm can learn lessons from how other Malaysian corporations have grown domestically and expanded internationally;*
- c. a firm can use the findings to examine current outward investment activity, and plan for future direction and growth;*

Given your significant expertise and experience relating to the area of study, I would like to request your kind assistance and co-operation in providing and extending information on the developmental of the international expansion of your organisation.

Subjects of Interview Schedule

- i. The Internationalisation Pattern and Process of Malaysian-based Firms
- ii. Internationalisation Knowledge and Experience Knowledge
- iii. Entry Modes and Expansion Strategy
- iv. Ownership Advantages of Malaysia Multinational Firms
- v. Source of Ownership Advantage: Technological Competence
- vi. Source of Ownership Advantage: Business Networks Relationships
- vii. Future Firm Direction Towards International Expansion

I would like to ensure you that information obtained from this interview will be treated as confidential, and for the purpose of this research only. A preliminary draft of each case report will be sent to the key informant for verification before I produce a final report.

Question A: how to explain the internationalisation pattern and process of Malaysian-based multinational firms, the nature of their investment activities with regard to entry modes and expansion strategies;

Objectives: to determine whether the international expansion of Malaysian-based multinational firms followed the pattern suggested by existing works on the internationalisation process and on emerging market multinationals.

1. Internationalisation Pattern and Process of Malaysian-based Firms

- a. How would you describe the business currently:
 - Please explain the response given
 - Explore difference between international / multinational
- b. When did your firm commence its international expansion?
- c. Could you please explain what were the key critical factors motivating the firm to expand its activities internationally?
- d. Please explain how the internationalisation pattern and process of your organisation took place?
- e. Relating to the previous question (d), does the process your company followed resemble processes by other emerging companies? (if so, which)
- f. Related to the above, why did the firm follow this process?

- g. Which other countries did your company initially develop business in? and, why were these countries selected or chosen?
- h. Would you consider your company to be an emerging or nascent multinational corporation? (please explain)

2. Internationalisation Knowledge and Experience Knowledge

- a. To what extent was knowledge of internationalisation crucial for your firm in order to expand internationally? Please discuss
- b. How did your firm acquire its internationalisation knowledge and experience?
- c. How does your firm now develop management capabilities and accumulate knowledge about the process of internationalisation?

3. Entry Modes and Expansion Strategy

- a. What types of entry modes strategy does your firm use in its international expansion? Please explain
- b. Why does your firm use this strategy in developing their international activities?
- c. How well did your firm know the target markets there were entering internationally?
- d. How well did the firm know the other players of the chosen market?
- e. What are the main criteria used in selecting target markets internationally?

Question B: what the (potential) sources of advantage of these corporations in growing their business domestically, and expanding internationally are on what they were based, and how are these progressing.

Objective: to identify how the (potential) key sources of ownership advantages contribute to the domestic growth and international expansion.

4. Ownership Advantages of Malaysia Multinational Firms

- a. What are the (potential) sources of ownership advantages possessed by your firm in order to grow and compete with competitors:
 - (i) domestically?
 - (ii) internationally?
- b. Could you explain how these (potential) sources of ownership advantages accumulated in your firm?

5. Source of Ownership Advantage: Technological Competencies

- a. Please explain how technological competencies could be considered crucial to the growth of the firm internationally?
- b. How did your firm accumulate its technological capabilities?
- c. How does your firm accumulate its technological capabilities?

6. Business Groups

- a. What kind of contacts and relationships did your firm have at the time of the commencement of its international activities, ties that were advantageous with respect to your business?
- b. Do these contacts and relationships still have the same importance in the business?

If so, please explain

- c. Please explain how networking is an important strategic mechanism in the development of your business?
- d. In your opinion, does the firm prefer to appoint ex-government or political figures as members of the board of directors? If so why?
- e. What advantages do these directors bring in terms of business development?
- f. Please explain how strong the relationship of your firm is with national/foreign financial institutions in enhancing the firm's ability to finance its numerous investment activities?
- g. In what ways have infra- and inter-ethnic network relationships benefited the expansion of your firm?
- h. Could you please explain how the firm goes about selecting business partners internationally? How important are the selection criteria used here? Explain.

7. Future Firm Direction Towards International Expansion

- a. What obstacles have emerged by your firm in expanding and operating internationally?
- b. How were these obstacles overcome?
- c. In your opinion, how could your firm be more successful in terms of international business?
- d. Given existing resource capabilities, what should be done in order to ensure that the internationalisation effort is carried out effectively?
- e. How and in what ways do you see your firm becoming a leading player in the international market? Please explain in details.

Table 18 : Key studies of strategic asset seeking

Author	Context	Aim.	Method	Conclusion	Implication
Kuemmerle, 1999	Focus on world's largest firms domiciled in major industrialized countries (Japanese, European U.S. MNEs). pharmaceutical and electronics industries	Examine the determinants of two motives of FDI in R&D laboratories (two motives: augment a firm's existing stock of knowledge (HBA) or to exploit this stock of knowledge (HBE))	An econometric analysis of laboratory investments of 136	Relative market size and relative strength of a country's science base determine whether FDI in R&D is carried out in order to exploit existing firm-specific advantages or in order to build up new firm-specific advantages. A firm's propensity to invest in HBA R&D activities abroad rises with the relative commitment to R&D of private and public entities in the target country, as well as with the quality of the human resource pool and with the level of scientific achievement in relevant sciences. The propensity to invest in HBE activities increases with the relative attractiveness of the target country's market.	Focusing on the large firms domiciled in major industrialized countries (US, Japan, European countries), these firms are at the forefront of knowledge creation in high technology sector, which implies that these firms have already had the capabilities to identify, recognize, value and absorb the external knowledge located in host country.
Wilbur & Alcecer, 2002	US as the host country To study the inward FDI	To what extent do firms go abroad to access technology available in other locations? This paper examines whether and when state technical capabilities attract foreign	Analyse data at the state level. Examine the state location choice of 1,784 FDI transactions entering the US.	Firms in research-intensive industries are more likely to locate in states with high R&D intensity. In pharmaceuticals, it is not the technical laggards but the firms from leading technical nations that more highly value state R&D intensity.	Indicates the positive relationship between technology capability and its technology sourcing intention. The result that technology leading firms more highly value R&D intensity in state than technology laggards indicates firms with higher absorptive capacity (technology leading firms) are more likely to value external knowledge. Firms in an R&D intensive industry are more likely to seek knowledge in overseas markets.

		investment in manufacturing from 1987-1993.			
		Knowledge seeking and location choice of FDI in the US			
	Japanese and European investors invest in US market Biotechnology industry	To investigate the proposition that FDI in a high-technology industry is motivated in part by the sourcing of country specific technological advantages embedded in foreign firms	The sample includes almost all of the population of biotechnology firms in the US that are potential targets of foreign equity investments. Use patents to represent technological advantage; technological advantage sourcing—patent citation as the measure.	FDIs are not just pushed by firm-specific advantages but are also pulled by the resources beyond the country boundaries of the firm if environmental conditions favour the ownership of these resources. In the biotechnology industry, FDI in the form of equity participation can be an efficient vehicle for tapping into country-specific, firm-embodied technological advantages.	By focusing on Japanese and European firms in biotechnology industry, it indicates these firms not only have the ability to identify and value the technology advantage at a host country (US market in this case), but also are able to identify and target individual firms with strong technology advantages.
Ivarsson & Jonsson, 2003:	Japanese manufacturing firms	This paper analyses how firms in different technological and market share positions use foreign R&D to augment	A panel dataset which includes information on all foreign R&D investments made by publicly traded Japanese manufacturing firms (from	Japanese firms investing in foreign R&D tend to be the non-dominant market share firms, but also the technologically leading firms across fairly diverse industries. Considering the technological and market share results together, it is not the weak technological firms that are seeking foreign knowledge to compete with their industry leaders; rather it is the technologically strong firms in their industry that don't tend to be the dominant firms in terms of market share in their home country that are investing in foreign R&D.	Suggests that taking into consideration absorptive capacity problems, coordination and technology transfer issues, and questions of capabilities and applicability, technological leading firms are more likely to benefit from foreign R&D labs than technology laggards.

		<p>t their technological capabilities. Focus is on technological assets--</p> <p>- Foreign R&D.</p> <p>Involve s technology transfer issues and absorptive capacity</p>	1974 to 1994),		
Berry,2006	Foreign TNCs in Sweden	<p>The overall aim of this paper is to empirically analyse to what extent foreign-located affiliates of TNCs are engaged in asset-seeking FDI;</p> <p>This paper discusses the importance of local technological competence as a localization factor motivating asset-</p>	<p>Firm-level data was collected from January to March 2000 through a mailed questionnaire. Majority foreign (MOFA). 287 usable responses received.</p>	<p>The findings indicate that in a substantial number of MOFAs, the operations are part of an asset-seeking strategy, where the technological competence generated through MOFAs' internal R&D operations, as well as through inter-firm collaboration with local business partners, especially customers, are not only aimed at local market adaptation, but also exploited internationally.</p>	<p>It provided clear empirical support to the existing, predominantly theoretical, literature (see for example, Chen & Chen, 1998; Pearce, 1999a; Patel & Vega, 1999; Dunning, 2000; Kuemmerle, 2000) that today TNCs often are engaged in asset-seeking FDI, attracted by created assets such as localised technological competence.</p>

		seeking FDI.			
Mutinel li and Piscitello, 1998	FDI undertaken by Italian firms	<p>The purpose of this paper was to shed light on the role of some key factors that influence the entry mode choice of MNEs. Firms' FDI motivations and entry mode choice</p> <p>--focus on resource based view of firm— international experience and size of the firm</p>	<p>The study has relied on an extensive field analysis focused on a representative sample of FDI undertaken by Italian firms in the period 1986–1993.</p>	<p>These findings suggest that ceteris paribus joint ventures undertaken by Italian firms in North America were mainly aiming at gaining access to and developing technology and skill-related intangible resources, while in Western Europe, they were more likely directed towards product diversification and the establishment of strategic alliances. Those findings have some implications on the rationale for FDI. While most of the received literature on MNE tends to assume that firms engage in FDI only in order to best exploit, or organize more efficiently their existing competitive advantages, in the more recent period,</p>	<p>It indicates that firms conducting strategic asset-seeking FDI need to have capabilities to deal with constraints which become more crucial when they enter into unfamiliar markets and areas of activities.</p> <p>Firm-specific tangible and intangible assets affecting their ability to acquire complementary assets and resources and to reduce the related transaction costs and those concerning the need to gather information, therefore influence their entry mode choices.</p> <p>MNE activity has been increasingly motivated by the desire to acquire new competitive advantages on one hand, and by the inability of building them internally, on the other.</p>
Nachum & Zaheer, 2005	The impact of technology on investment motivations, US market	<p>To examine how variation in the costs of distance, caused by technological developments, affect one aspect of international activity : the rationale for</p>	<p>The measure of knowledge seeking: The level of compensation per employee. R&D intensity, measured by R&D investment by affiliates as a share of sales</p>	<p>The quest for intangible assets in the form of highly paid human capital and the search for efficiency are the two most important explanations for international activity in information-intensive industries, reinforcing the value of intangible resources such as intellectual capital in this sphere. The key finding is that investments in industries with different levels of information intensity are driven by different motivations.</p>	<p>It implies that the intention to invest precedes the actual possession of advantages, and even can be a necessary precondition for the creation of these advantages.</p> <p>Knowledge-seeking investment depends on learning capabilities and on the integration of this learning with the firm's own knowledge.</p>

		foreign investment. Explain why, when technology has made it possible to do businesses at a distance, firms continue to invest overseas.			
Almeida, 1996	U.S. Semiconductor Industry	The learning and contribution patterns of multinational firms in the US semiconductor industry	Use patent citation data of the foreign semiconductor-related R&D labs in the U.S. The firms constituting the sample are big MNEs – twenty two semiconductor firms from Britain, Canada, France, Germany, Italy, Japan, Korea and Taiwan had US based plants which had patented semiconductor innovations. The firms analysed are all among the top patent holders in the semiconductor industry.	At the regional level, patents that belong to foreign R&D labs tend to cite local patents significantly more than those of the domestic R&D labs that are used as matched control cases, which suggests that foreign firms set up R&D labs to gain access to the local knowledge that resides in the centre of innovation.	By focusing on highly developed firms in the high technology sector, it shows the evidence of strategic asset-seeking, which assumes that these firms have had high levels of overall capabilities. Meanwhile, it also suggests that firms not just have the ability to identify locational advantages at country level but also have the ability to identify valuable assets residing in specific firms. They tend to target firms with high R&D intensity.

Deng (2007) Business Horizons	Explains Chinese firms' outward investment in advanced markets by using the asset-seeking motivation and explains the rationale behind it.	Green field investment, M&A.	A detailed analysis of both primary and secondary data sources for several leading Chinese firms	<p>When investing in advanced economies, Chinese multinational corporations (MNCs) are motivated primarily by the quest for strategic resources and capabilities, and shows that the underlying rationale for such asset-seeking FDI is strategic needs.</p> <p>Firms' strategic needs decide whether or not asset-seeking FDI can or cannot take place. The strategic needs come from the firms' vulnerable domestic position and firms' aspiration stimulated from government.</p>	Firms realize their gap and strategic needs and possess a certain level of absorptive capacity at the first place. However, the AC level of these firms and how exactly does AC impact on strategic asset seeking decisions remain unclear.
Cui & Jiang (2008) Journal of world business	This study investigates the determinants of FDI entry mode choice between a wholly owned subsidiary and a joint venture by Chinese firms that invest overseas.	Wholly owned subsidiary and joint venture	Survey A sample of 138 Chinese firms	A Chinese firm's FDI entry mode choice decision is dependent on host industry competition, host industry demand, the firm's asset-seeking motivation, and its global strategic motivation. A Chinese firm's asset-seeking motivation is positively related to the likelihood that the firm will prefer a WOS entry mode in their FDI.	Provide evidence for Chinese firms' strategic asset-seeking activities.
Deng, (2009) Journal of world business	Examining the rationale of Chinese firms' strategic asset-seeking FDI through M&A based on institutional perspective	M&A	Three case studies focus on M&A	<p>Chinese firms increasingly use cross-border M&A to acquire SA because they are under pressure to conform to the home country institutional environment and the prevailing corporate values and norms.</p> <p>In particular, the role of government, escape response to institutional constraints, corporate values and norms, inward FDI as stimulus to overseas M&A.</p>	Suggests that future research can incorporate the concept of absorptive capacity to get a complete picture of the process of acquisition of strategic assets for sustainable competitive advantages.
Rui & Yip (2008) Journal of world business	Presents a strategic intent perspective to analyse the foreign acquisitions made by Chinese firms.	M&A	Three case studies	It suggests that Chinese firms strategically use cross-border acquisitions to achieve goals, such as acquiring strategic capabilities to offset their competitive disadvantages	It indicates the relevance of strategic intent other than institutional perspective to understand Chinese

				and leveraging their unique ownership advantages, while making use of institutional incentives and minimizing institutional constraints.	firms' SAS investment.
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Sources : Author's illustration from multiple articles.

Table19 : Studies of home country effects (either government or business groups)

<i>Authors</i>	<i>Theoretical framework</i>	<i>Identification of home country effects</i>	<i>Variables</i>	<i>Analysis</i>	<i>Key findings on FDI strategies</i>
Anderson and Sutherland, 2015	Bundling model; Spring-board perspective	Institutional support: state ownership vis-a- vis private ownership	2003-2011, 380 greenfield deals and 160 acquisition deals; Chinese FDI in US: DV- frequency county of Chinese FDI projects in the host state; IDV-strategic assets: three-way linear additive composite of (1) state share of US Fortune 500 companies, (2) state share of Masters of Business Degrees Awarded, (3) state share of national utility patents registered; Market-Gross State Product; Natural resources-raw material exports (earths and stones, ores and fuels)	Negative binomial models	EMNEs tend to use acquisitions to seek strategic assets than greenfield investments; Chinese SOEs were not likely to seek strategic assets, but POEs did seek strategic assets via M&As; Insignificant results on market seeking variable and resource seeking variable
Boateng, Qian and Tianle, 2008	Resource- based view and organizational learning	Not included	2000-2004, 27 cross-border M&As; The data relating to the motives of M&As are from the <i>China Daily</i> newspapers and <i>China Securities</i>	Statistical analysis	Firms are mainly driven by market development so as to further expand into new markets, promote diversification, and achieve advanced technology.
Buckley, Clegg, Cross, Liu, Voss and Zheng, 2007	OLI paradigm and institutional theory	Not included, but theoretical propositions (State ownership; inefficient)	1984 and 2001; DV: Annual outflow of Chinese FDI; IDV: Market-Host country GDP per capital	Random effects (RE) generalized least square	Chinese outward FDI is positively associated with host market size (1984- 1991) ('market seeking') and host natural resources endowments (1992-2001)
Cui, Meyer, and Hu, 2014	Strategic choices is driven by decision makers' awareness, motivation, and capability (AMC)	State ownership vis-a- vis private ownership	2007 and 2010, 1047 Chinese manufacturing firms that are listed in China; DV: the SAS intent of FDI is a latent construct measured by a survey instrument	Hierarchical regression method	Private ownership is significantly and positively related to Chinese firms' SAS intent. There is no significant relationship between private ownership and Chinese firms' market seeking intent.
Deng and Yang, 2015	Resource dependence theory	Government ownership	2000-2012; DV: the number of cross-border M&As in host market; IDV: the ratio of stock market capitalization to GDP; natural resource-the ratio of ore and metal exports; strategic assets-the number of patent registrations	Random-effect negative binomial regression	There are significant and positive relationships between Chinese cross- border M&As and the size of host market and the richness of natural resources and strategic assets of developed countries; Host government effectiveness in developing countries also significantly and positively moderates the relationships between Chinese cross-border M&As and the market size and richness of strategic assets of developing countries; Cross-

De Beule and Duanmu, 2012	Traditional economic factors and host country institutional perspective	Not included	2000-2008, 121 and 531 acquisitions by Chinese and Indian firms respectively; DV: whether or not the M&A entry would take place in a host country IDV: natural resource-the share of ores and metals exports; strategic assets-both patent and trademark applications	Conditional logistic regression	Chinese firms are not likely to seek out resource-rich countries or strategic asset endowments either; But in high tech manufacturing, Chinese acquisitions are more likely to target countries with higher level of technological assets, other than brand assets
Hong, Wang, and Kafourous, 2015	Institutional theory and resource-basedview	State business affiliation variable) ownership; group (control	2006-2007; 615 Chinese manufacturing firms and 11 mining firms; DV: each firm's actual amount of annual overseas investment; IDV: state ownership (share); group affiliation (dummy variable)	Ordinary least square regression (OLS)	State ownership and business group affiliation significantly facilitate Chinese firms' international expansion; Government specific industry policy significantly and positively moderates the relationship between state ownership and Chinese firms' foreign expansion.
Huang, Xie, Li and Reddy, 2017	Resource-dependence theory	State ownership	2007-2013; 507 Chinese publicly-listed manufacturing SOEs; DV: newly established foreign subsidiaries in each year; IDV: Central SOEs-if a SOE's largest shareholder or ultimate controller is the SASAC of the State Council; Local SOEs-the largest shareholder or ultimate owner is the SASAC of local governments including provincial, municipal or county governments	Zero-inflated Poisson regression	A high percentage of state-owned shares has negative effect on SOEs' outward FDI; the negative effect will be reduced by institutional development and competition intensity; Compared with local manufacturing SOEs, central SOEs are less likely to engage in outward FDI
Kang and Jiang, 2012	Traditional economic factors and institutional perspective	Not included	1996-2008; DV: FDI stock from Chinese firms in each of the eight host Asian economies IDV: market-seeking - GDP per capita; Resource-the ratio of ore and metal exports; Strategic assets-patent applications	Panel data with random-effects model	Insignificant result on market seeking hypothesis; resource seeking is found significantly related to Chinese firms' FDI in developing countries; No test on strategic-asset seeking hypothesis
Lin, 2015	Traditional economic	State ownership	2003 and 2012; 633 China's outward FDI projects in Latin America and the	Random effect	Chinese SOEs are more likely driven by the motivation of resource-seeking in
Lu, Liu, and Wang, 2011	Integration of resource-based, industry-based and institutional-basedviews	Private ownership	A questionnaire survey on private firms conducted in 2008; DV: the importance of strategic-asset seeking and market-seeking FDI (1=not important, 5=very important); strategic assets include technologies, brands, high-end human resource	Survey data analysis	Supportive government policies are important motivations for Chinese POEs' both strategic asset seeking and market-seeking FDI.
Lu, Liu, Filatotchev, and Wright, 2014	Knowledge-basedview	State ownership	2002-2009, 1027 publicly listed firms with 12,557 subsidiaries in total in 2009 (553 overseas subsidiaries); DV: the extent of firms' investment across countries; IDV: the percentage of shares owned by the government and SOEs (the ultimate shareholder) IDV: Government equityshare:equity shares	Panel Tobit model	State shareholding is negatively and significantly related to Chinese listed firms' international diversification

			owned by government agencies		
Ramamy, Yeung, and Laforet, 2012	Dunning's eclectic paradigm	State ownership vis-a-vis private ownership	2006-2008, 63 public listed Chinese firms with 1350 foreign projects across 59 countries; IDV: Market: GDP per capital, resource-the ratio of ores and minerals, strategic assets-number of registered patents, host country's exports of high technology products	Poisson count data regression	Chinese central government-controlled firms are more likely to go to politically stable countries for strategic asset seeking motives, showing a clear difference between SOEs; Chinese SOEs follow that SOEs by investing in natural resource rich countries and provide related products and services; Chinese firms are attracted by commercially viable technology rather than core research content

Yang and Deng, 2017	OLI paradigm and institutional theory	State ownership	1996-2012, Chinese cross-border M&As in developed markets; DV: the number of completed cross-border M&As by Chinese firms; IDV: market-host country GDP; natural resources- the share of fuels, ores, and metals exports; strategic assets-the number of patents registered in the host country	Negative binomial regression model	Host countries' market size, natural resources and strategic assets positively determine the number of Chinese cross-border M&As; Chinese government involvement strengthens the main effects of market seeking, natural resource seeking, and institutional environment; The effect of strategic asset seeking is significant in both government- and non-government-involved Chinese cross-border M&As
Zheng, Wei, Zhang, and Yang, 2016	Resource-based view, Linkage, Leverage, and Learning (LLL) and springboard perspective	Not included	Three case studies; Chinese manufacturing MNEs' cross-border M&As in the UK in recent years	Multiple case study	Results show that Chinese MNEs are interested in global brands, advanced technologies, and technological and marketing capabilities.

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