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Institutional Distance and Internationalisation of Emerging Market Multinationals: Moderating Effect of Ownership Structure

Master thesis- International Business

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Abstract

The surge of EMNEs has attracted the attention of scholars in international business field due to their unconventional internationalisation process. This study challenges the mainstream IB literature by empirically testing the effect of institutional distance and moderating effects of different ownership types on the scope of internationalisation of EMNEs during the period of 2017-2018, using a sample of 2050 firms headquartered in 14 emerging markets. The results of multiple regression analysis show that institutional distance has a significant positive effect on the internationalisation of EMNEs, which contradicts with the traditional MNEs. In addition, the hypothesis regarding the relative moderating effect of state ownership and corporate blockholder ownership is not supported by the result of this study.

Keywords: Institutional distance, Scope of internationalisation, Emerging market multinationals, Ownership structure, State ownership, Family Ownership and Corporate blockholder ownership

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1. Introduction

1.1 Introduction of the topic

In the last two decades, emerging market multinationals (EMNE) have grown exponentially and have been reshaping global economic landscape (Cuervo-Cazurra & Ramamurti, 2014a). They initially were used to be the recipients of foreign direct investments; however, the dominant position in the global market begun to shift in the recent years (Kim, 2017; Kotabe & Kothari, 2016). Dunning's (1988) OLI (Ownership, Location, Internationalisation) paradigm has often been used for explaining the drivers behind companies' internationalisation. On one hand, researchers argue that EMNEs possess some resources which are not seen as 'extraordinary ones', in other words, not superior enough for them to compete internationally, especially with their sophisticated rivals from advanced economies (Madhok & Keyhani, 2012). On the other hand, EMNEs are argued to employ internationalisation as 'a springboard' to acquire strategic assets that they lack of, also to escape from the home institutional constraints by investing abroad (Luo & Tung, 2007).

Unlike how it is described in the mainstream IB literature, some EMNEs have chosen geographically and institutionally distant countries to start their international expansion (Guillen & Carcia-Canal, 2009; Madhok & Keyhani, 2012). Institutional distance is defined as 'the extent of similarity or dissimilarity between the regulatory, cognitive and normative institutions of two countries' (Kostova, 1996). These fundamental differences, mostly dissimilarities, between the host and home country create challenges for MNEs (Gaur &Lu, 2007). Peng et al. (2008) denoted that institutions determine the extent and nature of internationalisation. However, the effect of institutional distance on internationalisation of EMNEs seems to differ from that of developed market multinationals (DMNE). EMNE could act very differently during the early stages of internationalisation, for instance they tend to overcome institutional differences to successfully catch up with DMNEs (Cuervo-Cazurra, 2012; Luo & Tung, 2007). Developed countries with advanced institutional environment are attractive to EMNEs as these stable environments generate opportunities that are not available at home. These institutionally-developed countries are also where the strategic assets such as managerial expertise and cutting-edge technology, which EMNEs are in search of, originate from (Luo & Tung, 2007; James,

Sawant & Bendickson, 2020). Institutional distances across countries create perfect arbitrage opportunities that EMNEs can benefit from (Verbeke, Puck & Van Tulder, 2017). By operating in these more institutionally-developed countries, EMNE are able to fully focus on leveraging their core competences at home and exploring opportunities abroad without encountering hazards that stem from poor institutional environment (Luo & Tung, 2007).

Although greater institutional distance seems to posit EMNEs in a relatively favourable situation in the international competition, there are other factors that may facilitate or hamper the intention of expanding internationally. Formal Institutions develop the rules that shape the incentive of organisational actors, the costs and benefits of governance arrangements are altered accordingly (Williamson, 1991). An implication is that the ownership structure of EMNEs sets the strategic orientations, which has an impact on their attitudes toward growth (Peng, Tan & Tong, 2004). A firm's intention to internationalise can be affected by ownership type as various types of owner pursue different interests and have access to different resources, which promotes or limits their ambition to venture abroad (George, Wiklund & Zahra, 2005). As a common result of having contrary opinions coexisted, resources and profit may be re-distributed to more dominant parties. These problems occur even more frequently in emerging economies (Boyd & Solarino, 2016). Family ownership commonly exists in many countries, particularly in emerging markets (Fan et al, 2011; Lins, 2003). A substantial proportion of private firms in emerging markets are family owned with highly concentrated forms of ownership (Fan et al., 2011). Family-owned firms are characterised by their conservative nature. They usually prioritise company's financial stability over profitability as they wish to pass the family wealth to the next generation. Their risk aversion tendencies discourage them to undertake risky investment such as internationalisation activities (Chen, Hsu, & Chang, 2014). Besides, managerial and communication costs increase as the firm enters more overseas markets. Decentralised organisation structure may be required in the case of increased scope of internationalisation. Decentralisation is considered a loss of control, which discourages family owners to expand the company's geographical reach (Ward, 1988).

Similarly, state-owned enterprises (SOE) share the same struggle in a way that non-business objectives often get prioritised over value-maximising goals (Cuervo-Cazurra, 2012). Most of SOEs can be found in emerging markets as intense government intervention on business

activities is quite common in these countries (Fan, Wei & Xu, 2011). According to OECD (2017), China has the highest number of state-owned firms. Other emerging markets like India, Brazil and Poland also contribute significantly to the total amount of SOEs in the world. SOEs on one hand, enjoys the privilege to access resources granted by the government, which other companies cannot acquire. On the other hand, the abundant supply of resources also gradually erodes their competitiveness. The overdependence on these resources debilitates their ability to outperform other competitors in the international markets (Kalotay, 2017). Besides, the ultimate intention behind the creation of SOEs is to alleviate market imperfection as well as improving the public welfare (Cuervo-Cazurra et al., 2014). Consequently, pursuing commercial goals is usually not their primary concern. The dilemma of simultaneously facing two conflicting objectives militates against state-owned and family-owned firms' tendency toward internationalisation (Cuervo-Cazurra, 2012). Despite the benefits that greater institutional distance between developed economy host countries and emerging market home countries bring, the need to prioritise non-commercial objectives over profitability abates the firm's desire to pursue international strategy. In comparison with family-owned firms, SOEs face an additional obstacle. Investments by some emerging market SOEs are seen as the threat to the national security of the developed economy host country, which intensifies the negative impact of state ownership (Globerman & Shapiro, 2009).

Different types of owner also have access to different resources (Singla, George, & Veliyath, 2017). In addition to family ownership, corporate blockholder ownership is also an important component in the category of privately-held ownership. However, unlike risk-averse family owners, corporate blockholders are more risk-neutral. They are more willing to engage in investments that could potentially generate high returns (Mikkelson & Ruback, 1985). Moreover, they share their knowledge and experiences with the firm they invest (Fernández & Nieto, 2005). Corporate blockholders have professional managers with overseas experiences that encourage the invested firm to undertake internationalisation (Mikkelson & Ruback, 1985). Two theories that have often been used to address the impact of different types of ownership are applied (Boyd & Solarino, 2016). Agency theory (Jensen & Meckling, 1976) explains the conflict caused by motives and goals different owners have, while resource-based view (Barney, 1991) examines potentially valuable assets associated with different types of owner.

1.2 Research questions

The following questions are to be addressed:

1) What is the impact of institutional distance between the EMNE home country and the developed economy host country on the scope of internationalisation of EMNEs?
2) What is the relative moderation effect of state ownership on the relationship between institutional distance and the scope of internationalisation of EMNEs, compared to family ownership?
3) What is the relative moderation effect of corporate blockholder ownership on the relationship between institutional distance and the scope of internationalisation of EMNEs, compared to family ownership?

1.3 Relevance

The study aims to provide academic relevance as well as managerial implications. To start with academic relevance, theories that used to make sense of MNEs' behaviour have been argued to not be fully adequate in the case of EMNE (Ramamurti, 2012). The unprecedented growth of the number of EMNEs in the global competition has highlighted the importance of understanding the drives of their international expansion (Kotabe & Kothari, 2016). Following the argument that the extent and essence of internationalisation is determined by the role of institutions (Peng, Wang, & Jiang, 2008), this study therefore examines if the scope of internationalisation of EMNEs is influenced by institutional distance empirically. Furthermore, studies examining the effect of ownership structure are mostly focused on the association with firm performance and innovation. Not much research has looked into the effect of ownership structure on internationalisation of firms, not to mention in the context of emerging markets (Boyd & Solarino, 2016). This study therefore investigates how ownership structure as a moderating role influences the relationship between institutional distance and the scope of internationalisation of EMNEs.

As for the managerial implications, it is important for developed-market multinational enterprises (DMNEs) to understand their rivals from emerging economies. While there is a vast amount of theories describing MNEs from developed world for EMNEs to consult, there is also a need to develop such literature regarding EMNE. This study can therefore aid this purpose. It

does not only benefit DMNEs, but also serves as a reference for firms in emerging markets to analyse the need to expand internationally.

1.4 Thesis structure

This study consists of six chapters. The structure of this study is set out as follows. Firstly, an introduction about the topic will be presented. Chapter 2 summarizes the key findings of the notable literature on the internationalisation. The conceptual model and the hypotheses will also be included in this chapter. Chapter 3 describes the details of methodology adopted to examine the relationship between variables. Results of the analysis will then be demonstrated in chapter 4, which is followed by the interpretation of the findings in chapter 5. Lastly, the conclusion will be provided together with the academic contribution & managerial implications as well as the limitations and the directions for the future research.

2. Theoretical background

2.1 Internationalisation of EMNEs

The landscape of international investment has been reshaped due to the increasing number of firms from emerging markets (UNCTAD, 2007). Emerging markets are defined as countries that are in a transitional phase with the potential to become significant players in the global landscape (Casanova & Miroux, 2016). Firms from these countries have been intensively investing abroad to enhance their competitiveness, more specifically, they target firms in developed countries in order to acquire advanced managerial and technological capabilities, which they originally lack (Miller, Thomas, Eden, & Hitt, 2008). The growth of emerging market multinationals (EMNEs) is expected to continue increasing rapidly in the following years. During the past few years, outbound FDI from emerging economies has grown even faster than FDI from advanced economies (UNCTAD, 2012). Although EMNEs have become active players in the global market, the pattern of their expansion is still indistinct (Cuervo-Cazurra, 2008). In essence, EMNEs pursue different types of global expansion strategies from advanced market multinationals in the process of internationalisation. Theoretically speaking, companies that invest overseas possess competitive advantages intrinsically (Dunning, 1988); however, EMNEs do not normally obtain such advantages (Ramamurti, 2009). Researchers speculate that EMNEs may possess some 'atypical competitive advantages' that empower them to operate certain activities more productively than the multinationals from advanced economies (Luo & Tung, 2007). This notion has encouraged scholars to explain the 'atypical competitive advantages' EMNEs obtain. OLI paradigm has been applied the most to make sense of rationales behind EMNEs' behaviours (Rugman & Li, 2007; Ramamurti, 2009).

Dunning's (1988) OLI (Ownership, Location, Internationalisation) paradigm explains how a multinational overcomes the intrinsic disadvantages and costs of competing with domestic opponents in a host country by utilising three potential sources of advantage. For firms to undertake value-adding activities in foreign markets, it is essential to possess 'ownership advantages' that can offset its drawbacks when competing internationally (Dunning, 1988). In developing economies, companies are expected to firstly import the resources such as capital rather than exporting them. In other words, they are supposed to make themselves competitive

enough first through a period of inward FDI until they become multinationals (Dunning & Narula, 1997). But the evidence has proven to be otherwise as it has been observed that EMNEs succeed without having outstanding ownership advantages (Ramamurti, 2009). Despite the fact that they may actually have some resources, these resources are not considered as 'extraordinary ones'. Even if they cultivate some advantages from their limited resources, these are relatively immature compared to the ones from their rivals from developed countries (Madhok & Keyhani, 2012).

Another unconventional point is, MNEs in the traditional theories usually go abroad to take advantage of location advantages (Dunning, 1980), which are also called country-specific advantages' (Rugman & Verbeke, 1990), of emerging countries, commonly include 'natural resource endowment', 'cheap labour', 'potential market growth', 'large market size' (Ramamurti, 2009). Dunning and Lundan (2008) categorised four strategies based on the motivation that drives firms undertaking foreign direct investment: resource-seeking strategy, market-seeking strategy, efficiency-seeking strategy and strategic asset-seeking strategy. Whereas market-seeking and resource-seeking are mainly the motives for developed-market enterprises to venture abroad, EMNEs step into the international markets in search of strategic assets in developed countries. In order to acquire resources needed to remedy the resource void, they enter developed countries by the means of mergers and acquisitions (Hennart, 2012). Luo and Tung (2007) describe this approach as a springboard, cross-broader mergers and acquisitions on one hand allow them to quickly overcome the latecomer disadvantages, on the other hand leverage their original competences at home. EMNEs exploit and make a good use of their home country's comparative advantages such as natural resources or low-cost labour especially when expanding in developed economies (Rugman, 2009). While developed-market multinationals aim at seeking means to lower costs, EMNEs are in search of resources that make them learn beyond their current capability (Madhok & Keyhani, 2012). In addition to acquire strategic assets from developed countries, springboard perspective also ascribes EMNEs' intention of internationalisation as a way to escape from the institutional constraint they face at home (Luo & Tung, 2007). This notion stresses how institutional distance between EMNE home country and the developed economy host country creates opportunity for EMNE to exploit and build their competitive advantages by investing abroad.

2.2 Institutional theory and institutional distance

Emerging markets are experiencing major shifts in the institutional environments, more specifically, in terms of norms, values and regulations, which reflect on individual beliefs as well as firm level strategic orientations (Peng, 2003). As Peng et al. (2008) concluded, besides industry conditions and firms capabilities, strategic choices are also shaped by formal and informal institutional restraint. Owing to the fact that multinationals operate their businesses across many countries, 'institutions' should no longer be only seen as 'background'. Looking into the impact of institutional distance has become necessary, particularly when comparing emerging countries and developed countries as their institutions differ significantly from each other. Emerging markets are characterised by less developed market-supporting institutions and mechanisms, which will further restrict firms' strategic choices. Institutional theory serves as a framework to examine the determinants of strategic choices in such economies (Peng, 2003).

The institutional theory indicates that as institutional distance between the countries increases, the costs of learning the 'rules of the game' will also increase (North, 1990). Institutional distance between the home country and host country is believed to be the reason causes 'Liability of Foreignness (LOF)' (Eden & Miller, 2004). Liability of foreignness refers to the additional costs that firms incur when operating in foreign countries. The more institutionally distant a host country is, the more effort MNEs should make in bridging the gap in regulations, laws and cultures. Correspondingly, Kostova and Zaheer (1999) argued that the larger the institutional distance, the more challenging it gets for the MNE to gain local legitimacy and to transfer strategic practices to foreign subsidiaries. Consequently, firms will refrain themselves from doing business in countries that are institutionally distant from their home country (Xu & Shenkar, 2002). Larger institutional distance between home and host country will discourage firms to internationalise in order to avoid extra transactional costs associated with LOF. However, EMNEs have been observed to take a very different approach. They have expanded into institutionally distant countries before entering countries that have more similar backgrounds (Ramamurti, 2004).

In line with Luo and Tung's 'springboard perspective' (2007), Witt and Lewin (2007) proposed the notion of 'institutional escapism' which stems from institutional distance. Institutional escapism describes that firms venture internationally to avoid the institutional restrictions they

face at home. EMNEs are situated in institutionally weaker environments, meaning they have for instance poor law enforcement and less developed judicial systems or political instability. These factors increase transaction costs and can be seen as hazards that erode companies' competitiveness (Peng, 2003). In order to avoid aforementioned obstacles, EMNEs choose to enter in more institutionally efficient countries (Luo & Tung, 2007).

Based on the above arguments, EMNEs expanding into institutionally distant countries enables them to compensate the lack of firm-specific advantages. Investing in advanced countries aids them to rapidly gain the access to the local market as well as the brand awareness (Luo & Tung, 2007; Rui &Yip, 2008). Additionally, well-developed institutional environment of developed countries provides EMNEs a stable environment to operate foreign business without suffering from the inefficiency of institutions at home. The greater institutional distance between the EMNE home country and the developed economy host country would result in the increase of the scope of internationalisation. Scope of internationalisation refers to number of markets that EMNEs enter; it indicates the geographical dispersion of EMNEs' business (Lu & Beamish, 2001).

Therefore, the hypothesis is formulated as follows:

H1: The institutional distance between the EMNE home country and the developed economy host country positively influences the scope of internationalisation of the EMNE.

2.3 Type of ownership structure

Existing literature has proven that strategic orientations of EMNEs are determined by ownership structure (Courteau et al., 2016; Utama et al., 2017). Ownership structure can be broadly divided into two types: concentrated ownership and dispersed ownership (Coffee, 2010). The former one refers to the majority of shares that are held by a few owners; the latter type is defined as shares being widely held by a large amount of shareholders. Although dispersed ownership has been deemed to be the most ideal structure (Berle & Means, 1932), the presence of a single or a few controlling shareholders is more common in the majority of firms in many countries (La Porta et al., 1999). Firms in emerging markets are often owned by a single or a few dominant shareholders (Claessens & Yurtoglu, 2013).

The attitude towards growth differs depending on the type of ownership as different owners have different goals, incentives and preferences which have an impact on the extent of risk they are willing to bear (Peng et al., 2004). It is unlikely for owners that are more risk-averse to support value-maximising actions such as internationalisation (Singla, George, & Veliyath, 2017). To shed light on the relationship between ownership structure and internationalisation of EMNEs, two theories that have been used often will be applied (Boyd & Solarino, 2016). The agency theory describes that a conflict occurs when different parties in an ownership relationship pursue contradictory goals (Jensen & Meckling, 1976). Strategic decisions are not made solely based on the motivations, but firms' intrinsic capabilities are also a critical determinant (Cui, Meyer, & Hu, 2014). Resource based view states that firms make use of resources and capabilities to create sustainable competitive advantages (Barney, 1991). Different owner types have access to various valuable assets. These diverse resource endowments determine what strategy the firm should adopt to maximise their performance (Singla et al., 2017). Three different types of ownership: family ownership, state ownership and corporate ownership are examined in this study.

Family ownership

Family-owned firms in developing countries make up a large proportion of all the firms in the country (Kontinen & Ojala, 2012). A family-owned firm is defined as any firm owned and operated by one family, or by a small number of families (Stern, 1986). It has been argued that some characteristics of family ownership may negatively influence the firm's intention of undertaking the internationalisation strategy (Fernandex & Nieto, 2005). To start with, family-owned firms have the conservative nature that urges them to take a close control of risk. Due to the concentration of family wealth in the same organisation, in other words, undiversified investment, does not allow them to bear high risk (Chen, Hsu, & Chang, 2014). Additionally, family-run businesses focus on the security and stability as they wish to pass down the business for prospecting the future generations (Miller, Le Breton-Miller & Lester, 2010) Even though undertaking value-adding activities such as internationalisation strategy may increase the firm's revenue, such strategy is perceived as a more risky and proactive move (Zahra, 2003). Ensuring the survival and financial stability of the firm is always the primary concern, therefore the longevity of the firm should be prioritized over greater profitability. In order to have stable future

returns, despite the fact that greater institutional distance between the EMNE home country and the developed economy host country posits the EMNE in a relatively favourable state, limiting the scope of internationalisation will be undertaken by family-owned firms. As the scope of internationalisation increases, costs will escalate due to the higher level of complexity (Lu & Beamish, 2004). In addition to higher costs, higher level of geographic dispersion would possibly require more decentralised structure, which is seen as a loss of control by family owners (Ward, 1988). To remain a certain extent of control would be the reason for family-owned firms to limit the scope of internationalisation.

From the perspective of resources-based view, there are disadvantages that hinder family-owned firms from accessing resources and capabilities required to venture abroad (De Vries, 1996). Family firms have the preference of employing family members for the managerial positions instead of recruiting more qualified outsiders (Weidenbaum, 1996). To successfully operate in foreign markets, sufficient managerial knowledge and capabilities and organisational experiences are intensively required (Sciascia, Mazzola, Astrachan, & Pieper, 2012). The importance of aforementioned capabilities increases as the number of markets the firm enters rises. However, family members are aware that these experiences and skills may not be possessed by family members (Tsang, 2001). They generally have fewer professional managers who have international experiences, which are needed for achieving successful international expansion (Graves & Thonas, 2006). The lack of expertise and experienced managers does not encourage them to expand their geographic dispersion.

State ownership

According to World Investment Report 2019 (UNCTAD, 2019), state-owned multinationals continue playing a pivotal role in global economy as the number of state-owned multinationals in the top 100 MNEs ranking has gradually increased. Although state-owned companies can also be found in developed and emerging economies, predominantly large and majority state-owned multinationals are mostly located in emerging economies (UNCTAD, 2019). State-owned enterprises are defined as separate legal entities that are established by governments engaging in business activities (UNCTAD, 2019). More specifically, state-owned firms are ultimately owned by the public authorities and governmental institutions who exercise the ownership rights that are responsible to the general public (OECD, 2018).

From the perspective of resources-based view, state-owned firms have the privileged access to some specific government-related resources, particularly political firm-specific advantages which are not available to private multinationals (Benito, Rygh, & Lunnan, 2016). Apart from that, they also enjoy the benefit of being financed by the government. Possessing such resources may lead to costly and large investments. However, compared with private firms such as family-owned firms, state-owned firms face less competition in their home countries for instance because of subsidies (Wolf, 2009). The absence of competition deprives them of learning from engaging in competitive environments. Overdependence on the financial sources from the government also weakens their ability to deal with competition (Kalotay, 2018).

State-owned enterprises, compared with private firms, face greater institutional pressures in host countries. According to Meyer et al. (2018), institutional pressures stem from a weak legitimacy of state ownership in some countries. State-owned firms are perceived as threats to the national security and are argued to have unfair competitive advantages as they are supported by the home country government (Globerman & Shapiro, 2009). A good example can be developed countries with world-class technological development being invested by a state-owned foreign firm. It does not only mean losing supreme assets of the company to a foreign competitor but also to the foreign government. Owing to the fact that China is the major source of state-owned firms, this is often the case for Chinese state-owned enterprises when they invest in firms in developed countries, especially given the significant growth of outward investment from China in the recent years (Globerman & Shapiro, 2009; Drysdale, 2011; Meyer et al., 2018). Local authorities are more likely to scrutinize the acquisition of SOEs due to the political concerns (Zhang, Zhou & Ebbers, 2011). State-owned enterprises are sometimes blocked for acquiring assets that are viewed strategic by host countries since the intention behind the investment is suspected to be non-commercial (Cuervo-Cazurra et al., 2014b).

Previous research has argued that state-owned firms suffer more from agency problem due to its high level of complexity. The single agency relationship between principal and manager, which exists in private companies, is further complicated with one layer extra (Cuervo-Cazurra et al., 2014b). The triple agency conflict describes the conflicting objectives between the managers of state-owned firms and the bureaucrats as well as the citizens. As a decision-maker of the firm, apart from his or her own career objective, balancing the demands of bureaucrats and citizens

should also be taken into the consideration (Cuervo-Cazurra et al., 2014b). Social and political objectives can be prioritised over the firm's interest. Citizens request of maximising the social welfare, yet bureaucrats are in pursuit of exerting influence on other countries (Shleifer, 1998; Hong, Wang & Kafouros, 2015).

Based on the reasons above, I argue that EMNEs with state ownership befit less from the greater institutional distance between the home country and the developed economy host country in comparison with family-owned firms. The hypothesis is proposed as following:

H2: Compared to family ownership, state ownership negatively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.

Blockholder ownership

Blockholder ownership typically refers to any individuals, companies or institutions that own more than 5 % of the share of a company Thomsen, Pedersen, & Kvist, 2006; Peng & Jiang, 2010). This definition overlaps with other ownership types such as families, institutions and other entities (Boyd & Solarino, 2016). In order to have a clear distinction from other ownership types, the focus is solely on corporate blockholders in this study. Besides, blockholders are largely composed of domestic corporations in emerging markets (Classens et al., 2000).

Viewing from the resource-based view lens, corporate blockholders give the firm the access to firm general and specific knowledge and technologies sometimes even financial resources, which helps them to exploit their relative advantages and thus enables them to enter foreign markets (Fernández & Nieto, 2005; Allen & Phillips, 2000). Apart from the financial contribution and resource supports, these corporate blockholders sometimes partner with the firm that they invest in to venture abroad (Douma, George, & Kabir, 2006). For instance, they may use this targeted company to enter other emerging markets in order to acquire new resources and capabilities (Singla et al., 2017). The tangible and intangible resources provided by the corporate blockholder enhances the firm's capabilities, the acquired knowledge empowers them to undertake more risky strategy such as internationalisation. Knowledge about the international markets and networks shared by foreign corporate investors and domestic corporate investors that have foreign subsidiaries further helps the firm to enlarge the scope of internationalisation (Kock & Guillen, 2001).

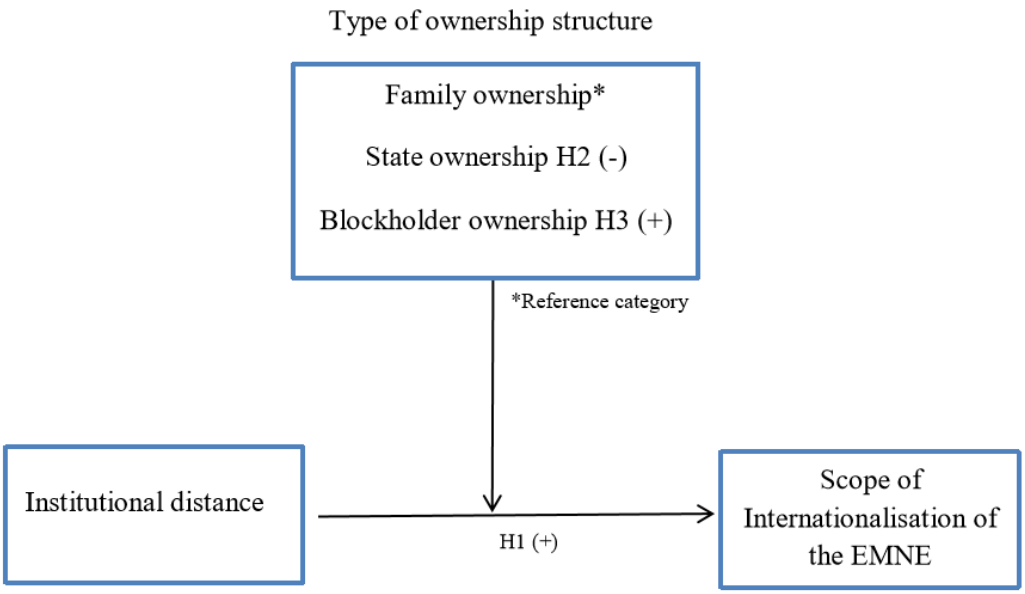
From the perspective of agency theory, large corporate blockholders usually possess a significant number of stakes, which incentivises them to effectively monitor or try to influence management of the company (Jensen & Meckling, 1976; Allen & Phillips, 2000). This is especially the case in emerging countries because of the prevalence of concentrated ownership. Large blockholders in these countries wield their significant influence and put pressure on senior managers, hence it is important to accommodate the preferences of these blockholders (Cho & Kim, 2007). These corporate blockholders, in relation to family owners, are more risk-neutral, since their investments are usually diversified and are interested in the wealth-creating activities (Mikkelson & Ruback, 1985; Fernández & Nieto, 2005). Although international expansion strategy is risky, corporate blockholders are more willing to take the risk. Moreover, corporate blockholders invest in a firm with the intention of benefitting from the business relationship they have with the targeted firms (Allen & Phillips, 2000). As mentioned above, some of them partner up with the invested companies; such relationships are established based on gaining long-term benefits. A larger scope of internationalisation can indirectly help the corporate blockholders acquire resources or capabilities obtained via their emerging market expansions (Singla et al., 2017).

The hypothesis is proposed as following:

H3: Compared to family ownership, corporate blockholder ownership positively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.

2.4 Conceptual model

Based on the aforementioned hypotheses, the conceptual model shows the relationships among variables.



3. Methodology

The purpose of this study is to test the hypotheses regarding the relationship between institutional distance and the internationalisation of EMNEs with the moderating effect of different types of ownership structure, quantitative method is applied to examine the hypotheses for the statistical inference.

3.1 Sample selection

The samples of 26 emerging markets are firstly listed according to MSCI Emerging Markets Index in 2019. 26 emerging markets are further narrowed down based on if the country has at least one firm listed in Fortune Global 500, which indicates top 500 firms worldwide ranked by total revenue (Fortune, 2020), in 2019. Therefore, samples are derived from countries headquartered in the following 14 emerging markets. 9 developed countries are selected based on the top 20 host economies in 2018, according to UNCTAD.

Table 1 Selected emerging markets and developed countries

Emerging Markets		Developed Countries	
Brazil	Russia	Australia	Netherlands
China	Saudi Arabia	Canada	Spain
India	South Korea	France	United Kingdom
Indonesia	Taiwan	Germany	United States
Malaysia	Thailand	Italy	
Mexico	Turkey		
Poland	United Arab Emirates		

3.2 Variables

<u>Dependent variable</u>

The dependent variable is the scope of internationalisation of EMNEs, which is one of the typical ways to measure a firm's degree of internationalisation (Johansson, Landstrom, & Palmer, 2013). This will be measured specifically by summing up the total foreign subsidiaries of the selected EMNEs have in the United States, Canada, the Netherlands, Australia and the United Kingdom,

Spain, France, Germany and Italy in 2018. The data is derived from Bureau van Dijk's ORBIS database, which contains information about listed and non-listed companies.

Independent variables

The independent variable is the institutional distance between host country of subsidiary and the home country of the parent firm. In this study, the focus is on the formal institutional distance. This variable is measured by using Kaufmann's Worldwide Governance Indicators (Kaufmann, Kraay, & Mastruzzi, 2011) which have been widely used by scholars that study the formal institutional distance. The data is from the year 2017 and is freely downloadable from World Bank. There are six dimensions of governance for each country. Explanations for each indicator are as follow:

- Voice of Accountability describes to what extent can a country's citizens freely express their opinions and if they have the right to choose for their government.
- Political stability and absence of violence shows how politically stable a country is. A country that is not politically stable may suffer from politically-motivated violence such as terrorism.
- Government Effectiveness refers to the quality of public services and policy formulation as well as implementation. The level of independence of these policies from political pressures is also included.
- Regulatory Quality measures the government's ability to execute sound policies.
- Rule of law considers if people are confident of the enforcement of the law and if the rules and authorities are obeyed by the society.
- Control of corruption measures the level of public power employed for personal benefit.

Institutional environment is therefore measured by summing up these six indicators (see appendix 1). For each indicator, the score of the estimate governance ranges from - 2.5 to +2.5. While -2.5 represents the least developed institutional environment, +2.5 shows the most developed institutional environment. To illustrate how this calculation works (see appendix 2), a Taiwanese firm with a subsidiary in the Netherlands is taken as an example. Whilst Taiwan scores 6.60 on the institutional environment, the Netherlands has a score of 10.09. Then the institutional distance between Taiwan and the Netherlands will be 3.49. Nonetheless, there are

also EMNEs that have subsidiaries in more than one assigned developed country. In such situation, the highest score among all of these developed countries that the EMNE has subsidiaries is used. For instance, Taiwanese firm in total has four subsidiaries with one subsidiary in the Netherlands, one in the U.S and two in Germany. The U.S has a score of 7.59 and Germany scores 8.93. In this case, the Netherlands has the highest score (10.09) compared with the U.S. and Germany. Thus, the institutional distance will be 3.49. The higher the score, the more institutionally distant the home country is from the host country. The score of distance reflects the extent of the dissimilarity. If a firm manages to succeed in doing business in country that is extremely distant in terms of the institutional environment, it should be easier to operate its business in a less distant country. Hence, the score of the most institutionally distant host country is selected to present the institutional distance of a particular EMNE.

Moderating variables

The moderating variable is the type of ownership. The ownership control is measured by whether the given type of owner is the largest shareholder of firm (Luo & Chung, 2013). Furthermore, to ensure that the largest shareholder possesses effective control over the firm, a cut-off point is required to validate this assumption (Du & Dai, 2005). In European countries and America where the ownership structure is more dispersed, a minimum of 5% ownership rights is usually used as the threshold (Peng & Jiang, 2010). However, as mentioned in the previous chapter, due to the prevalence of concentrated ownership in emerging markets, this study adopts the stricter cut-off point of 10% the threshold (Du & Dai, 2005; Estrin & Prevezer, 2011; Grosman, Aguilera & Wright, 2019). Three types of ownerships are included in this study: family ownership, state ownership and corporate blockholder ownership. This firm-level data is gathered from the year 2017 in Orbis. Firstly, a firm is regarded as a state-owned firm if the ultimate controlling shareholder is a public authority, state or government (Li et al., 2013). Secondly, a firm is categorised as family-owned if the largest shareholder of the firm is labelled as ‘an individual or a family’ in Orbis with at least 10% of the shares. Finally, corporate ownership is identified when the dominant shareholder is a corporation, which holds at least 10% of the shares.

Control variables

In this study, the factors that may affect internationalisation are controlled. Variables such as firm age, firm size and industry are controlled. Firstly, larger and older firms generally have accumulated more resources which are substantial to pursue internationalisation strategy (Tihanyi et al., 2000). Thereby, Firm size is measured by the total assets of a firm and firm age is calculated by using the number of years since the date of incorporation of the company (Chen, Hsu, & Chang, 2014; Douma et al., 2006). Lastly, researchers have argued that different industries or sectors results in having different tendency to expand internationally (Singla et al., 2017). It has been observed that many EMNEs are in manufacturing sector that started out through original equipment manufacturer (OEM) contract or supplier partnership with firms located in developed countries (Bonaglia, Goldstein & Mathews, 2007; Ramamurti, 2012). It is easier for these OEM firms to acquire know-how and technology from international enterprises, which enables them to become MNEs in their own right later (Ramamurti, 2012; Wang, Hsu & Fang, 2008; Luo & Tung, 2007).

Table 2- Overview of variables

Variable	Operationalisation	Data source
Dependent Variable Scope of internationalisation	Number of subsidiaries in 9 developed countries in 2018 (Australia, Canada, France, Germany, Italy, Spain, the Netherlands, the U.K and the U.S)	Orbis
Independent Variable Institutional distance	The distance between host country's score and home country's score on institutional environment in 2017	World Bank
Moderating Variable Ownership type	Three ownership types are coded as follows: 1: Family ownership 2: State ownership 3: Corporate blockholder ownership Data derived from year 2017	Orbis
Control Variables Firm size Firm age Industry	 Total assets of the firm in 2018 Year 2018 minus the established or incorporation year of the firm Dummy coded as follows: 0: Non-manufacturing firms 1: Manufacturing firms	Orbis

3.3 Statistical approach

The analysis is conducted by using a multiple regression analysis. The basic regression equations in this study are as follows:

$$ScopeOfInternationalisation = \beta 0 + \beta 1InstitutionalDistance + \beta 2InstitutionalDistance * FamilyOwnership + \beta 3InstitutionalDistance * StateOwnership + \beta 4InstitutionalDistance * CorporateOwnership + \beta 5FirmAge + \beta 6FirmSize + \beta 7FirmIndustry + \varepsilon.$$

3.4 Research ethics

The access to Orbis database is given by Radboud University and the rules are strictly followed. The use of the statistical software, IBM SPSS Statistics 26, was paid and downloaded from SurfSpot by the researcher. Moreover, the researcher makes sure there is no plagiarism. To avoid plagiarism, all the sources should be clearly referred or cited, following APA style.

4. Results

This chapter will be divided into three parts. Descriptive statistics will be presented first for the purpose of understanding the distribution of the firms in terms of the home market and the industry. Before running the multiple regression analysis, several assumptions need to be met. All the assumptions will therefore be examined. Finally, the results of the multiple regression analysis will be displayed.

4.1 Sample description

The data obtained from Orbis 2018 comprises 2,647 EMNEs of the assigned countries; however a substantial amount of data is missing. The approach chosen to handle with the missing data is important as various methods have distinct mathematical assumptions, which can result in completely different statistical outcomes (Cox et al., 2014). Hence, missing data needs to be dealt with before performing the descriptive statistics.

Missing value approach

The majority of missing values are on the control variables, especially for the variable- *Firm age*. Considering about the possible methods of handling with the missing data, listwise deletion is selected as the treatment. Any firm with one or multiple missing value(s) will be removed and excluded from the analysis. Listwise deletion has been a widely used remedy to deal with missing data due to its operational convenience in statistical software (Peng et al., 2006; Curley et al., 2019). Despite the drawback of the significant reduction in the sample size, the sample of this study remains sufficiently large after the deletion.

Final Sample description

After removing the firms that have missing data (565 firms) and outliers (32 firms; see 4.2 for more details), 2050 firms are left in the final sample. Table 3 gives an overview of the distribution of the original country of the EMNEs in this sample. The largest group is from India with 566 firms (27.6%), which is closely followed by China with 549 firms (26.8%). One of the selected countries, Saudi Arabia, which was mentioned in the previous chapter, is not represented in the sample. Table 3 represents the distribution of firms in each selected emerging markets. In terms of ownership type (see table 4), firms in the sample are largely owned by either

families (42.4 %) or corporations (47.9%). State-owned firms only account for nearly 10 % of the total and China is the largest source with 112 firms (56.3 % of total state-owned firms). Table 5 represents the industry distribution of the EMNEs. As we can see from the table, the firms in the sample are evenly distributed between manufacturing (50.8%) and non-manufacturing industry (49.2%).

Table 3-Distribution of firms in selected emerging markets

Country	Frequency	Percentage
United Arab Emirates (AE)	3	0.1
Brazil (BR)	27	1.3
China (CN)	549	26.8
Indonesia (ID)	15	0.7
India (IN)	566	27.6
Republic of Korea (KR)	143	7.0
Mexico (MX)	34	1.7
Malaysia (MY)	113	5.5
Poland (PL)	224	10.9
Russia (RU)	69	3.4
Thailand (TH)	51	2.5
Turkey (TR)	154	7.5
Taiwan (TW)	102	5.0
Total Sample	**2050**	**100**

Table 4- Frequency table of 3 identified ownership type

Ownership type	Frequency	Percentage
Family ownership	869	42.4
State ownership	199	9.7
Corporate ownership	982	47.9
Total Sample	**2050**	**100**

Table 5- Frequency table of industry type

Industry Type	Frequency	Percent
Manufacturing	1042	50.8
Non-manufacturing	1008	49.2
Total Sample	**2050**	**100.0**

4.2 Assumptions of multiple regression

Distribution of predictor variables

To ensure the predictor variables are normally distributed, skewness and kurtosis need to be checked. I follow the guidance of Hair et al. (2010), the values of skewness and kurtosis that fall outside of the range from -3 to +3 are considered as non-normal distribution. Only the values of skewness and kurtosis of *Institutional distance* appear to fall perfectly in the range. The control variables, *Firm age* and *Firm size*, both are positively skewed and have high level of peakedness. To correct the problem of nonnormality, data transformation techniques are often applied as a solution. Variables that need to be transformed are positively skewed, which logarithm or square root can typically fix (Hair et al., 2010). Both of the possible transformations are applied, the results show that the logarithm transformation works the best as the treatment for them (see appendix 5a & 5b). The values of skewness and kurtosis for each variable have been significantly improved after the transformation.

Outliers

Outliers are the values that are outstandingly different from the rest of values, which can cause problems in the statistics process (Field, 2013). The easiest way to identify the outliers is to firstly convert the values into z-scores. Interquartile range is often used to be the cut-off point, in other words; any value that is beyond three standard deviations of a normal distribution is considered as an outlier. Based on the interquartile range rule, any z-score value that is above 2.68 or lower than -2.68 is identified as an outlier (Winters, 2017). 32 firms have z-score value that falls outside of the range of -2.68 to 2.68 (see appendix 4).

Sample size

The generalizability of results can be affected by the sample size, therefore it is important to have a sufficiently large sample to ensure the statistical power. A common rule is that each independent variable should have five observations at a minimum, yet having 15 to 20 observations for each independent variable is more optimal (Hair, 2010). Applying latter rule, seven independent variables (*Scope*, *Institutional distance*, *Family ownership*, *State ownership*, *Corporate ownership*, *Firm Size*, *Firm age* and *Industry type*) are included in this study, which means, the sample size should not be smaller than 140 (=7*20). After deleting the missing values and the outliers, there are 2,050 firms in the final sample.

Multicollinearity

In order to maximise the predictive power of all the independent variables, researchers need to avoid multicollinearity (Hair et al., 2010). To identify if there is a strong linear relationship between a predictor with the other predictors, the variance inflation factor (VIF) value serves as an indicator. The larger the VIF value is, the larger degree of multicollinearity is. The VIF value should not be higher than 10. The other indicator, which corresponds to VIF values, is called tolerance (TOL) values. An acceptable TOL value should be higher than 0.1. Based on the output of SPSS, both VIF value and TOL value for variables fall into the perfectly acceptable range, which indicates, multicollinearity will not be the concern.

Homoscedasticity

According to Hair et al. (2010), the best way to examine homoscedasticity for metric variables is to do the graphical test. This can simply be done by plotting the standardised residuals (ZRESID) against the standardised predicted values (ZPRED). The plot should show a random spread instead of any specific pattern. The problem of heterscedasticity can also be remedied by applied data transformation. As mentioned in the previous section, log transformation has been applied to *Scope*. The comparison between *Scope* and *Log_Scope* is shown in appendix 6. After the transformation, the scatterplot shows no specific pattern. Therefore, it can be concluded that the assumption of homoscedasticity is not violated.

Linearity

Apart from testing homoscedasticity, the scatter plot is also commonly used to assess linearity. The relationship is regarded as a non-linear relationship when the data shows a curved pattern. To make sure that the assumption of linearity is met, the series of dots should show no curve. Looking at the scatter plot in appendix 7, the dots show no particular pattern which ensures the linearity of data.

Independence of error terms

The error term represents the variation in the dependent variable that cannot be explained by the predictor variable. It is expected to be random and unpredictable. To make sure that the error terms are uncorrelated with each other, the mean of standardised predict value must equal zero. Appendix 9f shows that the dependent variable *Log_Scope* has a standardised predict mean value of 0.000. Thus, the independence of error terms is ensured.

Table 6- Descriptive statistics before transformation

	N	Minimum	Maximum	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Institutional Distance	2050	.04	14.06	8.2766	-.719	.054	-.436	.108
Scope	2050	1	26	2.52	3.637	.054	16.697	.108
FirmAge	2050	3	262	31.71	3.153	.054	16.516	.108
FirmSize	2050	1	3388690163	10104130.4	23.838	.054	613.636	.108

Table 7- Descriptive statistics after transformation

	N	Minimum	Maximum	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Log_Scope	2050	.00	1.41	.2350	1.325	.054	.937	.108
Log_FirmAge	2050	.48	2.42	1.4141	.035	.054	.832	.108
Log_FirmSize	2050	.09	9.53	5.3664	.225	.054	.488	.108

4.3 Descriptive statistics

After making sure that none of the assumptions are violated, it is also very important to check the correlation table. Multicollinearity becomes a problem when the correlation value appears higher than 0.8 (Field, 2013). Table 7 below presents the correlation value among variables. The highest correlation value for is 0.437, which is below the alerted threshold 0.8.

Table 8- Pearson correlation matrix

Correlations

	Log_Scope	*Log_ FirmSize*	*Log_ FirmAge*	*Manufacturing*	*InstitutionalDistance*	*Moderation State*	*Moderation Corporate*
Log_Scope	1.000						
Log_FirmSize	.321**	1.000					
Log_FirmAge	.147**	.171**	1.000				
Manufacturing	.013	.030	.148**	1.000			
Institutional Distance	.226**	.312**	.101**	-.012	1.000		
Moderation_State	.101**	.437**	.018	-.154**	.210**	1.000	
Moderation_Corporate	.081**	.196**	.030	.033	.309**	-.274**	1.000

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

4.4 Multiple regression analysis

The regression analysis was carried out sequentially (is also known as hierarchical regression), in other words, predictor variables are entered in steps (Tabachnick & Fidell, 2013). There are in total six models. The first model consists of control variables, namely firm size, firm age and manufacturing industry. The main effect of the independent variable, institutional distance, on the dependent variable is examined in the second model. The direct effects of state ownership and corporate blockholder ownership on the scope of internationalisation are examined in model 3 and 4 respectively. Then, the interaction effects of these two ownership types and the institutional distance are examined in model 5 and 6 respectively. Three different ownership types are dummy-coded. Family ownership is taken as the reference category. Table 9 and 10 summarise the main results of regression analysis. The F statistic for change indicates the significance of the added variable. The R-squared (R^2) specifies how much variance of the dependent variable that is explained by the predictors, more specifically, the explanatory power of the model (Hair et al., 2010). The first model has a R^2 value of .112, which means 11.2 % of the variance can be explained. The value of R^2 increases to .128 after the main effect of *institutional distance* is added, meaning 12.8 % of variance is explained by model 2. The third model, which includes the direct effect of state ownership, compared to the effect of family ownership, has only increased the R^2 slightly to the value of .132. The main effect of corporate blockholder ownership in relation to family ownership is added in model 4, which makes the value of R^2 increasing to .133. Model 5 and 6 demonstrate the moderation effect of state ownership and corporate blockholder ownership respectively. The explanatory power of the model does not increase after the moderation effect is added.

Table 9- Regression model-1

	Model 1				Model 2				Model 3			
Estimates	B	SE	β	p	B	SE	β	p	B	SE	β	p
Log_FirmAge	.104	.023	.096	.000***	.096	.023	.089	.000***	.095	.023	.088	.000***
Log_FirmSize	.092	.006	.305	.000***	.080	.007	.264	.000***	.089	.007	.294	.000***
Manufacturing	-.007	.014	-.011	.607	-.005	.014	-.007	.742	-.012	.014	-.018	.384
Institutional Distance					.013	.002	.135	.000***	.013	.002	.135	.000***
State ownership									-.074	.026	-.067	.004**
Corporate ownership												
Moderation_Sta												
Moderation_Cor												
R^2			.112				.128				.132	
Adjusted R^2			.111				.127				.130	
Sig. F Change			.000				.000				.004	
Durbin-Watson												

*p <.05, **p <.01,***p <.001 (two-tailed)

Table 10- Regression model-2

	Model 4				Model 5				Model 6			
Estimates	B	SE	β	p	B	SE	β	p	B	SE	β	p
Log_FirmAge	.094	.023	.087	.000***	.096	.023	.089	.000***	.094	.023	.087	.000***
Log_FirmSize	.093	.008	.309	.000***	.093	.008	.308	.000***	.094	.008	.310	.000***
Manufacturing	-.014	.014	-.021	.327	-.014	.014	-.021	.321	-.014	.014	-.021	.324
Institutional Distanc	.014	.002	.136	.000***	.013	.002	.132	.000***	.015	.003	.152	.000***
State ownership	-.097	.028	-.088	.001**	-.158	.089	-.142	.076	-.141	.090	-.127	.118
Corporate ownership	-.029	.015	-.044	.053	-.029	.015	-.044	.056	.010	.040	.016	.797
Moderation_Sta					.006	.008	.057	.474	.004	.008	.037	.653
Moderation_Cor									-.005	.004	-.069	.291
R^2			.133				.134				.134	
Adjusted R^2			.131				.131				.131	
Sig. F Change			.053				.474				.291	
Durbin-Watson											2.006	

*p <.05, **p <.01,***p <.001 (two-tailed)

Based on the regression coefficients, it can be determined if the hypotheses should be accepted or rejected. The effect of *Firmage* and *Firmsize* are significant (p=.000), meaning the chances are higher for older and larger companies to have a wider scope of internationalisation of the EMNE. However, the effect of *Industry* is proven to be insignificant (p=.607). The effect of institutional distance is significant (p=.000), suggesting that the higher institutional distance between home and developed market host country facilitates the scope of internationalisation of EMNEs. In respect of the main effect of ownership structure, only state ownership (p=.004) appears to be significant compared to family ownership. However, the result of the analysis does not show support to the moderation effects. The moderation effects of both state ownership (p=.474) and corporate blockholder ownership (p=.291) are statistically insignificant in relation to family ownership.

Table 11- Overview of hypotheses and test results

Hypothesis	**β**	**Sig.**	**Result**
H1: Institutional distance between the EMNE home country and the host country positively influences the scope of internationalisation of the EMNE.	.135	.000	Accepted
H2: Compared to family ownership, state ownership negatively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	.057	.474	Rejected
H3: Compared to family ownership, corporate blockholder ownership positively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	-.069	.291	Rejected

4.5 Robustness check

The sample of this study is largely composed of Chinese and Indian multinationals. Over-representation of a particular country or countries may result in potential bias. To address the concern of over-representation, the regression analysis is re-run twice firstly with non-Chinese firms and subsequently with non-Indian firms.

In the case of Non-Chinese firms (see appendix 10a-10c), the positive relationship between institutional distance and the scope of the internationalisation of the EMNE still holds (p=.000). Regarding the moderation effects of state ownership and corporate blockholder ownership, the effects of both moderators show insignificance in relation to family ownership (State ownership: p=.459; Corporate blockholder ownership: p=.643). An interesting finding here is the negative moderation effect of state ownership on the relationship between institutional distance and the scope of internationalisation of the EMNE, which was tested to be positive in the previous analysis that include Chinese firms in spite of the statistical insignificance.

Figure 12 Overview of hypotheses and test results (Robustness check-Non-Chinese firms)

Hypothesis	**β**	**Sig.**	**Result**
H1: Institutional distance between the EMNE home country and the host country positively influences the scope of internationalisation of the EMNE.	.151	.000	Accepted
H2: Compared to family ownership, state ownership negatively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	-.052	.459	Rejected
H3: Compared to family ownership, corporate blockholder ownership positively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	.032	.643	Rejected

The analysis of non-Indian firms also shows similar results (see appendix 11a-11c). The positive effect of institutional distance on the scope of internationalisation of the EMNE is proved to be statically significant (p=.046). In line with result of moderation effect in the original analysis and the previous analysis with non-Chinese firms, state ownership and corporate blockholder ownership have the p value of .206 and .355 respectively, indicating the statistical insignificance of the results. To sum up, removal of Chinese firms and Indian firms does not change the outcome of the analysis. Therefore, the concern of potential bias caused by over-presentation of Chinese firms and Indian firms has been resolved.

Figure 13 Overview of hypotheses and test results (Robustness check- Non-Indian firms)

Hypothesis	**β**	**Sig.**	**Result**
H1: Institutional distance between the EMNE home country and the host country positively influences the scope of internationalisation of the EMNE.	.071	.007	Accepted
H2: Compared to family ownership, state ownership negatively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	.113	.206	Rejected
H3: Compared to family ownership, corporate blockholder ownership positively moderates the positive relationship between institutional distance and the scope of internationalisation of the EMNE.	-.062	.355	Rejected

5. Discussion

Based on the result of the regression analysis from the previous chapter, a couple of points merit further discussion. Firstly, it has been proven that institutional distance between home country and developed market host country, as hypothesised, has positive effect on the scope of internationalisation of EMNEs indicating that hypothesis 1 is accepted. This finding contradicts with the mainstream of IB literatures as most of literatures suggest institutional distance makes the internationalisation process more challenging for MNEs (Eden & Miller, 2004). Traditionally, larger distance between the home and host countries, more difficult it gets for MNEs to gain legitimacy locally (Kostova & Zaheer, 1999). Institutional distance is depicted as an obstacle rather than a facilitator, which is why MNEs prefer entering markets that have similar institutional environments before entering institutionally distant ones (Johanson & Vahlne, 1977). However, the surge of EMNEs that started to emerge in the past two to three decades follows a completely different path from the existing theoretical framework regarding their internationalisation (Guillen & Garcia-Canal, 2009). The observed behaviours of EMNEs are clearly not in line with ones of MNEs in the contemporary IB research (Lahiri, 2011; Peng et al., 2008). Consistent with recent papers, the result of this study also echoes and urges the need to establish new theories that explain EMNEs (Mathews, 2002; Hennart, 2009; Kotabe & Kothari, 2016).

Furthermore, the hypothesised negative moderation effect of state ownership in relation to family ownership turned out to be statistically insignificant, resulting in rejection to hypothesis 2. Due to the constraints of using the dummy variables, it is unfortunately not possible to examine a specific ownership type individually. The moderation effects therefore are examined in a relative term. In respect of the moderation effect of state ownership, different from the prediction, shows a positive effect despite its statistical insignificance. More interestingly, when looking at the robustness check, non-Indian firms reveal the same result as the main analysis while exclusion of Chinese firms changes the direction of the moderation effect. This is very interesting because the prediction of the negative moderation effect of state ownership in relation to family ownership was based on the salient drawback of state ownership which is being perceived as a threat to national security by the host country, especially in the case of EMNEs from China (Globerman & Shapiro, 2009; Drysdale, 2011; Meyer et al., 2018). Even so, the result turned out to be

unexpected as it indicates the positive moderation effect of state ownership when compared to family ownership. Possible explanation could be the effect of state ownership is contingent upon the industry-specific idiosyncrasy (Mihailova & Panibratov, 2012; Hong, Wang & Kafouros, 2015). State ownership may have a positive effect on the firm's internationalisation if the firm operates in industries where outward investment is encouraged by the government, therefore it is important to capture industry-specific idiosyncrasy since it may be the source of the variation that affects firms' ability to internationalise (Hong, Wang & Kafouros, 2015). SOEs' investments abroad are financially supported by the government and sometimes even policies (Lehmann & Lehmann, 2017).In the case of Chinese enterprises, Amighini and his colleagues (2013) stated that SOEs, compared to privately owned firms, are less refrained from institutional distance between home and host country when venturing abroad. Besides, although both SOEs and privately owned firms have been encouraged to invest abroad by the government's 'go-global' policy, privately owned firms do not have assistance and abundant resources provided by the government, which make them more cautious in their international expansions (Duanmu, 2012). It is also possible that, SOEs have undergone extensive changes and have become different from the classical view of SOEs (Cuervo-Cazurra et al., 2014b). SOEs that have been reformed may have found a way to mitigate the problems such as poor governance and inefficiency, which are normally associated with state ownership. Consequently, as Cuervo-Cazurra and his colleagues suggest (2014b), the modernised SOEs demand a new theoretical foundation.

In addition to the moderation effect of family ownership verse state ownership, this study also looked into the moderation effect of corporate ownership compared to family ownership. Previous research underlines the potential benefits that the business relationship between the target firm and the corporate blockholder (Allen & Phillips, 2000). Corporate blockholder's resources may help alleviate the financial constraints of the target firm, which results in increasing the feasibility of overseas investments. Viewing from the perspective of agency theory, firms that are largely owned by a corporation do not need to prioritise non-commercial objectives unlike family ownership and state ownership, which allow them to fully focus on value-maximising goals (Cuervo-Cazurra, 2012). Notwithstanding strong theoretical support of positive effect of corporate blockholder ownership, the result of this study does not provide empirical support for this hypothesis 3.

Regarding the control variables of this study, firm size has a positive effect on the scope of internationalisation of EMNEs. This validates the claim that larger firms typically have greater resource availability to bear the risks and uncertainties arise from operating business abroad (Tihanyi et al., 2000; Pradhan, 2004). Internationalisation is considered as a resource-intensive process (Sapienza, Autio, George & Zahra, 2006). Resources such as managerial experiences and experts, financial resources, research and development capabilities, marketing resources and business network are especially critical to internationalise successfully (Hitt, Bierman, Uhlenbruck & Shimizu, 2006). Smaller firms are less likely to undertake international strategy due to their resource constraints (Ruzzier & Ruzzier, 2015). Larger firms generally are more resourceful as they possess the capabilities and resources needed for the internationalisation process, which is why they can better address the increased extent of complexity (Preece, Miles & Baetz, 1999). In the same vein, firm age has also been proven to have a positive effect on the scope of internationalisation of EMNEs, as predicted. Similar to larger firms, older firms tend to accumulate resources and experiences over time, which is useful for succeeding in operating their business overseas (Singla el al., 2017). Finally, EMNEs in manufacturing sector do not show significant difference from ones in non-manufacturing sector in terms of their scope of internationalisation. EMNEs in manufacturing are argued to have acquired advanced skills and technologies from their DMNE partners, which enable them to leverage their core competences at home and become multinationals later on, from partnering up with global players from developed economies via OEM, ODM and ODM arrangements (Luo & Tung, 2007). However, the result of this study does not confirm such argument.

6. Conclusion

The ultimate goal of this study is to answer the research questions formulated in the section 1.3.

What is the impact of institutional distance between the EMNE home country and the developed economy host country on the scope of internationalisation of EMNEs?

What are the relative effect of state ownership and corporate blockholder ownership between institutional distance and the scope of internationalisation of EMNEs, compared to family ownership?

The finding of this study substantiates the positive effect of institutional distance on the scope of internationalisation of EMNEs. Furthermore, this study also includes ownership structure as a determinant that might facilitate or constrain the scope of internationalisation. However, no significant moderation effect of state ownership and corporate blockholder ownership compared to family ownership is found in this study.

6.1 Implication

This study has an important theoretical implication regarding the EMNEs' internationalisation. The emergence of EMNEs has been challenging the classical IB literature, which in turn has attracted more researchers dedicated to tackle the puzzle. By empirically testing the propositions and confirming the positive effect of institutional distance, this study echoes with the other research about the need to develop a theoretical framework that fully explains EMNEs' internationalisation process. Although previous research has attempted to address the theoretical gap by identifying the differences between EMNEs and traditional MNEs as well as discussing key determinants of the internationalisation process of EMNEs, a comprehensive framework has still not been developed yet (Fey et al., 2016; Hennart, 2012; Luo & Tung, 2007; Ramamurti, 2009; Mathews, 2002). Some researchers argue that the behaviours of EMNEs can be partially explained by the existing theories (Narula, 2006) while some others contend the necessity of developing a completely new theory (Mathews, 2002). To integrate notions that researchers have raised, the springboard perspective purposed by Luo and Tung (2007) can serve as a basis since it has been validated by a number of studies (Kedia, Gaffney & Clampit, 2012; Li, Li & Shapiro, 2012; Kumar, Singh, Purkayastha, Popli & Gaur, 2020). The theory can then be further shaped by following the guidance of the 'Five M framework' (Fey at al., 2016). To reason these five Ms including Motivations, Modes, Markets, Management and Methods, the theory can gradually evolve into a solid one.

In addition, this study also provides a managerial implication for managers and policymakers. Mainstream IB literature stresses the uncertainties and liabilities associated with institutional distance, yet the result reveals the opposite suggestion as it highlights the positive effect of institutional distance on the scope of internationalisation of EMNEs. EMNEs emerged from a completely different context from DMNEs. Instead of the possession of outstanding technological capabilities and strong brand names, EMNEs have been equipped with the

capabilities such as dealing with problems result from the underdeveloped institutional environment. EMNEs are better at coping with the uncertainties in the internationalisation process compared to DMNEs and they are consequently more knowledgeable about the customer preferences in countries that have similar contexts (Luo & Bu, 2018). Managers of firms located in emerging markets should realise the potential benefits venturing in developed countries can bring to the company. For managers of firms that are already doing business abroad (EMNEs), it is important to be aware that greater institutional distance facilitates the scope of internationalisation. By investing in developed countries that have large institutional distance from the home country, EMNEs can rapidly mend the gap between them and their competitors from the developed economies.

6.2 Limitation & Future research

In spite of the theoretical contribution and managerial relevance mentioned in the previous section, this study is still subject to some limitations. First of all, the time period of this study is from 2017 to 2018, which may be too short to fully capture the effect of institutional distance and ownership structure on the scope of internationalisation. The reason why this study did not consider about having a longer duration is due to the unavailability of ownership data in Orbis database. Orbis database unfortunately does not offer the option to trace back the historical data; the data is dynamic, meaning it can be updated anytime. To have the ownership data from 2017, a large proportion of companies that have data updated in 2018 were filtered out. As a consequence, only companies that have data updated until 2017 are included in the sample. Future research can replicate this study by extending the timeframe if there is a database that allows researchers to review the data of a random year.

The other major limitation is the method regarding using dummy variables to represent ownership data, as mentioned in the discussion section. Owing to the fact that one of the items should be set as the reference category when using dummy variables, the variable is therefore examined in a relative term instead of the individual effect. Other statistical methods or software that enables examination of individual effect of an ownership type can be considered for the future research.

Lastly, this study assumes that there is homogeneity in terms of ownership structure within emerging markets. The concentrated ownership is assumed to be the norm in emerging markets,

hence a higher threshold for the corporate blockholder ownership is applied. However, some emerging countries have more developed institutional environments and higher quality of infrastructure than others, which causes significant differences across emerging markets. According to the typology of emerging economies developed by Hoskisson et al. (2013), emerging economies can be further divided into three types: Newly developed economies, Mid-range emerging economies and Traditional emerging economies, grounded on two dimensions: institutional development and infrastructure & factor market development of the given country. Based on this categorisation, the sample of this study is largely consisted of mid-range emerging economies (82.4 %) which could possibly result in wrong implications about newly developed economies. As Luo & Tung (2007) also pointed out that the internationalisation process for mid-range emerging economies is different from the one for newly developed economies (e.g. South Korea and Taiwan), the EMNEs springboard perspective refer to are merely from the mid-range economies. With regard to ownership structure for instance, a high percentage of state ownership characterises only multinationals from mid-range emerging countries. Thus, the suggestion for the future studies is to group emerging countries that have similar level of institutional environments or to adopt the categorisation of Hoskisson et al. (2013). In this way, the result would reveal more accurate nature of EMNEs and would help complete a more comprehensive theory of EMNE's internationalisation process.

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Appendix 1- Score of institutional distance for each country (2017)

Country	Code	Government Effectiveness	Regulatory Quality	Rule of law	Political Stability &no violence	Control of Corruption	Voice & Accountability	Institutional environment
United Arab Emirates	ARE	1.42	1.01	0.80	0.62	1.13	-1.10	**3.88**
Brazil	BRA	-0.29	-0.11	-0.28	-0.42	-0.53	0.45	**-1.18**
China	CHN	0.42	-0.15	-0.26	-0.23	-0.27	-1.50	**-1.99**
Indonesia	IDN	0.04	-0.11	-0.35	-0.50	-0.25	0.13	**-1.04**
India	IND	0.09	-0.25	0.00	-0.76	-0.24	0.39	**-0.77**
Korea, Rep.	KOR	1.07	1.11	1.16	0.32	0.48	0.74	**4.88**
Mexico	MEX	-0.03	0.20	-0.57	-0.72	-0.93	-0.08	**-2.13**
Malaysia	MYS	0.83	0.68	0.41	0.12	0.03	-0.40	**1.67**
Poland	POL	0.64	0.88	0.47	0.52	0.72	0.78	**4.01**
Russian Federation	RUS	-0.08	-0.48	-0.79	-0.64	-0.89	-1.09	**-3,97**
Saudi Arabia	SAU	0.26	0,00	0.10	-0.58	0.36	-1.68	**-1.54**
Thailand	THA	0.38	0.14	0.04	-0.75	-0.39	-1.05	**-1.63**
Turkey	TUR	0.08	0.04	-0.25	-1.79	-0.19	-0.71	**-2.82**
Taiwan	TWN	1.26	1.37	1.14	0.86	0.96	1.01	**6.60**
Australia	AUS	1.54	1.93	1.68	0.89	1.80	1.38	**9.22**
Canada	CAN	1.85	1.89	1.80	1.10	1.92	1.48	**10.04**
Germany	DEU	1.72	1.78	1.61	0.59	1.84	1.39	**8.93**
Spain	ESP	1.03	0.94	1.01	0.28	0.49	1.03	**4.78**
France	FRA	1.35	1.16	1.44	0.28	1.26	1.15	**6.64**
United Kingdom	GBR	1.41	1.71	1.68	0.33	1.84	1.33	**8.30**
Italy	ITA	0.50	0.70	0.32	0.31	0.19	1.05	**3.07**
Netherlands	NLD	1.85	2.05	1.83	0.92	1.87	1.57	**10.09**
United States	USA	1.55	1.63	1.64	0.34	1.38	1.05	**7.59**

Appendix 2- Institutional distance between emerging markets and developed countries (2017)

Country	Code	Institutional environment	Dis-AUS	Dis-CAN	Dis-DEU	Dis-ESP	Dis-FRA	Dis-GBR	Dis-ITA	Dis-NLD	Dis-USA
United Arab Emirates	ARE	3.88	5.34	6.16	5.05	0.90	2.76	4.42	0.81	6.21	3.71
Brazil	BRA	-1.18	10.40	11.22	10.11	5.96	7.82	9.48	4.25	11.27	8.77
China	CHN	-1.99	11.21	12.03	10.92	6.77	8.63	10.29	5.06	12.08	9.58
Indonesia	IDN	-1.04	10.26	11.08	9.97	5.82	7.68	9.34	4.11	11.13	8.63
India	IND	-0.77	9.99	10.81	9.70	5.55	7.41	9.07	3.84	10.86	8.36
Korea, Rep.	KOR	4.88	4.34	5.16	4.05	0.10	1.76	3.42	1.81	5.21	2.71
Mexico	MEX	-2.13	11.35	12.17	11.06	6.91	8.77	10.43	5.20	12.22	9.72
Malaysia	MYS	1.67	7.55	8.37	7.26	3.11	4.97	6.63	1.40	8.42	5.92
Poland	POL	4.01	5.21	6.03	4.92	0.77	2.63	4.29	0.94	6.08	3.58
Russian Federation	RUS	-3.97	13.19	14.01	12.90	8.75	10.61	12.27	7.04	14.06	11.56
Saudi Arabia	SAU	-1.54	10.76	11.58	10.47	6.32	8.18	9.84	4.61	11.63	9.13
Thailand	THA	-1.63	10.85	11.67	10.56	6.41	8.27	9.93	4.70	11.72	9.22
Turkey	TUR	-2.82	12.04	12.86	11.75	7.60	9.46	11.12	5.89	12.91	10.41
Taiwan	TWN	6.60	2.62	3.44	2.33	1.82	0.04	1.70	3.53	3.49	0.99
Australia	AUS	**9.22**									
Canada	CAN	**10.04**									
Germany	DEU	**8.93**									
Spain	ESP	**4.78**									
France	FRA	**6.64**									
United Kingdom	GBR	**8.30**									
Italy	ITA	**3.07**									
Netherlands	NLD	**10.09**									
United States	USA	**7.59**									

Appendix 3- Missing value frequency table

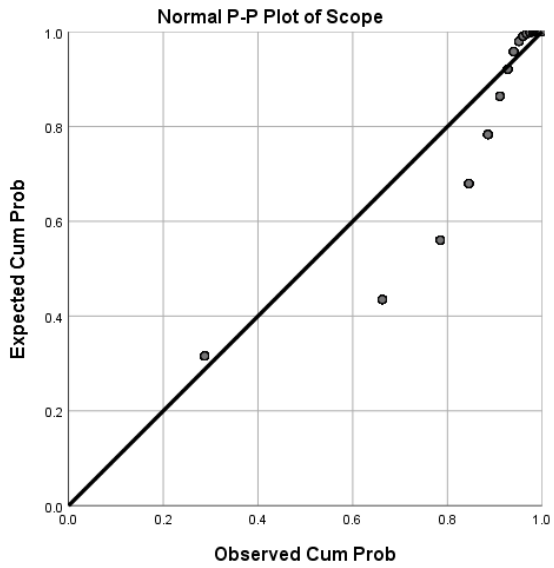
	N		
Variable	Valid	Missing	%
Firm age	2087	565	21.3
Firm size (Total assets)	2647	0	
Industry	2647	0	

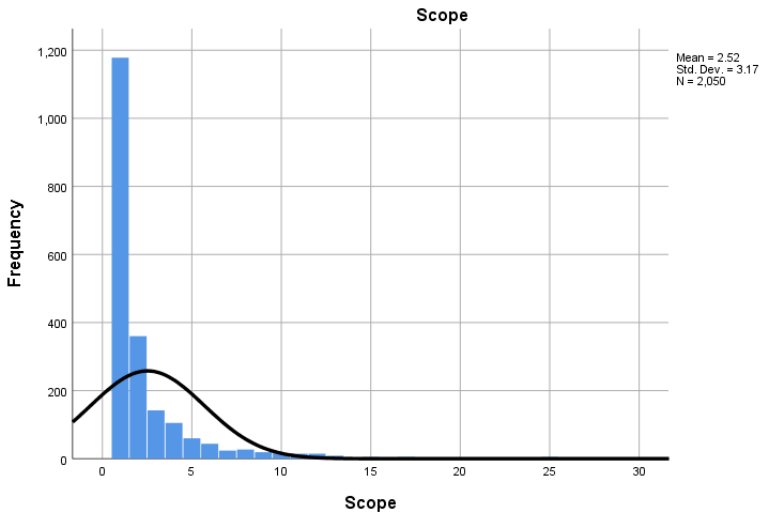
Appendix 4- Outliers

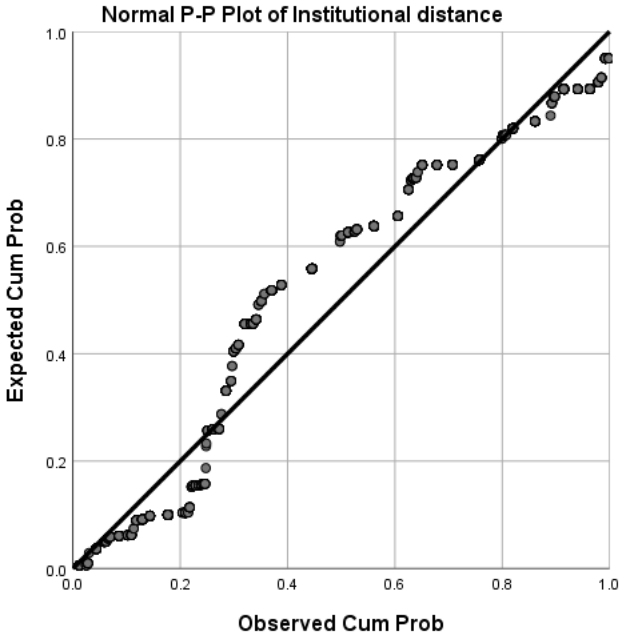
No.	Company name	Country	Z-score
1	CHINA CONSTRUCTION BANK CO., LTD	China	3.15
2	AGRICULTURAL BANK OF CHINA LIMITED	China	3.14
3	CHINA DEVELOPMENT BANK CORPORATION	China	3.04
4	CITIC GROUP CORPORATION	China	2.78
5	CITIC CORPORATION LIMITED	China	2.77
6	INTERGLOBE TECHNOLOGY QUOTIENT PRIVATE LIMITED	India	-3.28
7	STATE BANK OF INDIA	India	3.36
8	BANCO DO BRASIL S.A.	Brazil	3.34
9	CHINA MERCHANTS GROUP LIMITED	China	2.77
10	THE TATA POWER COMPANY LIMITED	India	2.81
11	BOUSTEAD HOLDINGS BHD	Malaysia	3.18
12	BECLE, S.A.B DE C.V.	Mexico	3.68
13	BENNETT COLEMAN AND COMPANY LIMITED	India	3.10
14	CNO S.A	Brazil	2.93
15	EGCO PLUS COMPANY LIMITED	Thailand	-3.45
16	THE BOMBAY BURMAH TRADING CORPORATION LIMITED	India	2.86
17	COX & KINGS LTD.	India	3.68
18	FORBES & COMPANY LTD.	India	3.62

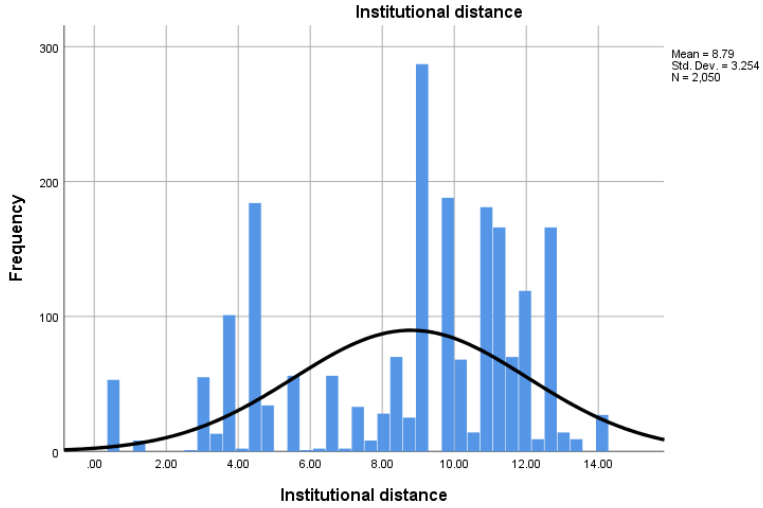
19	HYUNDAI GLOBAL SERVICE CO.,LTD	Korea	-2.99
20	BALMER LAWRIE & COMPANY LIMITED	India	2.82
21	LOTOS UPSTREAM SP. Z O.O.	Poland	-3.45
22	DEYANG ZHONGDE AVUS ENVIRONMENTAL TECHNOLOGY CO., LTD.	China	-2.99
23	GREAVES COTTON LIMITED	India	2.90
24	CLIP LOGISTYKA SP. Z O.O.	Poland	-2.99
25	GRUPA KAPITALOWA IMMOBILE SPOLKA AKCYJNA	Poland	2.81
26	TRUE DIGITAL & MEDIA PLATFORM COMPANY LIMITED	Thailand	-3.45
27	IGA WORKS INC	Korea	-2.99
28	HPMT HOLDINGS BERHAD	Malaysia	-3.45
29	C. HARTWIG GDYNIA S. A.	Poland	2.91
30	ACER CLOUD TECHNOLOGY (TAIWAN	Taiwan	-2.99
31	SBTM CORPORATION	Korea	-3.45
32	FOLTRANS CENTER SP. Z O.O.	Poland	-2.99

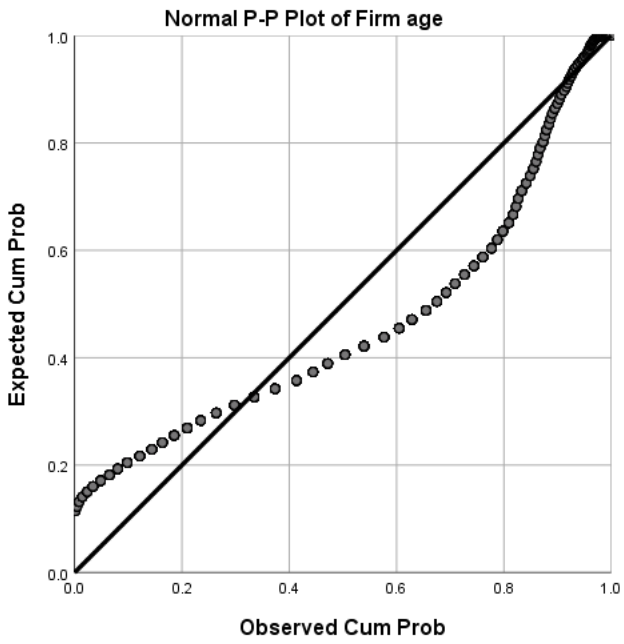
Appendix 5a-Variables before transformation

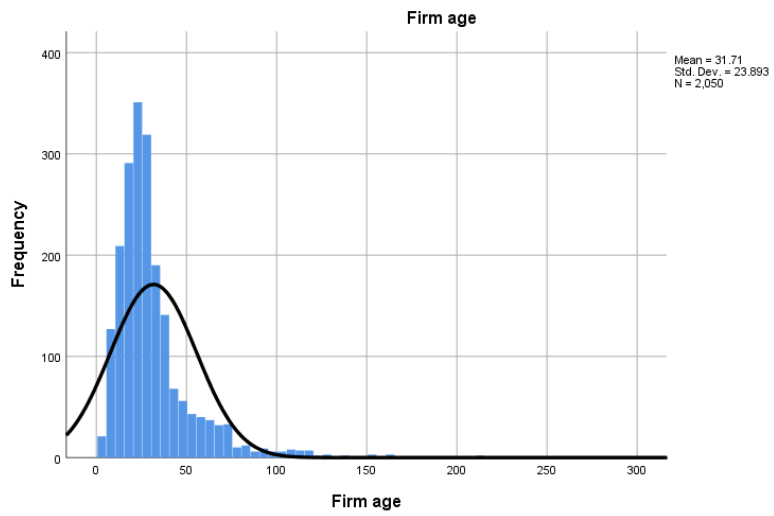


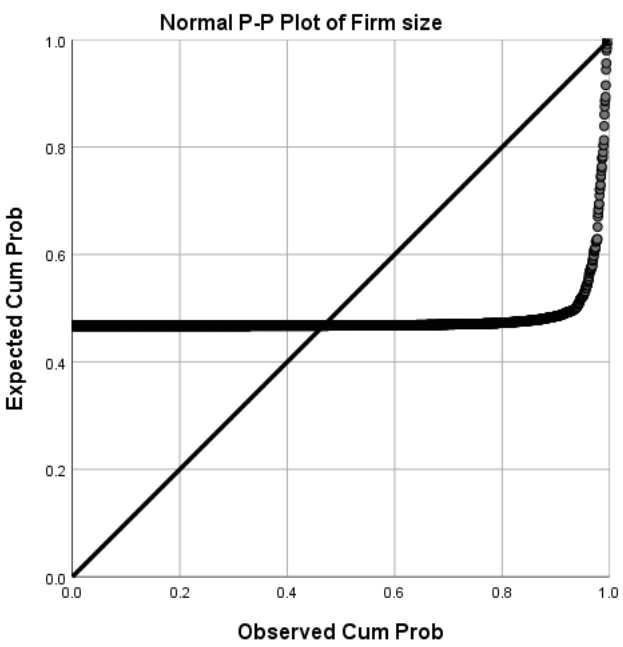


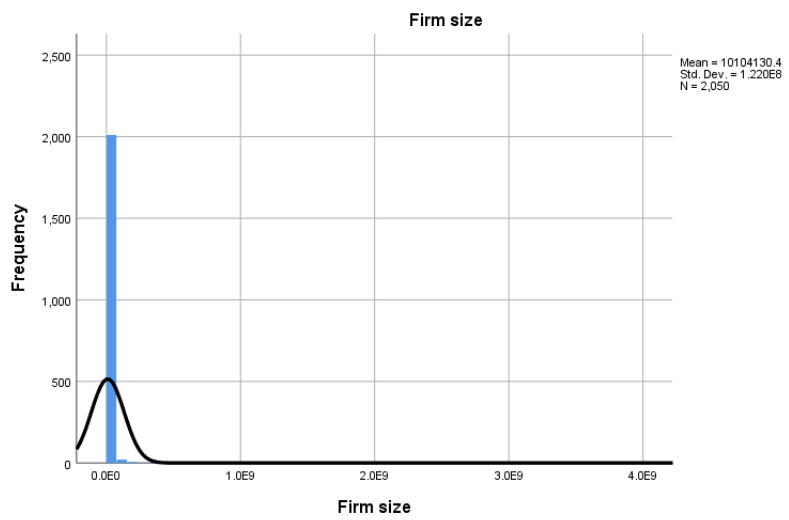




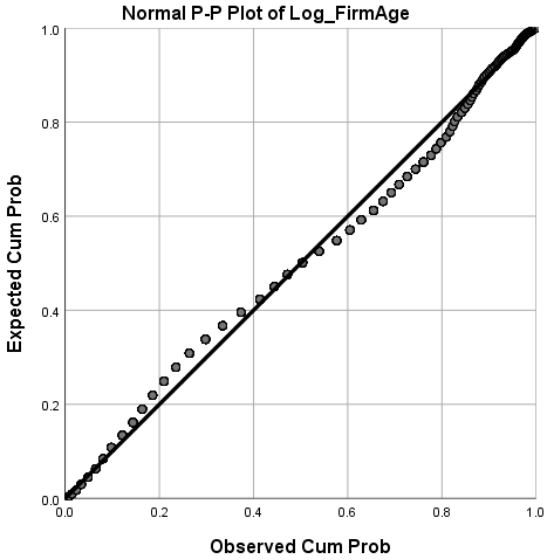

Normal P-P Plot of Firm age
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0

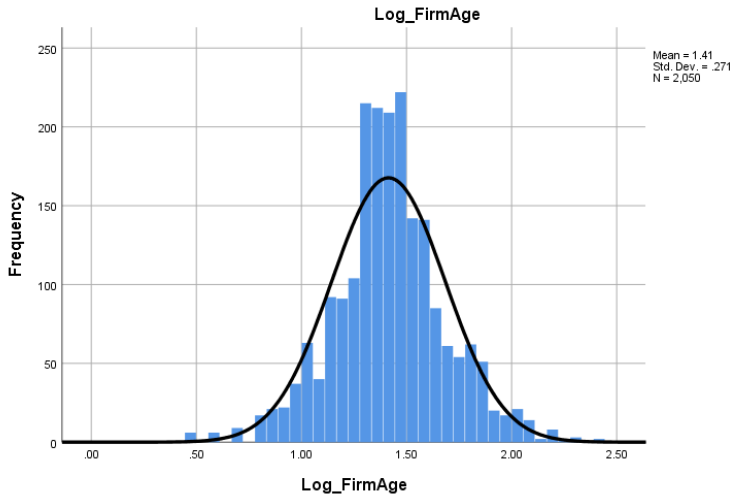

Firm age
Mean = 31.71
Std. Dev. = 23.893
N = 2,050
Frequency
Firm age
0
100
200
300
400
0
50
100
150
200
250
300

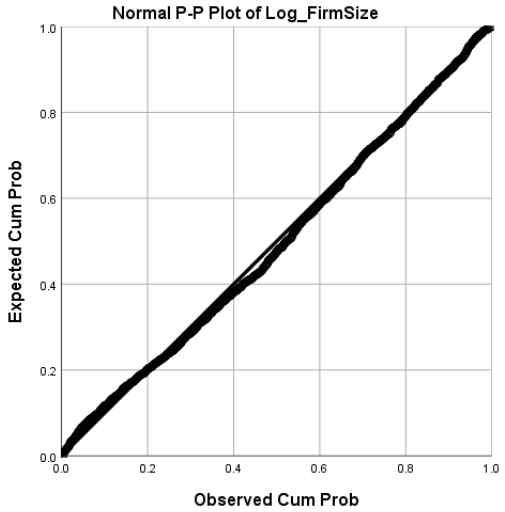

Normal P-P Plot of Firm size
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0

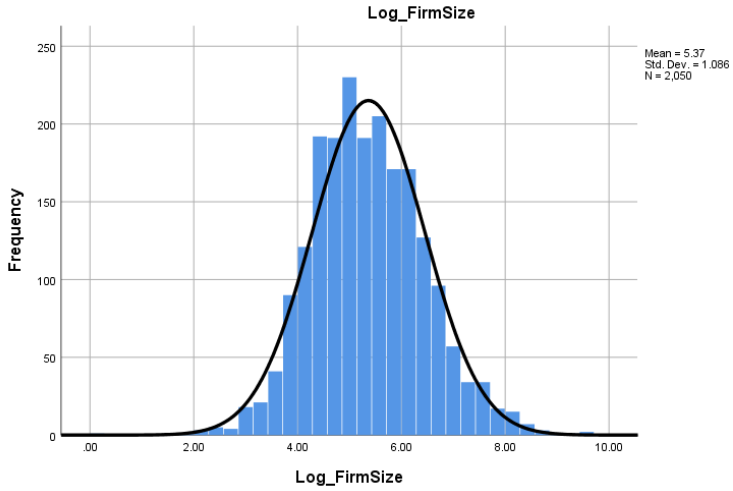

Firm size
Mean = 10104130.4
Std. Dev. = 1.220E8
N = 2,050
Frequency
Firm size
0
500
1,000
1,500
2,000
2,500
0.0E0
1.0E9
2.0E9
3.0E9
4.0E9

Appendix 5b- Variables after transformation









Appendix 6- Descriptive Statistics (before & after transformations)

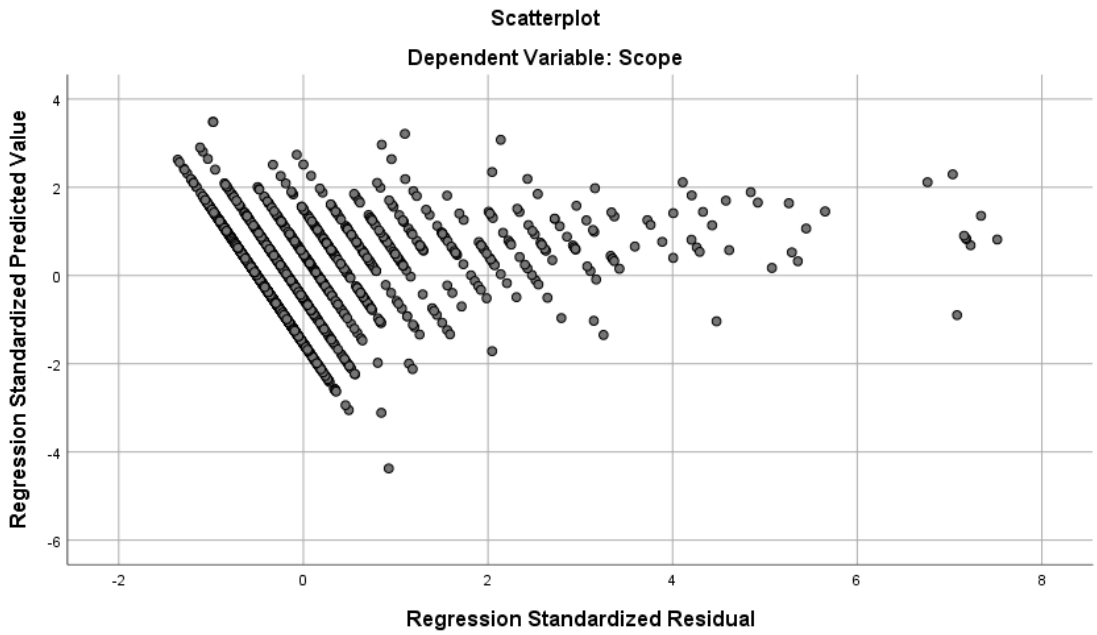
Descriptive Statistics

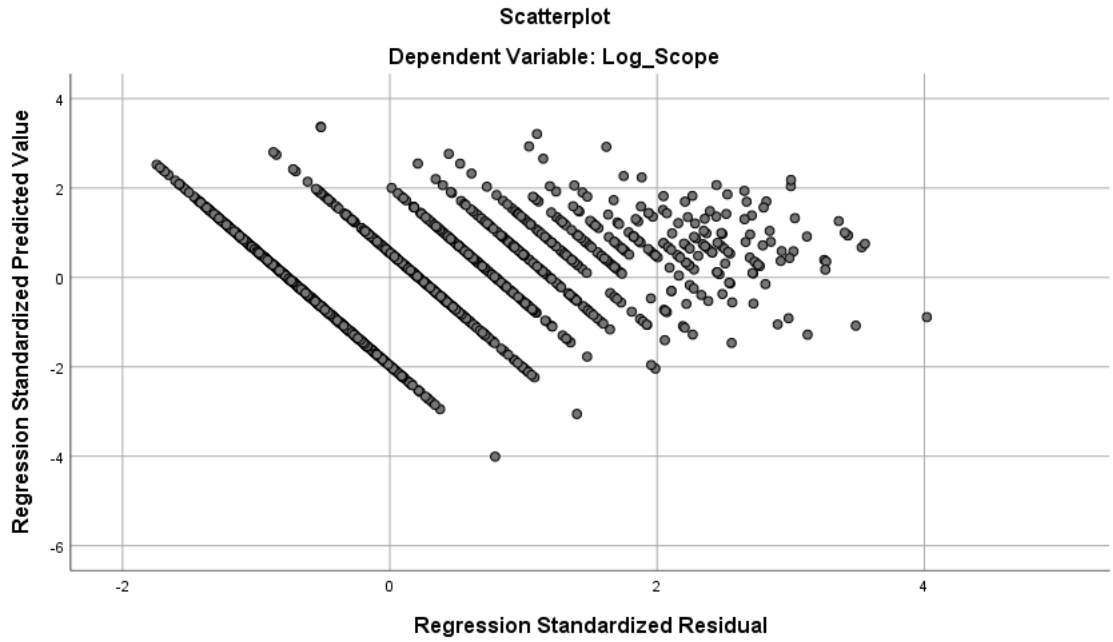
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Firm age	2050	3	262	31.71	23.893	3.153	.054	16.516	.108
Log_FirmAge	2050	.48	2.42	1.4141	.27089	.035	.054	.832	.108
Sqrt_FirmAge	2050	1.73	16.19	5.3504	1.75753	1.400	.054	3.753	.108

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Firm size	2050	1	3388690163	10104130.40	121978734.784	23.838	.054	613.636	.108
Log_FirmSize	2050	.09	9.53	5.3664	1.08625	.225	.054	.488	.108
Sqrt_FirmSize	2050	1.11	58212.46	1167.1193	2957.40246	11.034	.054	174.995	.108

Appendix 7- Scatterplots between before and after transformation





Appendix 8- Correlations

Correlations

		Log_Scope	Log_FirmSize	Log_FirmAge	Manufacturing	Institutional Distance	Moderation_ State	Moderation_ Corporate_
Log_Scope	Pearson Correlation	1	.321**	.147**	.013	.226**	.101**	.081**
	Sig. (2-tailed)		.000	.000	.569	.000	.000	.000
Log_FirmSize	Pearson Correlation	.321**	1	.171**	.030	.312**	.437**	.196**
	Sig. (2-tailed)	.000		.000	.173	.000	.000	.000
Log_FirmAge	Pearson Correlation	.147**	.171**	1	.148**	.101**	.018	.030
	Sig. (2-tailed)	.000	.000		.000	.000	.414	.174
Manufacturing	Pearson Correlation	.013	.030	.148**	1	-.012	-.154**	.033
	Sig. (2-tailed)	.569	.173	.000		.577	.000	.135
InstitutionalDistance	Pearson Correlation	.226**	.312**	.101**	-.012	1	.210**	.309**
	Sig. (2-tailed)	.000	.000	.000	.577		.000	.000
Moderation_ Sta	Pearson Correlation	.101**	.437**	.018	-.154**	.210**	1	-.274**
	Sig. (2-tailed)	.000	.000	.414	.000	.000		.000
Moderation_ Cor	Pearson Correlation	.081**	.196**	.030	.033	.309**	-.274**	1
	Sig. (2-tailed)	.000	.000	.174	.135	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix 9a- Regression analysis- ANOVA table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.777	3	8.259	86.058	.000[b]
	Residual	196.353	2046	.096		
	Total	221.130	2049			
2	Regression	28.392	4	7.098	75.311	.000[c]
	Residual	192.738	2045	.094		
	Total	221.130	2049			
3	Regression	29.169	5	5.834	62.118	.000[d]
	Residual	191.961	2044	.094		
	Total	221.130	2049			
4	Regression	29.520	6	4.920	52.459	.000[e]
	Residual	191.609	2043	.094		
	Total	221.130	2049			
5	Regression	29.568	7	4.224	45.028	.000[f]
	Residual	191.561	2042	.094		
	Total	221.130	2049			
6	Regression	29.673	8	3.709	39.541	.000[g]
	Residual	191.457	2041	.094		
	Total	221.130	2049			

a. Dependent Variable: Log_Scope

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

g. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

Appendix 9b- Regression analysis- Variables Entered/ Removed

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge[b]	.	Enter
2	InstitutionalDistance2017[b]	.	Enter
3	StateDummy State_Dummy[b]	.	Enter
4	CorporateDummy Corporate_Dummy[b]	.	Enter
5	Moderation_Distance_Sta[b]	.	Enter
6	Moderation_Distance_Cor[b]	.	Enter

a. Dependent Variable: Log_Scope

b. All requested variables entered.

Appendix 9c- Regression analysis- Model Summary

Model Summary[g]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.335[a]	.112	.111	.30979	.112	86.058	3	2046	.000	
2	.358[b]	.128	.127	.30700	.016	38.355	1	2045	.000	
3	.363[c]	.132	.130	.30645	.004	8.276	1	2044	.004	
4	.365[d]	.133	.131	.30625	.002	3.747	1	2043	.053	
5	.366[e]	.134	.131	.30629	.000	.512	1	2042	.474	
6	.366[f]	.134	.131	.30628	.000	1.114	1	2041	.291	2.006

a. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

g. Dependent Variable: Log_Scope

Appendix 9d- Regression analysis- Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.399	.043		-9.297	.000
	Log_FirmAge	.104	.023	.096	4.492	.000
	Log_FirmSize	.092	.006	.305	14.439	.000
	Manufacturing	-.007	.014	-.011	-.515	.607
2	(Constant)	-.434	.043		-10.126	.000
	Log_FirmAge	.096	.023	.089	4.189	.000
	Log_FirmSize	.080	.007	.264	12.035	.000
	Manufacturing	-.005	.014	-.007	-.330	.742
	InstitutionalDistance	.013	.002	.135	6.193	.000
3	(Constant)	-.470	.045		-10.544	.000
	Log_FirmAge	.095	.023	.088	4.149	.000
	Log_FirmSize	.089	.007	.294	12.140	.000
	Manufacturing	-.012	.014	-.018	-.871	.384
	InstitutionalDistance	.013	.002	.135	6.233	.000
	StateDummy	-.074	.026	-.067	-2.877	.004
4	(Constant)	-.476	.045		-10.664	.000
	Log_FirmAge	.094	.023	.087	4.120	.000
	Log_FirmSize	.093	.008	.309	12.171	.000
	Manufacturing	-.014	.014	-.021	-.979	.327
	InstitutionalDistance	.014	.002	.136	6.255	.000
	StateDummy	-.097	.028	-.088	-3.424	.001
	CorporateDummy	-.029	.015	-.044	-1.936	.053
5	(Constant)	-.474	.045		-10.602	.000
	Log_FirmAge	.096	.023	.089	4.168	.000
	Log_FirmSize	.093	.008	.308	12.146	.000
	Manufacturing	-.014	.014	-.021	-.992	.321
	InstitutionalDistance	.013	.002	.132	5.869	.000
	StateDummy	-.158	.089	-.142	-1.772	.076
	CorporateDummy	-.029	.015	-.044	-1.913	.056
	Moderation_Distance_Sta	.006	.008	.057	.716	.474
6	(Constant)	-.491	.047		-10.348	.000
	Log_FirmAge	.094	.023	.087	4.081	.000

	Log_FirmSize	.094	.008	.310	12.193	.000
	Manufacturing	-.014	.014	-.021	-.986	.324
	InstitutionalDistance	.015	.003	.152	5.155	.000
	StateDummy	-.141	.090	-.127	-1.564	.118
	CorporateDummy	.010	.040	.016	.257	.797
	Moderation_Distance_Sta	.004	.008	.037	.450	.653
	Moderation_Distance_Cor	-.005	.004	-.069	-1.055	.291

a. Dependent Variable: Log_Scope

Appendix 9e- Regression analysis- Excluded Variables

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	InstitutionalDistance2017	.135[b]	6.193	.000	.136	.900
	StateDummy State_Dummy	-.066[b]	-2.789	.005	-.062	.780
	CorporateDummy Corporate_Dummy	-.011[b]	-.526	.599	-.012	.983
	Moderation_Distance_Sta	-.046[b]	-1.966	.049	-.043	.780
	Moderation_Distance_Cor	.020[b]	.928	.354	.021	.961
2	StateDummy State_Dummy	-.067[c]	-2.877	.004	-.064	.780
	CorporateDummy Corporate_Dummy	-.012[c]	-.558	.577	-.012	.983
	Moderation_Distance_Sta	-.059[c]	-2.524	.012	-.056	.774
	Moderation_Distance_Cor	-.016[c]	-.747	.455	-.017	.892
3	CorporateDummy Corporate_Dummy	-.044[d]	-1.936	.053	-.043	.812
	Moderation_Distance_Sta	.062[d]	.773	.440	.017	.066
	Moderation_Distance_Cor	-.055[d]	-2.246	.025	-.050	.719
4	Moderation_Distance_Sta	.057[e]	.716	.474	.016	.066
	Moderation_Distance_Cor	-.075[e]	-1.193	.233	-.026	.106
5	Moderation_Distance_Cor	-.069[f]	-1.055	.291	-.023	.101

a. Dependent Variable: Log_Scope

b. Predictors in the Model: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

c. Predictors in the Model: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

d. Predictors in the Model: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

e. Predictors in the Model: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

f. Predictors in the Model: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

Appendix 9f- Regression analysis- Residuals Statistics

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.2751	.6319	.2350	.12034	2050
Residual	-.55936	1.23643	.00000	.30568	2050
Std. Predicted Value	-4.238	3.298	.000	1.000	2050
Std. Residual	-1.826	4.037	.000	.998	2050

a. Dependent Variable: Log_Scope

Appendix 10a- Robustness check-Non-Chinese firms-ANOVA table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.704	3	6.235	67.613	.000[b]
	Residual	138.042	1497	.092		
	Total	156.746	1500			
2	Regression	22.082	4	5.520	61.327	.000[c]
	Residual	134.664	1496	.090		
	Total	156.746	1500			
3	Regression	23.258	5	4.652	52.096	.000[d]
	Residual	133.488	1495	.089		
	Total	156.746	1500			
4	Regression	23.513	6	3.919	43.943	.000[e]
	Residual	133.233	1494	.089		
	Total	156.746	1500			
5	Regression	23.561	7	3.366	37.732	.000[f]
	Residual	133.184	1493	.089		
	Total	156.746	1500			
6	Regression	23.581	8	2.948	33.025	.000[g]
	Residual	133.165	1492	.089		
	Total	156.746	1500			

a. Dependent Variable: Log_Scope

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

g. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

Appendix 10b- Robustness check-Non-Chinese firms- Model summary

Model Summary[g]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.345[a]	.119	.118	.30366	.119	67.613	3	1497	.000	
2	.375[b]	.141	.139	.30003	.022	37.521	1	1496	.000	
3	.385[c]	.148	.146	.29881	.008	13.173	1	1495	.000	
4	.387[d]	.150	.147	.29863	.002	2.855	1	1494	.091	
5	.388[e]	.150	.146	.29867	.000	.548	1	1493	.459	
6	.388[f]	.150	.146	.29875	.000	.215	1	1492	.643	2.062

a. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

g. Dependent Variable: Log_Scope

Appendix 10c- Robustness check-Non-Chinese firms-Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.413	.048		-8.658	.000
	Log_FirmAge	.096	.026	.096	3.756	.000
	Log_FirmSize	.101	.008	.309	12.342	.000
	Manufacturing	-.013	.016	-.020	-.818	.413
2	(Constant)	-.459	.048		-9.622	.000
	Log_FirmAge	.075	.026	.075	2.930	.003
	Log_FirmSize	.094	.008	.288	11.504	.000
	Manufacturing	-.003	.016	-.005	-.200	.842
	InstitutionalDistanc	.014	.002	.151	6.125	.000
3	(Constant)	-.504	.049		-10.261	.000
	Log_FirmAge	.072	.025	.072	2.844	.005
	Log_FirmSize	.105	.009	.323	12.083	.000
	Manufacturing	-.013	.016	-.020	-.809	.419
	InstitutionalDistance	.014	.002	.155	6.297	.000
	StateDummy	-.129	.035	-.095	-3.629	.000
4	(Constant)	-.510	.049		-10.364	.000
	Log_FirmAge	.071	.025	.071	2.790	.005
	Log_FirmSize	.110	.009	.336	12.054	.000
	Manufacturing	-.015	.016	-.023	-.908	.364
	InstitutionalDistance	.015	.002	.155	6.320	.000
	StateDummy	-.150	.038	-.111	-3.989	.000
	CorporateDummy	-.028	.017	-.044	-1.690	.091
5	(Constant)	-.511	.049		-10.381	.000
	Log_FirmAge	.069	.026	.068	2.675	.008
	Log_FirmSize	.110	.009	.337	12.067	.000
	Manufacturing	-.014	.016	-.022	-.881	.379
	InstitutionalDistance	.015	.002	.160	6.287	.000
	StateDummy	-.085	.095	-.063	-.900	.368
	CorporateDummy	-.028	.017	-.044	-1.701	.089
	Moderation_Distance_Sta	-.007	.009	-.052	-.740	.459

6	(Constant)	-.505	.051		-9.909	.000
	Log_FirmAge	.069	.026	.069	2.685	.007
	Log_FirmSize	.110	.009	.337	12.067	.000
	Manufacturing	-.014	.016	-.021	-.852	.395
	InstitutionalDistance	.014	.003	.150	4.488	.000
	StateDummy	-.093	.096	-.068	-.963	.335
	CorporateDummy	-.047	.043	-.072	-1.090	.276
	Moderation_Distance_Sta	-.006	.009	-.044	-.622	.534
	Moderation_Distance_Cor	.002	.005	.032	.464	.643

a. Dependent Variable: Log_Scope

Appendix 11a- Robustness check-Non-Indian firms-ANOVA table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.211	3	6.737	76.077	.000[b]
	Residual	131.062	1480	.089		
	Total	151.273	1483			
2	Regression	20.860	4	5.215	59.143	.000[c]
	Residual	130.413	1479	.088		
	Total	151.273	1483			
3	Regression	20.953	5	4.191	47.527	.000[d]
	Residual	130.320	1478	.088		
	Total	151.273	1483			
4	Regression	21.196	6	3.533	40.112	.000[e]
	Residual	130.077	1477	.088		
	Total	151.273	1483			
5	Regression	21.336	7	3.048	34.624	.000[f]
	Residual	129.936	1476	.088		
	Total	151.273	1483			
6	Regression	21.412	8	2.676	30.400	.000[g]
	Residual	129.861	1475	.088		
	Total	151.273	1483			

a. Dependent Variable: Log_Scope

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

g. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

Appendix 11b- Robustness check-Non-Indian firms-Model summary

Model Summary[g]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.366[a]	.134	.132	.29758	.134	76.077	3	1480	.000	
2	.371[b]	.138	.136	.29694	.004	7.363	1	1479	.007	
3	.372[c]	.139	.136	.29694	.001	1.054	1	1478	.305	
4	.374[d]	.140	.137	.29676	.002	2.755	1	1477	.097	
5	.376[e]	.141	.137	.29670	.001	1.598	1	1476	.206	
6	.376[f]	.142	.137	.29672	.000	.855	1	1475	.355	1.919

a. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge

b. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017

c. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy

d. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy

e. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta

f. Predictors: (Constant), Manufacturing Manufacturing, Log_FirmSize, Log_FirmAge, InstitutionalDistance2017, StateDummy State_Dummy, CorporateDummy Corporate_Dummy, Moderation_Distance_Sta, Moderation_Distance_Cor

g. Dependent Variable: Log_Scope

Appendix 11c- Robustness check-Non-Indian firms-Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.456	.049		-9.285	.000
	Log_FirmAge	.075	.026	.070	2.841	.005
	Log_FirmSize	.102	.007	.346	14.045	.000
	Manufacturing	.008	.016	.012	.486	.627
2	(Constant)	-.457	.049		-9.328	.000
	Log_FirmAge	.074	.026	.070	2.820	.005
	Log_FirmSize	.094	.008	.317	11.876	.000
	Manufacturing	.008	.016	.012	.499	.618
	InstitutionalDistance	.006	.002	.071	2.713	.007
3	(Constant)	-.471	.051		-9.274	.000
	Log_FirmAge	.074	.026	.069	2.791	.005
	Log_FirmSize	.097	.009	.329	11.314	.000
	Manufacturing	.005	.016	.007	.295	.768
	InstitutionalDistance	.006	.002	.072	2.725	.007
	StateDummy	-.027	.027	-.028	-1.027	.305
4	(Constant)	-.477	.051		-9.377	.000
	Log_FirmAge	.073	.026	.069	2.769	.006
	Log_FirmSize	.102	.009	.344	11.309	.000
	Manufacturing	.003	.016	.005	.214	.831
	InstitutionalDistance	.006	.002	.072	2.744	.006
	StateDummy	-.050	.030	-.051	-1.672	.095
	CorporateDummy	-.029	.017	-.045	-1.660	.097
5	(Constant)	-.474	.051		-9.319	.000
	Log_FirmAge	.076	.026	.071	2.875	.004
	Log_FirmSize	.101	.009	.343	11.282	.000
	Manufacturing	.003	.016	.005	.197	.844
	InstitutionalDistance	.005	.002	.063	2.332	.020
	StateDummy	-.153	.087	-.157	-1.760	.079
	CorporateDummy	-.028	.017	-.044	-1.613	.107
	Moderation_Distance_Sta	.010	.008	.113	1.264	.206

6	(Constant)	-.489	.053		-9.170	.000
	Log_FirmAge	.074	.027	.070	2.789	.005
	Log_FirmSize	.102	.009	.346	11.315	.000
	Manufacturing	.003	.016	.005	.213	.831
	InstitutionalDistance	.007	.003	.084	2.385	.017
	StateDummy	-.140	.088	-.143	-1.582	.114
	CorporateDummy	.004	.039	.007	.111	.912
	Moderation_Distance_Sta	.008	.008	.092	.998	.318
	Moderation_Distance_Cor	-.004	.004	-.062	-.925	.355

a. Dependent Variable: Log_Scope