Strategic intent, FDI entry strategies, and emerging market MNEs' subsidiary performance: The strategic fit approach

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Abstract

Employing the strategic intent perspective as the theoretical lens, this study examines how an investing firm's foreign direct investment (FDI) entry strategies fit with its strategic intent, and how such a strategic fit influences multinational enterprises' (MNEs) subsidiary performance in the context of emerging economies. Prior studies have emphasised the importance of strategic intent as the key determinant to sustain a firm's competitive advantage and have investigated the drivers of strategic intent. However, little is known about whether or not, and if so, how emerging market multinationals (EMNEs) have achieved their strategic intent in the subsidiary. To address this research gap, this study sets out to investigate the linkage between strategic intent, FDI strategy, and subsidiary performance of EMNEs from the strategic intent perspective.

The strategic management literature suggests that optimal performance is achieved through the strategic fit between strategies and strategic objectives. This study, therefore, adopts the strategic fit approach to investigate the fit between EMNEs' strategic intent and FDI entry strategies (i.e. location strategy, entry mode strategy, entry timing strategy, and FDI intensity strategy). In order to reveal the fit conditions, this study proposes the theoretical framework by using two strategic fit approaches: the strategic fit as matching and the strategic fit as gestalts.

The framework and the derived hypotheses are then empirically tested using survey data from 392 FDI projects made by 280 Chinese MNEs. To achieve conformity between theory testing techniques and theoretical perspectives, this study performs tests by using multiple statistical techniques including structural equation modelling, discriminant analysis, cluster analysis, and analysis of variance.

The results derived from the fit as matching approach suggest that EMNEs' strategic intent do influence their FDI entry strategies, but the intent-strategy linkage is not universally valid for all the intent-strategy combinations. Similarly, a match between the entry strategies and strategic intent does not always generate superior subsidiary performance. The results derived from the fit as gestalts approach reveal the combination profiles of FDI entry strategies and their strategic intent. Based on the patterns of the profiles, investing EMNEs can be labelled as strategic prospector, strategic analyser, strategic defender, and natural resource seeker. The results also suggest that strategic analysers tend to perform better than strategic defenders and natural resource seekers, while the differences of the performance between other groups are not significant.

This study contributes to the strategic intent literature by investigating the fit between FDI entry strategies and strategic intent, and examining the subsidiary performance of EMNEs regarding the attainment of their strategic goals at the subsidiary level. Using the fit as matching and fit as gestalts approaches, this study provides a more comprehensive picture in how FDI entry strategies fit firms' strategic intent and how such a fit generates superior subsidiary performance.

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List of Abbreviations

AMOS	Analysis of Moment Structures
ANOVA	Analysis of Variance
AVE	Average Variance Extracted
BIC	Bayesian Information Criterion
CA	Cronbach's Alpha
CB-SEM	Covariance-based Structural Equation Modelling
CCPIT	China Council for the Promotion of International Trade
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CMV	Common Method Variance
CR	Composite Reliability
CSA	Country-specific Advantage
df	Degree of Freedom
EC	European Commission
e.g.	exempli gratia (for example)
EMNE	Emerging Market Multinational Enterprises
FDI	Foreign Direct Investment
FSA	Firm-specific Advantage
GDP	Gross Domestic Product
HSD	Honestly Significant Difference
IB	International Business
i.e.	id est (that is)
JV	Joint Venture
LSD	Least Significant Difference

MNE	Multinational Enterprises
NFI	Normed Fit Index
ns	Not Significant
OECD	Organisation for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location, Internalisation
OLS	Ordinary Least Square
PRO	Proportional Chance Criterion
RBV	Resource-based View
R&D	Research and Development
RMSEA	Root-mean-square Error of the Approximation
ROA	Return on Asset
ROI	Return on Investment
ROS	Return on Sales
SEM	Structural Equation Modelling
SME	Small and Medium-sized Enterprises
SOE	State-owned Enterprises
TLI	Tucker Lewis Fit Index
UNCTAD	United Nations Conference on Trade and Development
VB-SEM	Variance-based Structural Equation Modelling
VIF	Variable Inflation Factor
WOS	Wholly Owned Subsidiary

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Chapter One

Introduction

1.1 Chapter Overview

This study explores the subsidiary performance of emerging market MNEs (EMNEs) that are seeking to implement their strategic intent. This chapter introduces the background of the research and discusses the research gaps. Following this, the research objectives and research questions are introduced. The research design and methodology are also introduced followed by the contributions of the study and the definitions of key terms. The thesis outline is depicted to give an overview of the thesis structure. Finally, a chapter summary is provided to summarise the whole chapter.

1.2 Research Background

Intensified globalisation and liberalisation of economies have become commonplace in the world economy, in spite of some setbacks from time to time. This macro-trend has facilitated a dramatic increase of foreign direct investment (FDI) around the world. Following the general trend, firms have been increasingly engaged in FDI activities, and thus become multinational enterprises (MNEs). Historically, developed countries have dominated outward FDI (OFDI) flows as the key sources. However, the past three decades have witnessed an unprecedented rise of outward FDI from the emerging economies. From 2004 to 2014, OFDI flow from developing countries has increased by 317%, reaching a record high of $473 billion in 2014 and comprising more than one third of the global OFDI flow in that year (UNCTAD, 2015). Although the outward FDI flow from developing countries had a mild decline in 2015 and a recovery in 2016 (with OFDI flow reaching $383 billion), it still accounted for nearly one third of the total global amount in

2017 and is continuously shaping the world economy (UNCTAD, 2017). The surge of OFDI flow from emerging economies has allowed a plethora of EMNEs to emerge and changed the landscape of international business. In particular, EMNEs are playing an increasingly important role in driving the world economy. It is predicted that almost half of the world's largest firms will be headquartered in emerging markets by 2025, compared to just 5% in 2000 (McKinsey Quarterly, 2013). Emerging economies are likely to contribute more than 70% of the global GDP growth between 2010 and 2025 (Luo & Bu, 2017). Some of the major EMNEs – for example, Huawei, Samsung, Lenovo, Tata, and SAIC motors – have become companies with globally recognised brands and provide strong competition for their rivals from the developed countries.

The rapid increase of outward FDI and MNEs from emerging economies has resulted in the rising position of emerging markets in the world economy. Reflecting the changing landscape of the world economy and businesses, research on emerging market MNEs has flourished in recent years. Mainstream FDI theories have been generated from the business practice and experience of MNEs based in developed countries, such as the US, Europe and Japan. However, due to the significant differences between MNEs from emerging economies and their counterparts from industrialised economies in terms of firms' ownership advantages, investment motivations, FDI strategies, and national institutions, mainstream theories may not be directly applicable to MNEs from emerging economies. First of all, as proposed in Dunning's (1980) eclectic paradigm, ownership advantages such as trademarks, technologies and management know-how are the important features that MNEs need to maintain a competitive position in the foreign markets. However, MNEs from emerging economies often lack strong ownership advantages in comparison to their developed country rivals (Mathews, 2017). Despite the various ownership disadvantages, MNEs from emerging economies are still able to

successfully compete with those from developed countries (Mathews, 2017). Thus, Dunning's (1980) eclectic paradigm cannot adequately explain how EMNEs sustain their business performance when encountering ownership disadvantage and intense competition globally.

Based on the institutional theory, weak market mechanisms, under-developed legal systems, and weak property rights protection in a host country act as barriers to businesses and would incur extra costs for MNEs operating in that country (Peng et al., 2008). However, it seems that the weak institutions in developing countries have not severely affected the performance of MNEs from emerging economies as they are still able to maintain good subsidiary performance under weak institutions (Liu, Gao, Lu, & Lioliou, 2015). Instead, subsidiaries of EMNEs could face more challenges and severe competition operating under strong institutions due to the unfamiliarity of the systems. Prior studies also suggest that an unstable institutional environment of a host country per se cannot determine EMNEs' FDI strategies (Kolstad, & Wiig, 2012; Ramasamy, Yeung, & Laforet, 2012), and in turn influence firms' subsidiary performance. It is firms' investment motivations that interact with the institutional environment and jointly influence firms' FDI strategies and firm performance at the subsidiary level. The inconsistent research findings based on the institutional theory makes EMNEs' subsidiary performance a puzzle to be solved.

Despite the success of a number of famous EMNEs around the world, numerous EMNE investment projects fail to achieve their strategic goals (Ding, Akoorie, & Pavlovich, 2009). There are three reasons for this. Firstly, as late arrivals in the global competitive arena, EMNEs lack substantial ownership advantages compared to their developed country rivals (Buckley et al., 2007). Consequently, they struggle when encountering

intense competition for investment in developed countries. Secondly, even in the less competitive developing countries, EMNEs may be exposed to risks due to unstable political systems or under-developed economic systems, which can also cause increased transaction costs and operation costs (Gugler, Mueller, Peev, & Segalla, 2013). Thirdly, with a short history of internationalisation, EMNEs lack the international experience and knowledge to make appropriate decisions when choosing an entry mode and location.

While some factors can contribute to EMNEs' competitive disadvantage, a number of studies further suggest FDI entry strategies could play a central role in the success of EMNEs' internationalisation (Cui & Jiang, 2012; Kang & Jiang, 2012; Miller, Lavie, & Delios, 2016; Suarez, Grodal, & Gotsopoulos, 2015; Zachary, Gianiodis, Payne, & Markman, 2015). Indeed, an investing firm's choices regarding its FDI location, entry mode, entry timing, and entry intensity would set the tone for the firm's strategic orientation, and thus influence its long-term success in the subsidiary. Managers tend to be emotionally attached and potentially biased towards one strategy over another. Undoubtedly, cumulative experience from using certain FDI strategies will increase the success rate of the deal. It is likely that decision makers tend to stick to what they are good at and favour the FDI strategies with which they have had most experience. As a result, managers are less likely to actively seek an alternative strategy for a different organisational goal. Once an inappropriate entry mode or location decision is made, it is difficult to alter and may cause significant financial loss (Cui, Jiang, & Stening, 2011). When FDI strategies, the control systems, and the following subsidiary level processes do not logically match well with organisational goals, these goals will not be achieved.

Given the significant role the emerging economies play in the global market and the puzzles of EMNEs' success despite the difficulties, research on EMNEs' performance is

an important topic. However, there has not been sufficient research on the performance of EMNEs, especially the post-internationalisation performance at the subsidiary level (Buckley, Clegg, Voss, Cross, Liu, & Zheng, 2018). Therefore, I have focused on the emerging economy context and the less researched but important topic of EMNEs' subsidiary performance. The insufficient research on EMNEs' subsidiary performance is partially due to lack of data transparency and the difficulty of assessing the performance of firms with different goals (Buckley et al., 2018). This study overcomes the difficulty in performance assessment by investigating subsidiary performance of EMNEs regarding the attainment of firms' goals.

1.3 Research Gaps

MNEs enter foreign markets for different reasons. The success of MNEs' subsidiaries from emerging economies such as China can involve the achievement of specific goals – for example, acquiring advanced technology and managerial skills – rather than making a profit in that particular market. When the performance of a specific subsidiary of the MNE is assessed without using the traditional indicators of success, the determinants of success would also be different. When proposing his influential eclectic paradigm, Dunning (1993) identified strategic asset seeking, market seeking, natural resource seeking, and efficiency seeking as four key motives for a firm's involvement in FDI behaviour. On the other hand, prior research has suggested that EMNEs are characterised by their strategic motives or aggressive goals, known formally as strategic intent (Deng, 2004; Rui & Yip, 2008). Further, a number of prior studies (Li, 2007; Nguyen, 2011; Verbeke & Brugman, 2009; Verbeke, Lei, & Goerzen, 2009) have identified motives or strategic intentions of the investing firm as a potential factor influencing the subsidiary performance. However, no prior research has empirically examined the linkage between

strategic goals, entry strategies and subsidiary performance. That is to say, existing literature on EMNEs is not clear on how an investing firm's strategic intent for its FDI behaviour affects its FDI entry strategies, and how a linkage between the various types of strategic intent and FDI entry strategies would generate performance implications at the subsidiary level. To address this research gap in the existing literature, the present study focuses on the investigation of EMNEs' performance from the strategic intent perspective (Hamel & Prahalad, 1989; Rui & Yip, 2008).

Prior research has emphasised the importance of strategic intent as the key determinant for EMNEs to obtain sustained competitive advantage and thereby convert their competitively backward position to a leader's position with global recognition (Bass & Chakrabarty, 2014; Cui, Meyer, & Hu, 2014; Mariadoss, Johnson, & Martin, 2014; Rui & Yip, 2008). Following the strategic intent perspective, prior international business (IB) research has examined various issues related to EMNEs' strategic intent, such as conceptualisation and drivers of strategic intent (Anderson, Sutherland, & Severe, 2015; Bass & Chakrabarty, 2014; Buckley, Cross, Hui, Liu, & Voss, 2008; Elia & Santangelo, 2017; Meyer, 2015; Yang, Yang, Chen, & Allen, 2014). It is clear that strategic intent is a multidimensional construct that includes different specific forms, such as strategic asset seeking (Anderson et al., 2015; Elia & Santangelo, 2017; Meyer, 2015), offensive market seeking (Buckley et al., 2008), and natural resource seeking (Bass & Chakrabarty, 2014; Kang & Liu, 2016). Research has also identified home country competition, firm governance structure and firm capabilities as the main drivers of strategic intent (Cui et al., 2014). While prior research has shed substantial light on the nature and driving forces, one important question remains unanswered in the EMNE context: how can strategic intent be achieved given the EMNEs' limited firm resources? Moreover, EMNEs do not take only one type of strategic intent. It is very common for different types of strategic

intent to coexist in one subsidiary simultaneously (Gaffney, Kedia, & Clampit, 2013; Luo & Bu, 2017). However, existing studies have investigated only one type of strategic intent at a time. Therefore, this study fills this gap by simultaneously examining all three types of strategic intent and by focusing on the approaches the investing firm uses to achieve its strategic intents.

The Uppsala model (Johanson & Vahlne, 1977) suggests that firms follow a gradual process of internationalisation. For example, firms start entering foreign markets by using a relatively low risk mode, such as exporting, and move gradually to a high risk mode such as FDI. Furthermore, firms move gradually from operating in geographically and culturally close markets to more distant markets. Empirical studies show that a firm's internationalisation activity that follows this model has a positive impact on its performance (Delios & Beamish, 2001; Luo & Peng, 1999). However, some EMNEs are 'born-global' and do not follow the traditional path of the Uppsala model (Zhou, Wu, &Luo, 2007). In particular, some of them locate their overseas operations in geographically and culturally more distant developed countries and also adopt FDI as a more ambitious entry mode. The strategic management literature suggests that firm strategies need to match organisational goals: in this study the strategic intent (Burgelman & Grove, 1996; Pak, 2002; Pearce & Robinson, 2013). However, there is still an unexplored research topic regarding whether EMNEs' non-traditional FDI strategies match their strategic intent in the subsidiary and what the performance implications are.

It is worth noting that extant studies on MNEs' performance mainly focus on the direct, moderating or mediating relationships between one or more determining factors and firm performance (Wu, Chen, & Jiao, 2016; Wu, Wang, Hong, Piperopoulos, & Zhuo, 2016). The limitations of these approaches are that they only examine the linear relationships

among different determining factors and firm performance (Flynn, Huo, & Zhao, 2010), while causal complexity and nonlinear relationships (Meyer, Tsui, & Hinings, 1993) are largely ignored. In the case of this study, the patterns or configurations of firms' strategic orientation (comprising the strength, balance and selection of different strategic intents and FDI strategies) are seldom revealed. Therefore, this study will investigate not only the match (the linear relationships) between different FDI strategies and three types of strategic intent and the performance implications, but also the configurations (the nonlinear relationships) between FDI strategies and strategic intent and the subsidiary performance differences.

To summarise, this study features an emerging economy context, investigating EMNEs' subsidiary performance. Instead of adopting the mainstream FDI theories, this study takes the strategic intent perspective as the main theoretical lens. To investigate the relationship between EMNEs' strategic intent and their FDI strategies, this study employs the strategic fit approach as the methodological approach. In specific, the strategic fit as matching approach investigates the linear relationship and the strategic fit as gestalts approach investigates the nonlinear relationship between EMNEs' strategic intent and their FDI strategies in the subsidiary. Performance implications using both were further examined. By examining the linkage between EMNEs' strategic intent, FDI entry strategies, and subsidiary performance, the present study aims to make theoretical and empirical contributions to the extant knowledge on EMNEs.

1.4 Research Objectives and Research Questions

The present study will fill research gaps identified earlier by examining how the alignment and fit between EMNEs' strategic intent and their FDI entry strategies

influence subsidiary performance from the strategic fit approach. The strategic fit as matching approach and the strategic fit as gestalts approach are two widely used approaches in the strategic fit literature. This study intends to employ both of the approaches in order to provide a more comprehensive picture of the strategic fit between the strategic intent and FDI entry strategies. The fit as matching approach investigates whether there is a direct relationship (a match) between a firm's strategic intent and its FDI entry strategies. This approach is widely used when investigating the fit between firms' strategies and organisational factors/ environmental factors, as well as subsidiary performance (Cao, Huo, Li & Zhao, 2015; Flynn, Huo & Zhao, 2010). On the other hand, the fit as gestalts approach focuses on 'realised' strategy, rather than on 'intended' strategy. Gestalts can also be referred to as 'configurations', 'archetypes', or 'taxonomies', which are observed groups based on a set of strategic attributes (Miller, 1996; Venkatraman, 1989). The fit as gestalts approach is also appropriate for assessing strategic fit, as it can reveal the heterogeneity of strategic intent regarding strength and balance, and the overall patterns of the strategic intent and FDI entry strategies.

Objectives of the Study

The primary objective of this study is to theoretically and empirically examine how EMNEs achieve their strategic intent in the subsidiary through employing optimal FDI entry strategies. In order to achieve the primary objective, this study has two sub-objectives.

1. To examine how EMNEs formulate various FDI entry strategies to match their pursuit of different types of strategic intent and how such a match influences subsidiary performance;

2. To identify different patterns of configuration for the intent-strategy fit and to examine how the intent-strategy fit influences subsidiary performance.

The rationale for choosing FDI entry strategies as the construct that is expected to fit with the firm's strategic intent is twofold. First, as latecomers to the global market, EMNEs suffer from a shortage of firm resources and confront daunting challenges when operating in foreign markets. By equipping themselves with strategic intent, EMNEs aim to overcome these constraints on their involvement in international activities. However, the ambitious strategic intent means that there is a high likelihood of a mismatch between firms' resources, the environment and the strategic intent. This likely mismatch has compelled EMNEs to seek strategic means in order to proactively create synergies that contribute to attainment of their strategic goals, rather than passively relying on their limited resources (Nielsen & Gudergan, 2012). Second, firms' FDI entry strategies – including entry mode, location choice, entry timing and FDI intensity – are identified as critical decisions for the attainment of firms' strategic intent as these strategies determine the smoothness and efficiency of resource orchestration (Mariadoss et al., 2014), parent control (Meyer & Su, 2015), and advancement of firms' innovation capabilities (Jindra, Hassan, & Cantner, 2016). These strategies also attract substantial managerial and research attention due to their irreversibility and the high cost of adjustments (Jindra et al., 2016; Lojacono, Misani, & Tallman, 2016; Nielsen, Asmussen, & Weatherall, 2017; Preece, Mat Isa, Saman, & Che Ibrahim, 2016; Yuan, Pangarkar, & Wu, 2016).

Research Questions

Three specific research questions have been developed to achieve the objectives of the study:

Research question 1: Do EMNEs match FDI entry strategies with various types of strategic intent in order to reach the intent-strategy fit, and if so, to what extent?

Research question 2: Does a strategic taxonomy exist between strategic intents and FDI entry strategies? If so, how do different intent-strategy combinations differ in their profiling?

Research question 3: Does the fit between EMNEs' strategic intents and their FDI entry strategies generate superior subsidiary performance?

1.5 Research Design and Methodology

The strategic intent perspective is the main guiding theory in this study where EMNEs' FDI strategies need to be guided by firms' strategic intent. To further test how strategic intent guides firms' FDI decisions, the strategic fit approach is used as a methodological approach. I used both the fit as matching and fit as gestalts approaches to investigate the individual linkages between intent and strategies, and the fit conditions between intent and strategies as a holistic entity. Further, EMNEs' subsidiary performance is investigated based on these two fit approaches.

This study is guided by the strategic intent perspective for two reasons. First, EMNEs are featured with strong propensity to catch up with their counterparts from developed countries. This catching up momentum is best exemplified by the strategic intent construct, for example, the 'essence of winning', maximising overall performance and sacrificing financial benefits in a single market (Deng, 2004; Hamel & Prahalad, 1989). Second, EMNEs are latecomers in international business and suffer from resource constraints. Stretching existing resources and setting up ambitious goals are very

important for firms to sustain their competitive advantages and catching up (Hamel & Prahalad, 1993; O'Shannassy, 2016). One of an important contribution of this study is to incorporate the strategic intent perspective in the research of FDI strategies. This study investigates how FDI strategies are guided by firms' strategic intent using two strategic fit approaches. In the strategic fit as matching approach, strategic intent works as ambitious organisational goals that guide the formulation of FDI strategies. It is predicted that firms with intent-strategy match will outperform the ones without it. In the strategic fit as gestalts approach, strategic intent guides FDI strategies through the formulation of several equally effective intent-strategy fit clusters. It is predicted that for clusters with overall intent-strategy fit conditions, the stronger the strategic intent, the better the goal attainment performance.

To illustrate further, the fit as gestalts are profiles of interconnected practices, rather than loosely combined entities whose components can be understood in isolation. The gestalts form a holistic entity in which all the items work simultaneously (Meyer, 1993). The fit as gestalts allows equifinality. Thus, more than one profiles can work equally effectively to achieve a fit condition. In the case of this study, it is most likely that one company has more than one types of strategic intent and it needs to select several FDI strategies simultaneously to achieve the strategic intent. To achieve a fit condition, the level of aggressiveness in the FDI strategies must fit the strength of their strategic intent.

Based on the fit as gestalts approach, different profiles of intent-strategy fit will be generated that form the strategic taxonomy. Miles and Snow (1978) have developed a typology for firms' internationalisation strategy in which they categorised firms as prospectors, analysers, defenders and reactors. Prospectors are taking an aggressive approach, characterised by constant product innovation and new market expansion.

Defenders are taking a reactive approach, focusing more on efficiency and defending existing markets. Analysers are taking the middle ground of prospectors and defenders regarding the aggressiveness of internationalisation strategy.

Although this study takes a distinctive approach (i.e. the fit as gestalts approach) from Miles and Snow (1978) in how the strategic taxonomy is formulated, it is predicted that firms will have different levels of aggressiveness or proactiveness in their FDI strategies and different levels of strength in strategic intent. There may be three profiles with aggressive FDI strategies and strong strategic intent in one profile, medium level aggressive FDI strategies and moderate strategic intent in the second profile, and low level aggressive FDI strategies and weak strategic intent in the third profile. It is also possible that firms have a dominant type of strategic intent. Therefore, there may be three more profiles characterised with strategic asset seeking intent, offensive market seeking intent and natural resource seeking intent being the dominant strategic intent respectively. The FDI strategies in these three profiles should be the same as what is predicted in the fit as matching approach.

To summarise, guided by the strategic intent perspective, the present study investigates the fit between EMNEs' FDI entry strategies and their strategic intent from the strategic fit as matching and strategic fit as gestalts approaches. Furthermore, this study examines the performance implications of such intent-strategy fit at the subsidiary level. A conceptual framework is developed from the strategic fit as matching approach in two steps. First, different types of strategic intent lead to the selection of specific FDI entry strategies that match these intents. Second, it is hypothesised that firms with good intent-strategy fit would demonstrate better performance than the ones without such a fit. Further, another conceptual framework is derived from the strategic fit as gestalts approach, which

also has two steps. First, different types of strategic intent and FDI entry strategies are clustered together. Second, subsidiary performance differences in each cluster are examined and compared.

In keeping with the conceptual frameworks of the present study, the positivistic approach is most appropriate due to its deductive logic, the use of precise empirical observations, and the nature of confirming or rejecting a set of general patterns of human activity (Neuman, 2003). Following this research philosophy, the present study will take a deductive stance and develop hypotheses to test the proposed relationships (Saunders, Lewis, & Thornhill, 2009). A survey method allows investigation of perceptual evaluations of firms' performance, which is consistent with the objective of this study (Neuman, 2003). Thus, a quantitative research method using a survey is finally selected as the research method.

Venkatraman (1989) emphasised the importance of conformity between theory testing techniques and theoretical perspectives/ approaches for generating valid results. To achieve such conformity, this study employs multiple statistical techniques to test the strategic fit as matching and strategic fit as gestalts approaches. More specifically, structural equation modelling (SEM) and discriminant analysis will be used to test the match between FDI entry strategies and strategic intent and the subsidiary performance implications (Brouthers, 2013a, 2013b; Brouthers et al., 2000). For the strategic fit as gestalts approach, cluster analysis and analysis of variance will be used to test the subsidiary performance implications of the intent-strategy fit (Cao et al., 2015; Cerrato et al., 2016).

1.6 Contributions of the Study

It is expected that this study will contribute to theoretical knowledge as well as practical knowledge regarding EMNEs' decision-making and subsidiary performance improvement. Theoretically, this research makes several contributions to the IB literature. First, the existing strategic intent literature mainly emphasises the drivers of strategic intent. Departing from this narrowly focused research tradition, the present study explores how investing firms' strategic intent interacts with and influences FDI entry strategies by advocating the strategic fit approach. Thus, the present study enriches the existing research on strategic intent from the strategic fit approach.

Second, prior studies have tended to investigate individual types of strategic intent as well as individual entry strategies in isolation. Using the two analytical approaches (fit as matching and fit as gestalts) and employing multiple statistical techniques, the present study addresses the heterogeneity of firms' strategic intent by simultaneously considering several types of strategic intent and various FDI entry strategies, and examines patterns of fit between the firm's strategic intent and its FDI entry strategies. By employing multiple analytical approaches, this study provides a more comprehensive picture about the conditions of the strategic fit in terms of fit as matching and as gestalts.

Third, this study explores the performance implications of strategic fit in the context of FDI by EMNEs through matching and configuring strategic intents with FDI entry strategies. Despite the centrality of the fit concept in the strategic management literature, there is very little research examining the extent to which the match and configuration of firms' strategic intents and FDI entry strategies can explain inter-firm performance differences in subsidiaries of EMNEs. This study is the first designed to explicitly

examine the subsidiary performance outcomes by considering strategic fit as matching and strategic fit as gestalts approaches.

The practical contributions of this research will include the identification of workable strategies to improve EMNEs' performance and performance implications of MNEs from emerging economies. In addition, prior to making foreign investments, this study provides guidance for investors to further evaluate their strategic intent and their FDI strategies and hence better fulfil their investment objectives. Small and medium-sized enterprises (SMEs) from advanced economies may also suffer from resource constraints and would need strategic intent to catch up with their competitors. The FDI decision-making regarding better attainment of strategic goals will also benefit SMEs from advanced economies. Lastly, the research results are expected to help officials from home and host countries in setting FDI policies.

1.7 Definition of Key Terms

The following terms are frequently used in the research on FDI and subsidiary performance and are therefore explained below to ensure a shared understanding of the meaning of these terms.

FDI

Based on the latest benchmark, the definition of FDI is "a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor" (OECD, 2008, p. 17). FDI flows in two directions: inward FDI which indicates foreign direct investment flows into

a domestic market and outward FDI which represents the opposite direction. The amount of FDI can be measured by FDI flow – the amount of FDI flow in or out of a country in a single year – and FDI stock – the accumulated amount of FDI in a certain country until a certain year.

MNE

Firms conducting FDI activities are usually called MNEs. This study uses an ownership level of 10% as the cut-off point for being a MNE (OECD, 2008), as ownership ensures investors have sufficient influence and an effective voice in a MNE's management. This study investigates both large multinational enterprises from emerging economies and also small and medium-sized enterprises.

Emerging Economies

An emerging economy can be described by many terms, including: less developed countries, developing countries, newly industrialising countries, transition economies and emerging markets (Luo & Zhang, 2016). These countries are mainly characterised by rapid economic growth and industrialisation. Other shared features of these countries and regions include: institutional involvement in business operations (Xu & Meyer, 2013), the popularity of network-based resources (Gammeltoft, Barnard, & Madhok, 2010), and market-oriented structural transformation (Luo & Tung, 2007). The five most influential emerging economies are the BRICS countries (Brazil, Russia, India, China and South Africa). This study adopts this term to define the overall research setting of the study.

1.8 Structure of the Thesis

This thesis contains seven chapters. The first two chapters provide an introduction to the study and present a comprehensive review of the literature. The third and fourth chapters describe the research design and the hypothesis development as well as the methodology of the research. The last three chapters then present the data interpretation, discuss the findings and conclude with research implications, research limitations, and directions for future studies. The following is a brief outline of each chapter.

Chapter 1 introduces the research background and research gaps in the literature. Following that, the objectives of the research and research questions are articulated and the research design and methodology are introduced. Then, the contributions of the study are highlighted and the definitions of key terms are introduced. The last two sections present the structure of the thesis and the summary of the chapter.

Chapter 2 presents an initial review of the relevant literature. It starts from an overview of the FDI literature and then narrows down to the literature on the strategic intent perspective. Following that, it presents an overview of the literature on subsidiary performance and performance implications of FDI entry strategy. It further introduces the strategic fit approach. The last section summarises the literature review chapter and highlights the gaps in the current literature.

Chapter 3 describes the conceptual framework of this study based on two strategic fit approaches: the matching approach and the gestalts approach. The hypotheses are then proposed based on these two approaches. In total, 6 main hypotheses and 14 sub-hypotheses are formulated.

Chapter 4 provides justifications for the research methodology including the selection of the research setting, the research philosophy and research methods. The data source and the variable measurements are also introduced and justified in this chapter. Lastly, this chapter introduces the data analysis techniques and the procedures of this study.

Chapter 5 presents the detailed data analysis procedures and interpretation of the results. Different analytical techniques (i.e. structural equation modelling, discriminant analysis, cluster analysis and analysis of variance) are used to answer different research questions. A summary table of the hypotheses' results is provided at the end.

Chapter 6 provides an in-depth discussion of the results of this study. The hypotheses are discussed in two groups: the strategic fit as matching group and the strategic fit as gestalts group. Theoretical implications of the supported hypotheses are discussed and unexpected findings are explained.

Chapter 7 first presents the overview of this study, re-addressing the objectives and research questions of this study, and then summarises the main findings of the study. The theoretical implications and practical implications of this study are discussed. Lastly, I address the limitations of this study and provide directions for future research.

1.9 Chapter Summary

This chapter introduced the research background of this study, the research gaps that motivated me to conduct this important research. It then outlined the research objectives the study aims to explore and the research questions it aims to answer. The research design of the study was briefly introduced together with the relevance of the methodology followed by the contribution of the study. Finally, this chapter provided the definitions of

key terms, an outline of the thesis structure and brief description of each chapter. The following chapter will present a comprehensive literature review on the relevant research topics.

Chapter Two

Literature Review

2.1 Chapter Overview

This chapter presents a literature review of the theories and empirical studies related to firms' international entry strategies and firm performance. It is divided into seven sections. Section 2.2 reveals the mainstream FDI theories in the literature which are related to MNEs' entry strategies and subsidiary performance. Section 2.3 introduces the strategic intent perspective. Sections 2.4 and 2.5 provide an overview of the literature on MNEs' subsidiary performance and the strategic fit concept and six strategic fit approaches. Section 2.6 introduces the performance implications of FDI strategy. Section 2.7 summarises the previous sections.

2.2 Overview of FDI Theories

This section reviews the mainstream theories related to the existence of FDI, an equity mode of foreign market entry, as compared to the non-equity modes such as exporting, licensing, franchising, turnkey projects and strategic alliances. These theories explain the theoretical rationale of why firms engage in FDI activities. Focus is also given to how these theories help us to understand MNEs' performance differences.

2.2.1 Market Imperfection Theory

Along with the emergence of firms expanding overseas, the neoclassical theory under the assumption of perfect competition and no transaction cost cannot provide a good explanation for the nature, causes and effects of international capital movements (Iversen, 1936). Hymer (1976) is among the first to explain that the existence of FDI and MNEs

results from market imperfection, which denies perfect market competition and simple interaction of supply and demand to set a market price. Market imperfections exist in factor markets (capital, patent, and managerial knowledge), intermediate goods markets (special marketing skills) and final product markets and it is the imperfect markets that hinder firms from maximising their advantages to returns. Through establishing operations overseas, MNEs tend to have more advantages in the cost of acquiring factors of production, the information on the process of production, marketing and distribution capabilities, and products, so that they can separate markets, avoid competition or explore new advantages (Hymer, 1976). Therefore, firms choose FDIs that allow them to optimise resource allocation and maximise profitability.

The contribution of market imperfection theory is that it guides researchers towards the phenomenon of international transactions rather than portfolio investment and builds up the theoretical foundation for future research of FDI by Kindleberger (1969), Buckley (1976), Caves (1982), Dunning and Rugman (1985) and many others. This theory also explains the reason for international transactions and why foreign firms are able to compete with local firms in the host countries. Furthermore, Hymer's market imperfection theory identifies structural market failure, where MNEs have the power to close markets using advantages in economies of scale, knowledge, distribution networks, product diversification and credit (Dunning & Rugman, 1985). Accordingly, the initial goal of firms is to reduce cost and improve profitability when investing overseas.

In general, Hymer (1976) treats MNEs as institutions for international production rather than international exchanges. The major limitation of his theory is that it overlooks market imperfections in terms of transaction cost, where MNEs also respond to transaction cost market failure by creating an internal market to reduce transaction costs (Dunning &

Rugman, 1985). This is further developed by a number of researchers applying the transaction cost theory to firms' FDI activities in the 1970s and1980s. Another drawback of Hymer's theory is that it neglects location-specific factors and ownership-specific factors, which are analysed in Dunning's (1981) eclectic paradigm.

2.2.2 Internalisation Theory

Internalisation theory (Buckley & Casson, 1976; Buckley, 2014) provided another reason why an MNE is created. Due to the existence of market imperfections, market transactions can be inefficient under certain conditions that arise naturally. As a result, the establishment of foreign affiliates aims at reducing transaction costs by internalising the transaction of goods and knowledge within the internal markets (Buckley & Casson, 1976; Hennart, 1982; Rugman, 1980). Hence, an MNE is created when a firm can increase its profitability by internalising markets using its intangible assets (Buckley & Casson, 1976). Buckley (1988) further explained the core philosophy of internalisation theory. The first aspect is that firms tend to choose the least costly locations as their internalised markets. Secondly, firms pursue internalised markets until the costs outweigh the profits generated from such activity.

This theory suggests that MNEs strive for profit maximisation through cross-border internalisation of the market to protect assets such as production knowledge, marketing and organisation skills. This theory not only supports the notion that firms' performance is the central purpose of international business but also suggests a causal relationship between firm-specific advantages (such as technological knowledge, marketing and managerial skills) and subsidiary performance. The major benefits along with firms'

internalisation activities are the economies of scale and scope, which lead to better performance of the firm (Buckley & Casson, 1976).

In comparison to the market imperfection theory, the major improvement of internalisation theory is the recognition of natural market imperfections or market failure apart from the structural market imperfections mentioned above. Moreover, it emphasises profit maximisation and the role of firm-specific advantages. However, there are also some drawbacks with this theory, as pointed out by Kogut and Zander (1993). Firstly, while focusing on minimising transaction cost, internalisation theory overlooks value creation in different entry modes and technology transfer modes. Secondly, this theory overemphasises the exploitation of existing firm-specific advantages but overlooks the creation of new advantages. Thirdly, internalisation theory emphasises a single transaction. However, in reality, the FDI practice is related to the accumulation of knowledge, the development of future knowledge and country-specific factors, which are introduced in the later developed eclectic paradigm and resource-based view.

2.2.3 Transaction Cost Theory

Sharing the same concept of market failure as internalisation theory, transaction cost theory emphasises the transaction cost market failure. A transaction, as defined by Williamson, "occurs when a good or service across a technologically separable interface. One stage of processing or assembly activity terminates and another begins" (Williamson, 1981b, p. 1544). According to transaction cost theory, a transaction is the basic unit of economic activity, which is made by analysing the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures. The transaction cost approach is, therefore, a comparative institutional approach which aligns a variety of distinguishably different transactions and a variety of alternative governance

structures (Williamson, 1981b, 1985). The basic argument of transaction cost theory is that firms need to choose the governance structure which minimises the total costs associated with a transaction.

Comparing all the alternative governance structures, the most efficient one is characterised by minimised production costs and transaction costs in the long run. Production costs include direct and indirect costs of making the product, such as the costs of labour, energy, raw materials, semi-manufactured products, components, depreciation of machinery, and maintenance. Transaction costs refers to the costs related to finding a contractual partner, specifying a contract, and securing that the ex-ante defined goals will be met ex-post (Williamson, 1985). Some transaction costs related to international trade and licensing are 'natural' transaction costs, while those caused by government policies are 'unnatural' costs, such as tariffs and import quotas (Brewer, 1993). FDI will only be selected as the most efficient governance structure when the production costs in a foreign location are lower than those in the home country, and/or the transaction costs of using external markets are higher than the costs of integration (Hennart, 1988; Williamson, 1985). Furthermore, government enforcement, which makes international licensing and exporting more difficult, will encourage firms' selection of FDI as an alternative governance structure (Brewer, 1993). Thus, formal institutional forces in home and host countries have long played an important role in firms' internationalisation processes in the transaction cost approach.

The transaction costs are characterised by asset specificity, uncertainty and frequency (Williamson, 1981a, 1985). Asset specificity refers to the degree to which the investments are connected to a specific transaction (Williamson, 1981a). Investments of this kind would be more vulnerable to transaction failures as the suppliers are highly dependent on

specific buyers and cannot easily turn to others. In this case, internalising production through FDI is the optimal solution rather than licensing or exporting. The second characteristic, uncertainty, includes external uncertainty and internal uncertainty (Williamson, 1985). External uncertainty is the environmental uncertainty when dealing with unforeseen changes in the environment (Rindfleisch & Heide, 1997). Country risk and cultural distance are the two most common constructs for external uncertainty, which indicates that location choice of FDI and informal institutions in the home and host countries are vital in minimising transaction costs (Zhao, Luo, & Suh, 2004). As to internal uncertainty, the focus has been on the difficulty of evaluating and monitoring the performance of the contracting partners after the transaction is made. It has been shown that the more international experience a firm has, the lower the internal uncertainty will be in a transaction (Zhao et al., 2004). The internal uncertainty is, hence, related to the later developed resource-based view in FDI studies. Finally, the frequency of transactions also influences the cost of transaction and production (Williamson, 1985). The more frequently the transactions occur, the higher the cost is, and accordingly, the firm will prefer to internalise production rather than engaging in licensing or exporting.

The transaction cost approach is the most widely employed theory in FDI studies and the theoretical foundations of other issues in MNEs' location strategy (Demirbag, Tatoglu, & Glaister, 2010), entry mode strategy (Brouthers, 2013a; Zhao et al., 2004) and other strategies such as timing of entry and FDI intensity (Hsu, Chen, & Caskey, 2017). The purpose of FDI and the selection of firms' location, the entry mode and other entry strategies are to get the lowest transaction cost and improve MNEs' performance. So far, according to market imperfection, internalisation and transaction cost theories, the reasons for firms investing overseas are to avoid imperfect market competition,

internalise markets and reduce transaction costs. Thus, from the beginning of FDI, firms' performance has been the central topic in international business research.

2.2.4 Internationalisation Theory

Defined as increased involvement in international operations across borders, internationalisation theory is another explanation for the development and the path of firms' internationalisation activities (Welch &Luostarinen, 1988). The process of firms' internationalisation is slow, indicating on-going development and change in MNEs' scope, business idea, nature and extent of activities and organisational principles (Bilkey, 1978; Cavusgil, 1984). In this process, four stages are identified firstly by Johanson and Wiedersheim-Paul (1975, p. 307) "no regular export activities; export via independent representatives (agent); sales subsidiary; and production/ manufacturing". The more advanced the stage is, the larger the resource commitments are and the more market experience and information are required (Johanson & Wiedersheim-Paul, 1975). Physical distance, along with differences in language, culture, and government policies exert a significant effect on the process (Johanson & Vahlne, 1977, 1990).

This view is further developed by Johanson and Vahlne (1977) into a model (known as the Uppsala model) of knowledge development and increasing foreign market commitments, according to which market knowledge and market commitments are assumed to affect both commitment decisions and the way current activities are performed. The Uppsala model assumes that the state of internationalisation affects perceived opportunities and risks that in turn influence commitment decisions and current activities (Johanson & Vahlne, 1977). Empirical studies have long confirmed that the internationalisation process as explained by Johanson and Vahlne's model has a positive

impact on firms' performance (Barkema, Bell, & Pennings, 1996; Delios & Beamish, 2001; Li, 1995; Luo & Peng, 1999). Thus, the original Uppsala model views the firm as a reactive actor who stresses that knowledge grows with experience and hence better performance is attained. However, Johanson and Vahlne (2009) believe that the correlation between the order in which a company enters foreign markets and psychic distance has weakened. In addition, Miller, Lavie and Delios (2016) proposed the investigation of firms' internationalisation process via three facets: international intensity, international diversity and international distance. They find that international intensity and international distance produce S effects while international diversity generates a U-shaped performance effect (Miller et al., 2016). The Uppsala model also includes the risk management paradigm suggesting that firms need to balance uncertainties and commitment when taking risks (Figueira-de-Lemos, Johanson, & Vahlne, 2011). However, a set of firms identified as 'born-global' internationalise soon after their inception (Paul & Gupta, 2014) and the propensity of firms for taking risks is higher today in some cases (Luo & Bu, 2018).

2.2.5 The Eclectic Paradigm

As a holistic view of previous theories, Dunning's (1980) eclectic paradigm, also called the OLI paradigm, has been widely used to explain firms' international expansion in the form of FDI. This theory explained "why", "where" and "how" firms undertake overseas investment, emphasising a combination of three types of advantages: ownership advantage, location advantage and internalisation advantage. First, ownership advantage indicates who is going to produce overseas and what the activities are. In order to compete in a foreign location and offset the liability of foreignness, firms need to possess certain ownership advantages that can compensate for the additional costs associated with

foreign establishment, foreign operations and transaction costs, which are rarely encountered by domestic companies (Dunning, 1980). For outward FDI, Dunning (1988) identifies three types of ownership advantages: access to intangible profit-generating assets such as trademarks, technology and managerial skills; those associated with a branch plant instead of a de novo firm; and finally the result of geographical diversification or multinationality per se.

Second, location advantage refers to where to produce. To attract investment from overseas (inward FDI), a host country needs to have location advantages, including geographical availability of the country, such as raw materials and market size, and public intervention in the allocation of resources, such as the cost and quality of the labour, patent system, tax and exchange rate policies and tariff policies that a firm either wants to avoid or exploit (Dunning, 1980).

Third, internalisation advantage addresses the reason why firms engage in international production, for example, joint ventures and wholly-owned enterprises, instead of licensing or exporting. This is the decision of the firm on whether to invest overseas, based on its ability to leverage abroad the domestic advantages by internalising markets. This aspect of the paradigm is normally approached through the transaction cost approach (Buckley & Casson, 2003). This OLI framework not only explains the determinants of inward and outward FDI of a country but also the performance of MNEs' activities (Anastassopoulos, Filippaios, & Phillips, 2009). The ownership advantage and location advantage were later developed into the resource-based view and are widely used in the selection of entry strategies such as the entry mode strategy and the location strategy.

2.2.6 The Institution-based View

The emergence of the institutional perspective can be traced back to the 1970s when the influence of environment was introduced. North (1990) recognises institutions as the 'rule of the game' with the emphasis on institutions and their changes that influence the performance of economies. He further explains that some economies develop institutions that produce growth and development while others hinder this progress. From the micro level, institutions were formally defined by Scott (2001, p. 33) as "cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour". The cognitive pillar represents the rules that constitute the nature of reality and the frames through which meaning is made, for example, words, signs and gestures; the normative pillar means the social values, cultures, norms and attitudes; the regulative pillar refers to laws, regulations and legitimacy that exist to ensure stability and order in the society (Scott, 2001). Institutions can also be categorised as formal institutions (constitutions, laws, property rights, same as the regulative pillar) and informal institutions (sanctions, taboos, customs, traditions, and codes of conduct, same as the cognitive and normative pillars) (North, 1991). The central premise of institutional theory is that organisations adopt structures and practices that are 'isomorphic' to the local institutional environment to maintain legitimacy (Davis, Desai, & Francis, 2000).

The institutional perspective has emerged as an important paradigm in firms' internationalisation in recent years (Estrin, Meyer, Nielsen, & Nielsen, 2016; Wu et. al, 2016). MNEs are seeking to gain legitimacy both in their home countries and host countries, and utilise the institutional incentives for firms' overseas development (Estrin et al., 2016; Wu et al., 2016). Although more research has focused on formal institutions, informal institutions are also gaining in importance (Kim, Kim, & Hoskisson, 2010;

North, 1991; Seyoum, 2011). As formal institutions are generated from the belief systems (informal institutions) that underline them, the informal institutions are likely to generate continuing results in the long run (Dunning & Lundan, 2008). The research on informal institutions was first focused on the influence of institutional distance (Kostova, 1999; Kostova & Zaheer, 1999; Xu & Shenkar, 2002), then narrowed down to cultural distance and even detailed cultural elements such as trust and corruption (Bhardwaj, Dietz, & Beamish, 2007; Du, Lu, & Tao, 2012; Seyoum, 2011; Yiu & Makino, 2002). These formal and informal mechanisms influence the location, motivation and entry mode strategy, and further affect the profitability of firms. At the macro level, institutions are investigated based on the level or the quality of institutions. Recent studies on institutions have focused on a variety of topics such as the quality of institutions and FDI location strategy, institutions and FDI entry mode strategy, host country institutions and FDI impacts, and institutions and subsidiary performance (He, Brouthers, & Filatotchev, 2018; Singh, 2012; Wu et al., 2016).

According to the institution-based view, the formal incentive structures, enforcement mechanisms and informal normative and cognitive rules shape the way firms are operating both in home and host countries. Given the fact that firms under the same institutional environment do not necessarily make the same decisions in FDI strategies or reach the same performance outcomes, having a close look at the heterogeneity of firms' resources becomes an important research focus.

2.2.7 The Resource-based View

The resource-based view (RBV) predicts that certain types of resources owned by firms have the potential to generate superior performance (Barney, 1991; Wernerfelt, 1984).

These resources, also known as firm-specific advantages (FSAs), are defined as a "unique capability proprietary to the organisation… built upon product or process technology, marketing, or distribution skills" (Rugman, 2005, p. 34). Based on the assumption of being both heterogeneous across firms and imperfectly mobile, the RBV states that both tangible and intangible resources are the determinants for MNEs' competitive advantages (Barney, 1991; Wernerfelt, 1984).

Tangible resources such as financial resources and capital assets function as organisational slack, i.e. resources in excess of the amount required for survival (Chang & Rhee, 2011). Compared to tangible assets, intangible assets are more likely to be inimitable, and therefore, more likely to generate higher performance. Intangible assets, also called knowledge-based capabilities, include but are not limited to innovative capabilities (technology knowledge) and marketing capabilities (marketing knowhow) (Ainuddin, Beamish, Hulland, & Rouse, 2007; Chang & Rhee, 2011; Lee & Rugman, 2012). In addition, international experience is considered a special intangible asset which can help to generate better innovative capabilities and marketing capabilities (Carlsson, Nordegren, & Sjöholm, 2005; Delios & Beamish, 2001).

Furthermore, from the firm's perspective, there are the aspects of parent firm knowledge transfer and subsidiary absorptive capabilities. Based on the RBV (Barney, 1991), the parent company perspective focuses on the possession, transfer and deployment of the parent company's resources. Resources tend to be deployed from the acquirer to the target more often than the reverse (Kotabe, Jiang, & Murray, 2011). Meanwhile from the subsidiary perspective, based on the absorptive capacity theory (Cohen & Levinthal, 1990), it is mainly about the absorbing capability of subsidiaries, without which the knowledge could not be successfully transferred. In recent literature, parent company

knowledge transfer and firms' absorptive capabilities are found to be essential factors which influence subsidiary performance (Fang, Wade, Delios, & Beamish, 2013; Liao & Yu, 2012; Ren, Eisingerich, & Tsai, 2015; Wu et al., 2016).

The RBV recognises the differences in firms' resources and the capabilities which are closely related to firms' decisions on the scale of internationalisation in the host country, the timing of entry, the entry mode choice and location choice. It also helps generate superior financial outcomes. Factors drawn from the institution-based view and the resource-based view such as the quality of host country institutions and firms' ownership advantage are considered important factors for understanding MNEs' expansion patterns, strategies and subsidiary performance (Dunning, 1993; Peng, Wang, & Jiang, 2008; Sun, Peng, Ren, & Yan, 2012; Wu et al., 2016). However, not many firms from emerging economies have such advantages compared with their counterparts in the developed countries. Instead, they suffer from a shortage of firms' ownership advantages and FDI is a means for emerging economy firms to acquire these advantages and learn from their developed country competitors.

Based on market imperfection theory, internalisation theory and transaction cost theory, reducing cost and maximising profitability have long been the central concern of MNEs. The cost can be reduced through choosing optimal entry strategies such as the timing of entry, the location strategy, entry mode strategy and FDI intensity. Along with the process of firms' internationalisation, firms' resources (firm-specific advantages, or ownership advantages) and home and host country institutions have been antecedents of firms investing overseas and determinants of superior performance. EMNEs have followed an unconventional FDI pattern and a selection of strategies aiming to catch up with their developed country counterparts. A number of existing studies has extended the traditional

FDI theories with features of EMNEs. For example, EMNEs enjoy country-specific advantages (CSAs) that derive from home institutional support and they can convert their home CSAs to firm-specific advantages (Hennart, 2012). However, the extension of the traditional FDI theories cannot capture the catching-up and risk-taking nature of EMNEs' investment (Luo & Bu, 2018) and in turn cannot convincingly explain how EMNEs select FDI strategies and what the performance outcomes of these strategies are. In addition, a number of researchers (Li, 2007; Nguyen, 2011; Verbeke & Brugman, 2009; Verbeke, Lei, & Goerzen, 2009) call for a theoretical lens that considers firms' investment motivations/ intentions in performance research. The strategic intent perspective reviewed in the next section addressed this call very well.

2.3 The Strategic Intent Perspective

While EMNEs' internationalisation follows an unconventional path, researchers have proposed alternative theoretical explanations of this phenomenon (Luo & Bu, 2017; Luo & Tung, 2007; Mathews, 2006). The strategic intent perspective has attracted significant research attention, given the strong propensity of EMNEs to catch up with their counterparts from developed countries (Cui & Jiang, 2009b; Lu, Liu, & Wang, 2011; Luo, Zhao, Wang, & Xi, 2011). A number of cases illustrate strategic intent. The Indian Tata group undertook a sequence of acquisitions of technologically advanced firms in the UK (Corus Steel, Tetley Tea, Jaguar and Land Rover) during the 2000s with the explicit aim of gaining luxury brands, upgrading its managerial competencies and enhancing its competitiveness. More recently, the Chinese Geely group took over the Swedish carmaker Volvo and the British company Manganese Bronze (manufacturing London Taxis), in order to acquire brands and technologies, and to strengthen its position both in its home market and in the US (Meyer, 2015). The internationalisation process of

Brazilian companies such as Petrobras and Embraer has also been largely driven by the intention to accumulate technological assets and capabilities (Carvalho & Goldstein, 2009). The dimensions of strategic intent originate from Dunning's (1993) FDI motivational theory where he specified market seeking, strategic asset seeking, natural resource seeking and efficiency seeking as the motives for MNEs to invest overseas. This section starts by introducing the conceptualisation of the strategic intent concept and then moves to Dunning's (1993) FDI motivational theory and the dimensions of EMNEs' strategic intents. Finally, relevant studies on EMNEs using the strategic intent perspective are discussed.

2.3.1 The Strategic Intent

The strategic intent construct has been an important concept for strategy making in the international business field in the past 25 years. Strategic intent refers to the mental power, expectations and beliefs that empower a firm to overcome its competitively inferior position with limited resources (Marcel, Barr, & Duhaime, 2011). The term 'strategic intent' first emerged in the work of Hamel and Prahalad (1989) to describe Japanese companies' 'winning' strategy and it soon received significant attention from researchers in strategic management and international business (Hart, 1992; Hitt, Tyler, Hardee, & Park, 1995; Lovas & Ghoshal, 2000; Rui & Yip, 2008). Strategic intent is the strategic objective set with the 'essence of winning', which aims to maximise overall performance rather than setting up the most efficient affiliate in a single market (Deng, 2004).

The strategic intent perspective is used when firms need to catch up and aim to be the global leader in the industry (Hamel & Prahalad, 1989, 1994; Hart, 1992). Companies recognise strategic intent by presenting the organisation with a series of corporate

challenges, including "entering new markets, expanding capabilities by learning and acquiring new knowledge, building bases of resources and experiences, realizing a firm's strategic transformation" (Rui & Yip, 2008, p. 215). The strategic intent concept has been addressed in the literature under a number of similar terminologies, such as aggressiveness (Chen, Lin, & Michel, 2010), managerial intentionality (Thomas, Pedersen, & Volberda, 2007), strategic renewal (Riviere & Suder, 2016; Schmitt, Raisch, & Volberda, 2018), strategic flexibility (Santos-Vijande, López-Sánchez, & Trespalacios, 2012) and strategic orientations (Lau & Bruton, 2011; Scott-Kennel & Giroud, 2015). This conceptualisation has become popular in research on EMNEs due to their ownership disadvantage and their strong propensity to catch up with their rivals from advanced economies (Cui & Jiang, 2009b; Lu et al., 2011; Luo et al., 2011). Following this perspective, EMNEs' enduring strategic goals, which cannot be adequately explained by short-term strategic planning, are conceptualised as their strategic intent (Cui, Meyer, & Hu, 2014; Rui & Yip, 2008). The dimensions of strategic intent originate from Dunning's (1993) FDI motivational theory.

2.3.2 Dunning's FDI Motivational Theory

Investment motivations can be broadly categorised as asset exploitation and asset exploration. Asset-exploitation motivation is related to the improvement of productivity and efficiency (Koza & Lewin, 1998), while asset-exploration motivation focuses on wealth creation through innovation and absorbing new capabilities (Cohen & Levinthal, 1990). Recent studies highlighted that MNEs from emerging economies and those from advanced economies are driven by different motives (Lu et al., 2011). While developed country MNEs are more likely to be motivated by asset exploitation, emerging economy MNEs have a more balanced motivation between exploitation and exploration (Lu et al., 2011; Wright, Filatotchev, Hoskisson, & Peng, 2005). Dunning (1993) provided a more

detailed classification: market seeking, natural resource seeking, strategic asset seeking, and efficiency seeking motivations.

Market seeking FDI aims to seek new opportunities and expand in foreign markets. Dunning (2001) also developed the idea of a market seeking motive for fast entry to specific foreign markets. In terms of natural resource seeking motivation, the main aim of a MNE is to acquire particular types of resources that are not available at home (for instance, natural resources or raw materials) or that are available at a lower cost. Strategic assets can be defined as "the set of difficult to trade and imitate scarce, appropriable and specialised resources and capabilities that bestow the firm's competitive advantage" (Amit & Schoemaker, 1993, p. 36). Strategic asset seeking accordingly involves searching for assets embodied in other firms, or is driven by competitive pressures that force firms to access assets or restructure rapidly (UNCTAD, 2006). Strategic asset seeking normally occurs among latecomers or firms with few technological capabilities trying to reduce the gap between them and developed country firms by acquiring innovative firms for needed resources (Buckley et al., 2007; Deng, 2009). Finally, the efficiency seeking motivation aims to "take advantage of the economies of scale and scope and of differences in consumer tastes and supply capabilities" and to take advantage of low cost inputs such as labour and facilities (Dunning, 1993, p. 60). Dunning's (1993) classification is frequently used in existing studies. The extant literature primarily focuses on three issues: the antecedents of these motivations (He, Zhang, & Wang, 2015), the location and entry mode selection of different motives (Jain, Lahiri, & Hausknecht, 2013; Rui & Yip, 2008) and firms' performance differences among different motives (He et al., 2015; Verbeke, Lei, & Goerzen, 2009).

MNEs may select different host country locations depending on the differences in FDI motivations. While firms from developed countries invested in emerging economies are more likely to have a market seeking orientation (He et al., 2015; Qu & Zhang, 2015), in Chang's (2014) study, Chinese firms prefer to invest in high-tech industries in developed countries and are more likely to focus on the extraction of natural resources around the world. They also prefer market seeking FDI in developing countries. A recent study by Jindra, Hassan, and Cantner (2016) further examined the specific types of the location-specific advantages that are likely to facilitate the need to propel organisational learning and technological catching-up of the emerging market firms. They found that agglomeration economies and knowledge externalities have a positive relationship with location strategy in the European Union. In relation to performance outcomes and location strategy, Yang, Yang, and Doyle (2013) found that Chinese MNEs' traditional market seeking FDI in developing countries creates more firm value than strategic asset seeking FDI in developed countries.

Firms' FDI motivations are also related to the selection of an entry mode. When being motivated by strategic asset seeking, EMNEs are more likely to select cross-border acquisition as opposed to green field investment (Deng, 2009; Elango & Pattnaik, 2011; Madhok & Keyhani, 2012; Rui & Yip, 2008). The reason is that cross-border acquisition is a popular and efficient way for EMNEs to directly acquire assets from foreign companies (Rui & Yip, 2008). Elango and Pattnaik (2011) suggested that EMNEs may achieve their strategic asset seeking goal by a series of acquisitions to build their capabilities and reduce risks. Apart from the establishment mode, Chen (2008) investigated the influence of different motivations on firms' ownership mode. He found that full ownership is driven mostly by resource exploitation motivations, whereas partial

ownership is more likely to accompany other motivations such as entry into fast-growing markets.

Subsidiaries that are established with different motivations tend to have varied operational priorities. Market seeking FDI might focus on market expansion, fast entry to the market, and avoidance of trade barriers (Dunning, 1993). Thus, the subsidiaries with this motivation may benefit from economies of scale in sharing technological and marketing knowledge across borders at a low cost (Verbeke & Brugman, 2009). Natural resource seeking FDI may focus on accessing inputs unavailable in the domestic market, and would be still be considered a success when this access is secured although the FDI project alone might not generate a positive financial performance. An efficiency seeking motive might focus on cost reduction and hence tend to pursue improved performance by lowering the cost of inputs. Finally, strategic asset seeking FDI aims to gain access to and absorb the advanced skills and technologies in host countries, which might lead to improved performance owing to the combined resources from parent firms and the subsidiaries (Verbeke & Brugman, 2009). However, considering the slow process of knowledge transfer, strategic asset seeking does not promote rapid improvement in financial performance in subsidiaries, especially when the market is mature and competition is intense in the host country. Regarding the performance implications of the investment motivations, Georgopoulos and Preusse (2009) predict that foreign subsidiaries with a market seeking motive will attain a leading market position more easily than affiliates operating under other motives. Thus, investment motivations, in line with subsidiary operational focus, will have different impacts on subsidiary performance. However, He et al. (2015) argue that a motivation cannot readily generate superior performance. The strategic literature suggests that a firm's overall goals or motive can only be achieved through business level strategies and operations. Tian and Slocum (2014)

argue that investment motivations in subsidiaries are in line with subsidiary strategies in scale efficiency, technical differentiation, marketing differentiation, and cost efficiency.

2.3.3 The Dimensions of EMNEs' Strategic Intent

While the majority of studies have used Dunning's (1993) FDI motivational theory and investigated various issues regarding firms' subsidiary performance, this study focuses on the motivations with features fitting the strategic intent perspective. The dimensions of the strategic intent construct are developed from Dunning's (1993) FDI motivational theory. Among the four FDI motivations, EMNEs have expressed three distinct FDI motives: strategic asset seeking, market seeking and natural resource seeking (Buckley, Cross, Hui, Liu, & Voss, 2008). Notably, in the dimension of market seeking, EMNEs exhibit both defensive market seeking and offensive market seeking orientations (Buckley et al., 2008). Following the strategic intent perspective, this study focuses on EMNEs' intent in strategic asset seeking, offensive market seeking and natural resource seeking as the objectives of the EMNEs are to leverage their unique ownership advantages, and offset their competitive disadvantages, which are consistent with the rationale behind the strategic intent perspective. 'Intent' rather than 'motive' is used for consistency with the strategic intent perspective. Prior studies have identified strategic asset seeking (Cui et al., 2014; Elia & Santangelo, 2017; Meyer, 2015; Zhang & Roelfsema, 2014), offensive market seeking (Buckley et al., 2008), and natural resource seeking (Kang & Liu, 2016; Lai, O'Hara, & Wysoczanska, 2015) as the strategic intent of EMNEs in their internationalisation.

From a strategic intent perspective, strategic asset seeking has mainly appeared in the studies of EMNEs in explaining their unconventional internationalisation path, i.e. going global 'in the absence of significantly superior technological and managerial resources' (Peng, 2012, p. 96), and/or aggressive entry modes (Deng, 2009; Luo & Bu, 2018).

Strategic asset seeking firms use FDI as a vehicle to recombine resources and capabilities in order to compete with their rivals in global and domestic markets, and to escape from the institutional constraints at home (Elia & Santangelo, 2017; Meyer, 2015). In comparison, offensive market seeking firms are actively involved in new market development and brand enhancement (Sanchez-Peinado, Pla-Barber, & Hébert, 2007; UNCTAD, 2003). The purpose of offensive market seeking intent is to enter the leading markets in the industry, establish a globally recognised brand, and finally become the global leader in the industry (Deng, 2004). Finally, natural resource seeking intent serves as firms' long-term goal to build up their resource base and reduce resource dependency (Bass & Chakrabarty, 2014; Kang & Liu, 2016; Lu et al., 2011). Therefore, natural resource seeking intent is a proactive step to secure sustainable global competitiveness in the long term.

The strategic intent perspective is intensively used in the international expansion of firms from emerging and transition economies, because they lack competitive advantage and internationalisation is a strategic means to catch up with their rivals in the developed countries (Akbar & McBride, 2004; Cui & Jiang, 2009b; Luo & Tung, 2007; Rui & Yip, 2008). A number of studies conclude that EMNEs have dual strategic intents: acquiring strategic assets to offset their competitive disadvantages, and leveraging their unique ownership advantages (Lu et al., 2011; Luo & Tung, 2007; Luo et al., 2011; Rui & Yip, 2008; Wright et al., 2005). As latecomers in the international markets, EMNEs tend to possess much fewer strategic assets in comparison to their counterparts from developed countries. At the same time, it is difficult for them to generate new strategic assets in their home market due to the constraints of the domestic institutions. Therefore, they need to acquire these assets through cross-border merger and acquisitions (M&As) (Rui & Yip,

2008). Thus, EMNEs' strategic decisions are not only economically driven, but also politically driven (Chen & Young, 2010; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

Although EMNEs tend to be poor in terms of strategic assets as an important source of competitive advantage, they do have some unique types of firm-specific advantages (FSA), such as mass production capabilities, low-cost labour, and experience in operating in an environment with poor institutions (Luo et al., 2011). In addition, their FSAs also stem from government ownership and support, from which EMNEs have access to low cost finance (Rui & Yip, 2008). The strategic intent here is to exploit these FSAs, particularly when investing in other emerging and developing countries (Luo & Tung, 2007). Due to the stringent trade barriers, such as quota restrictions, anti-dumping penalties and special tariff penalties, EMNEs encounter impediments in global exporting markets. The engagement of FDI allows EMNEs to leverage their mass production capabilities, while avoiding the difficulty in reaching the overseas end users. EMNEs are able to employ two approaches: either directly investing in the target market, or investing in a third country first and using it as a springboard to a more advanced target market (Luo & Tung, 2007, 2018). Another important strategic intent is to gain a stable supply of natural resources (Buckley et al., 2008; Kang & Liu, 2016). Different from the previous two intents, natural resource seeking is largely linked to national objectives and therefore is more likely to be developed by large SOEs (Bass & Chakrabarty, 2014).

2.3.4 Existing Studies on Strategic Intent

Existing studies on strategic intent have primarily focused on its drivers and consequences. EMNEs seek strategic assets for three main reasons. First, as suggested in the resource-based view, firms' absorptive capability (Deng, 2010; Yang et al., 2014) and foreign ownership (Ramasamy et al., 2012) are related to firms' strategic intent decisions. Second,

the exposure to industry and market competition in their home country (Yang et al., 2014) is another reason for firms to invest overseas for strategic intent. Third, incentives from home government policies (Bass & Chakrabarty, 2014) and openness in the host country (Ramasamy et al., 2012) are the institutional factors that drive strategic intent FDI. Lu et al. (2011) applied the strategic tripod framework by combining factors from the resource-based view, institution-based view and industry-based view and examined how the interaction of these factors influence firms' strategic intent decisions. They found that supportive government policies are important drivers for EMNEs' intent to seek both strategic assets and expand into foreign markets (Lu et al., 2011).

Firms' technology-based competitive advantage and a high level of industry R&D intensity are the drivers for firms to seek strategic assets, whereas firms' export experience and higher level of domestic industry competition are more related to market seeking intent (Lu et al., 2011). Similarly, Cui et al. (2014) integrated different drivers of strategic intent based on the framework of awareness, motivation, and capability. They found that firms' strategic intent is influenced by their exposure to foreign completion, private ownership, and relevant financial and managerial capabilities (Cui et al., 2014). The studies on the consequences of strategic intent have mainly focused on the use of cross-border acquisition (Deng, 2009; Elango & Pattnaik, 2011; Madhok & Keyhani, 2012; Rui & Yip, 2008). Cross-border acquisition is a popular and efficient way for EMNEs to directly acquire assets from foreign companies and achieve their strategic intent (Elango & Pattnaik, 2011; Rui & Yip, 2008).

Although strategic intent is frequently used to explain EMNEs' catching-up activities, a few studies also show the possible generalisability of the strategic intent concept to firms from developed countries. Strategic intent in developed countries is also characterised as

aggression, ambition, winning and market leadership (Mariadoss, Johnson, & Martin, 2014). However, it is heavily focused on staying ahead, expanding market share and challenging competitors' performance gains rather than catching up (Ferrier, 2001; Venkatraman, 1989). Mariadoss et al. (2014) tested how strategic intent influences firms' performance using 130 US manufacturing companies. Resource allocation becomes critical in achieving strategic goals as MNEs need to effectively leverage their resources and exploit their advantages (Chen, Su, & Tsai, 2007). Mariadoss et al. (2014) concluded that putting resources such as slack and R&D investment to work will help strategic intent seeking firms to increase return on investment (ROI). Comparatively, EMNEs have limited resources and organisational slack, so that their current resources will not be sufficient to achieve the strategic intent, resulting in a misfit between resources and ambitions (Hamel & Prahalad, 1989). Thus, to achieve good subsidiary performance, the resource allocation approach by MNEs from developed economies based on abundant resources and slack may not be applicable in the EMNE context. The strategic management literature suggests the selection of appropriate business level strategies and operations can maintain and help to achieve long-term strategic intent and in turn lead to satisfactory subsidiary performance (Pearce & Robinson, 2013). The business level entry strategies will be reviewed in more detail in section 2.5.

2.4 FDI Entry Strategies and Their Performance Implications

2.4.1 Corporate Strategy and FDI Strategy

Corporate strategy is multi-faceted and situational, which makes a universally agreed-upon definition difficult. According to Chaffee (1985, p. 90), "strategy consists of integrated decisions, actions, or plans that will set and achieve viable organisational goals". Similarly, Steiner and Miner (1977, p. 19) have defined strategy as "the forging

of company missions, setting objectives for the organisation in light of external and internal forces, formulating specific policies and strategies to achieve objectives, and ensuring their proper implementation so that the basic purposes and objectives of the organisation will be achieved." In essence, a strategy is a chosen course of action for pursuing a group of organisational objectives, for example, to expand in size in the domestic market, or to venture abroad. A company has two levels of strategy. Corporate strategy defines the choice of businesses a company will operate in and the size of the business, while business strategy (also called competitive strategy) focuses on how a company will position itself to compete with its rivals in a given business (Porter, 1987). The business strategy of a single business unit should align with the corporate strategy because the corporate strategy is what makes the whole company add up to more than the sum of the individual business units. Engaging in FDI activities has long been a trend in firms' internationalisation processes and an important corporate strategy.

The strategic literature suggests there are three philosophies behind strategy formulation: the situation-specific view, the universal view, and the contingency view (Ekeledo & Sivakumar, 1998). The situation-specific view argues that the firm's strategies can be studied only in light of firms' unique situations (Uyterhoven, Ackerman, & Rosenhlum, 1973). On the contrary, the universal view believes that universal strategies apply in all situations although the degree to which they apply may vary (Hambrick & Lei, 1985). The universal view is the simplest and most frequently used approach in strategy research (Robinson & McDougall, 2001). It suggests that each predictor (independent) variable has a separate, additive, independent main effect on the dependent variable of interest (Aiken & West, 1991). The contingency view is a compromise between the situation-specific and universal views. Its fundamental assumption is that no universal set of strategic choices is optimal for all organisations and circumstances (Ekeledo &

Sivakumar, 1998), but that optimal strategy is subject to a certain set of organisational and environmental conditions (Harvey, 1982). The contingency view is used to examine more complex situations where there is no universal rule in the choice of optimal strategies and the strategic decisions should be made based on a set of contextual factors in the organisation and the external environment (Robinson & McDougall, 2001).

In the strategic management literature, the contingency view is more commonly known as the strategic fit approach and these two constructs are constantly used interchangeably (Peng, Walsh, & Zou, 2014; Zajac, Kraatz, & Bresser, 2000). The contingency view suggests that optimal performance is achieved through the pursuit of strategic fit between the strategies and the organisational conditions (for example, the management style, the structure of the organisation, the organisational culture, and the strategic objectives) (Cao, Huo, Li, & Zhao, 2015; Florin & Ogbuehi, 2004; Pak, 2002) and contextual variables (for example, the political environment, market size, and competition) (Miles & Snow, 1994; Venkatraman, 1989; Zajac et al., 2000). Although the fit between strategies and the external environment is considered vital for strategic decision making, the fit between strategies and firms' strategic objectives also plays an important role (Burgelman & Grove, 1996; Florin & Ogbuehi, 2004; Liang, Musteen, & Datta, 2009; Pak, 2002; Venkatraman, 1989). Strategic management scholars have long argued that firms with different goal orientations exhibit different behaviour patterns in terms of willingness for risk taking, resource allocation priorities and preferences for specific organising and controlling mechanisms (Miles & Snow, 1978; Miller & Droge, 1986; Porter, 1980). Similarly, the strategic cognition perspective suggests that top managers have different aspirations and firms adapt to the changing environments via exploration or exploitation objectives (March, 1991; Venkatraman & Camillus, 1984). The difference in strategic objectives will have a direct impact on the selection of different strategies and firms

adopting strategies that are consistent with their strategic objectives should achieve superior operating results and vice versa (Burgelman & Grove, 1996; Pak, 2002).

In order to fulfil the strategic intents set prior to firms' internationalisation, EMNEs need to design and implement appropriate FDI strategies at the entry stage of their international expansion. The reasons are twofold. First, as latecomers in the global market, EMNEs suffer from scarce firm resources and confront a challenging environment in the foreign markets. The objective of the strategic intents is to overcome these constraints related to firms' international activities and that in turn create a mismatch between firms' resources, the environment and the strategic intents. A mismatch between resources and strategic intents has compelled EMNEs to seek strategic means to proactively create synergies that contribute to the attainment of strategic goals, rather than passively relying on limited resources (Nielsen & Gudergan, 2012). Second, firms' FDI entry strategies are identified as critical decisions in the attainment of firms' strategic intents as they determine the smoothness and efficiency of resource orchestration (Mariadoss et al., 2014), parent control (Meyer & Su, 2015), and the advancement of firms' innovation capabilities (Jindra et al., 2016). These entry strategies also attract substantial managerial and research attention due to their irreversibility and the high cost of modifications (Jindra et al., 2016; Kang & Liu, 2016; Lojacono, Misani, & Tallman, 2016; Nielsen, Asmussen, & Weatherall, 2017; Preece, Mat Isa, Saman, & Che Ibrahim, 2016; Yuan, Pangarkar, & Wu, 2016). Therefore, the current study adopts the strategic fit approach, which assumes that FDI entry strategies are not universally applicable to individual firms. Instead, they should fit firms' strategic intent. This study focuses on the analysis of four important FDI strategies at the entry stage, namely, the entry timing strategy, the intensity strategy, the entry mode strategy and the location strategy.

2.4.2 FDI Entry Timing Strategy

The timing of entry into a new market is an important strategic choice for the firm. Because of its effects on subsidiary performance and survival, timing of entry has been a key question in the research streams of strategy (Mitchell, 1991) and organisational theories (Hannan & Freeman, 1989). These streams of literature have provided broad conceptual structures to frame entry timing strategies, antecedents and outcomes.

The studies on entry timing start with two broad categorisations of timing: first movers and late entrants. The first mover advantages were first explained in Hannan and Freeman's (1977) population ecology model. They believe that there is an upper limit on the number of organisations that can be supported by a given resource environment and the rate of growth in numbers of organisations depends on how much of the fixed capacity has already been exhausted. First movers enter a new resource space at an early stage when the population contains no or few other members, while the late entrants are those who enter the space at a later stage when there are numerous other organisational members. Based on this, there are five generic advantages that the first movers enjoy: (1) cost advantages by entering the market with larger economies of scale and accumulating experience about the foreign market before the entry of competitors, (2) pre-emption of competitors by securing a specific geographic space or marketing channel, (3) technological advantages by adapting products and processes to the local market and implementing new innovations before competitors enter the market, (4) differentiation advantages by setting up higher switching costs for buyers or reputational advantages of established brands, and (5) political advantages by obtaining support from the local governments before raising barriers to late entrants (Frynas, Mellahi, & Pigman, 2006; Lieberman & Montgomery, 1988, 1998). First movers also face disadvantages

(Lieberman & Montgomery, 1998). First movers are likely to face the "liability of newness" and have been said to be "first to market, first to fail", due to market and technological uncertainties and differences in cultures, languages and demand characteristics (Paul & Wooster, 2008; Robinson & Min, 2002). The late entrants can reduce risks by learning from the mistakes and best practices created by the first movers. In addition, they can improve the processes and technologies and adjust the scale to best fit the market size, whereas the first mover often retains the original ways of doing things due to the high cost of adaptation (Boulding & Christen, 2001).

Later studies on the timing of entry have shifted from being the very first mover to the order of entry such as pioneers, early followers, late followers, late entrants and laggards (Ahlbrecht & Eckert, 2013; Cui & Lui, 2005; Cui & Jiang, 2009a; Lambkin, 1988; Mascarenhas, 1992). However, the results of the empirical studies are conflicting. As to the antecedents of timing of entry, it is suggested that resources and capabilities can facilitate international market entry. In the study of Korean FDI, Chang and Rhee (2011) found that high speed FDI expansion is more related to firms with considerable marketing knowledge, strong brand equity and slack resources. However, Paul and Wooster (2008) found that US firms with more ownership advantages and internalisation advantages are more likely to delay their FDI entry into transitioning economies. The research on the outcomes of the timing of entry has also generated different results. Cui and Lui (2005) found that pioneers enjoy a small advantage in market share but not in profitability, indicating a trade-off between the two. Using a sample of 204 German manufacturing firms in Central Eastern Europe markets, Ahlbrecht and Eckert (2013) confirmed that the earlier entrants tend to have a higher level of performance compared to the later entries. However, Mascarenhas (1992) found that both the first entrants and later entrants outlast early followers based on a study of the oil industry in international markets.

The inconsistency in empirical studies indicates that a first mover's success may not lie in being the first in the market per se, but in the scale advantage, extending its prior experience to a new market and leveraging relevant capability (Dobrev & Gotsopoulos, 2010). In addition, the effect of technological and market uncertainties in an underdeveloped market are clearly associated with failure for early entrants. A number of studies then focused on the link between firm capabilities and the timing strategy (Lee, 2009), and the challenges that first movers face, such as lack of legitimacy (Dobrev & Gotsopoulos, 2010), an uncertain environment (Sorenson, 2000), and the stage of an industry's evolution (Suarez, Grodal, & Gotsopoulos, 2015). Suarez et al. (2015) argue that in an industry's early years, when organisational functions and requirements are not fully established, early entrants are more likely to fail in comparison to the early entrants into more mature industries. Therefore, entry timing and performance are not easily explained by a simple and direct relationship.

The inconsistent research results on timing of entry are also due to the variations in its measurement and classification (Ahlbrecht & Eckert, 2013; Cui & Lui, 2005; Lambkin, 1988). Cui and Lui (2005) defined pioneers as companies entering a foreign market during the first two years after its opening. The remaining timeframe after the first two years was divided into four groups: the first 25% are early followers, while the rest are late followers (25%), late entrants (25%), and laggards (25%) respectively. Ahlbrecht and Eckert (2013) kept the same definition for pioneers, but divided the timing of entry after the first two years into two groups, with each group containing 50% of the sample: early followers and late entrants respectively. Unlike these two measurements, timing of entry is also extensively measured as a continuous time variable from the first entry (Paul & Wooster, 2008; Schoenecker & Cooper, 1998; Zachary, Gianiodis, Payne, & Markman, 2015). The advantage of this approach is that it does not restrict the interpretation to a

predetermined “early” or “late” period in the sample (Zachary et al., 2015). It can also better reflect the timing of entry as a process in firms’ internationalisation rather than an event (Markman & Waldron, 2014). Overall, the preference for continuous measures of entry timing, which have the highest measurement precision among other data forms, is an encouraging revelation among firm-level entry timing research (Hair, Black, Babin, & Anderson, 2014; Zachary et al., 2015).

The timing of entry is also related to other entry strategies such as the mode of entry (Isobe, Makino, & Montgomery, 2000), location strategy (Yuan et al., 2016) and the intensity of investment. Joint venture is the preferred entry mode for early entrants, as it allows foreign firms to gain quick access to the local market information and resources (Isobe et al., 2000). The presence of a local partner will have a significant and positive impact on the financial performance of a foreign subsidiary, because the parent firm has limited experience of the local operation. This is especially true when the early entrants are entering an unfamiliar local market or a market with unreliable market information (Makino & Delios, 1996). Location also influences the relationship between the time after the first entry and firms’ performance. Based on internalisation theory and organisational learning theories, a recent study conducted by Yuan et al. (2016) found it takes less time after the first entry for developing country MNEs to experience good performance when entering other developing countries in comparison to entering developed countries. More specifically, EMNEs entering developed countries experience a negative effect on their immediate performance outcomes but achieve satisfactory performance over time after they gradually realise learning benefits (Yuan et al., 2016). Studies also showed the timing of entry is also linked to the level or degree of internationalisation but the relationship is non-linear in nature. From the dynamic capabilities perspective, a study by Fernhaber (2013) confirmed that the level of new venture internationalisation has an

inverted U-shaped relationship with survival, while the sales growth peaks at either low or high levels of internationalisation where a singular market focus and set of capabilities is being exploited. It is noted that firm performance is a multidimensional construct. The timing of entry strategy could have different effects on different dimensions of firm performance. The existing studies on the impact of the timing of entry have predominantly focused on firms' financial performance, such as international sales growth, profitability, and market share. However, very little attention has been paid to non-financial performance, such as firms' satisfaction with the goal achievement at the subsidiary level.

2.4.3 FDI Intensity Strategy

FDI intensity strategy is another strategy firms need to consider when they enter international markets. Intensity strategy is very important for subsidiary performance, as it reflects firms' commitment to foreign markets. International commitment can be interpreted in two ways in the existing literature. The 'Uppsala model' defines international commitment as the degree to which domestic firms start with irreversible investments in foreign markets (Johanson & Vahlne, 1977), for example, the scale of internationalisation (Demirbag et al., 2010; Pak & Park, 2005; Zhou & Wu, 2014) and the intensity (or the degree) of internationalisation (Miller, Lavie, & Delios, 2016). This study focuses on the intensity of firms' international commitment regarding FDI because it better reflects the strategic importance of a foreign subsidiary to the parent firm. The irreversible commitment can be the amount of resources invested in a specific foreign market and the lack of transferability of these resources (Johanson & Vahlne, 1977). The international commitment is viewed in later literature as the tacit knowledge and soft skills such as attitudes, as well as human resources and capital (Nadkarni & Perez, 2007).

Based on internalisation theory, operations with the same scale may have increased or reduced economic efficiency depending on the scale of the internalised markets within an MNE (Buckley & Casson, 1976). However, the transaction cost theory (Hennart, 1988; Williamson, 1981a) suggests the scale of a subsidiary is a source of transaction cost. It is argued that large-scale operations require substantial internal organisation and bureaucratic costs, including investment in administrative, legal and operating infrastructures. The Uppsala model states that a firm's international expansion follows an incremental process in the level of commitment: a firm invests in less risky firms first with a lower level of commitment before moving to riskier geographic locations and an increased level of commitment. Different foreign market entry modes indicate different levels of international commitment. Exporting reflects a low international commitment, because domestic firms can exit these markets without much difficulty and financial loss. Licensing and franchising reflect medium international commitment. Although firms share the total amount and risks of investments in a specific market with a partner, exiting the market is not as easy as from exporting. Finally, FDI in the form of joint ventures and wholly-owned subsidiaries signals high international commitments (Johanson & Vahlne, 1977). As FDI creates high exit barriers, the costs and risks of failure associated with it are significantly higher than those generated from exporting and licensing. This model suggests that a lack of international experiential knowledge significantly increases the psychic distance to foreign markets. Thus, firms start with low commitment activities such as exporting, and gradually increase their international commitments.

The Uppsala model's assumptions dominated the literature on internationalisation from the 1970s to the mid-1990s, and experiential learning consequently became the most intensively analysed source of foreign knowledge acquisition (Casillas, Barbero, & Sapienza, 2015). In the 1990s, research emerged to explain the existence of businesses

that leapfrog intermediate stages in international new ventures (Sleuwaegen & Onkelinx, 2014; Zhou & Wu, 2014). Similarly, born global firms have been found to engage in activities in multiple international markets from inception rather than starting in domestic markets and then expanding into international markets (Efrat & Shoham, 2013; Trudgen & Freeman, 2014). The degree to which firms are committed to foreign markets depends not only on their particular stage of internationalisation, but also on their individual strategic objectives (Altomonte, Saggiorato, & Sforza, 2012).

Johanson and Vahlne (2009) have further refined the original Uppsala model by explicitly emphasising the 'recognition of opportunity' as an enabling knowledge factor in international expansion. In this view, firms with increased levels of international commitment are able to acquire more market-specific knowledge so as to upgrade their capabilities for continued success in international expansion. In contrast to new ventures with lower levels of international commitment, those with higher levels of international commitment are likely to require more interactions with foreign suppliers, partners, and customers. The deep involvement in international markets allows ventures to learn unique knowledge and experiences, which can enhance their ability to access, assimilate, transform and exploit new external knowledge (Zahra & George, 2002). Consequently, it is essential to the performance outcomes of international new ventures.

However, firms' internationalisation is a process, not a static event. Johanson and Vahlne (2009) clarify that the outcomes of any learning process cannot be predicted, and "an increased level of knowledge may thus have a positive or a negative impact on building trust and commitment and the creation of new competitive advantages through international operations" (p. 1423). Although the learning process may not determine the outcomes of the international commitment, it leads to a critical reassessment of past

decisions. Learning may be associated with gradual increase of international commitment, but it could also lead to a reduction of earlier investment and even a discontinuation of foreign operations if performance and prospects are not sufficiently promising (Johanson & Vahlne, 2009).

The level of the commitment is also linked to the selection of target locations in terms of investment and political risks (Demirbag et al., 2010; Pak & Park, 2005). Emerging economy markets are categorised as relatively risky because of their unstable legal and political environments. The scale of the subsidiary has been empirically demonstrated to have a negative correlation with host country risk (Pak & Park, 2005). Before engaging in a large-scale resource commitment, foreign investors must be aware of the potential costs and returns of such investment. As the developed country markets are more stable and less risky, they tend to be less motivated to engage in large-scale investment in host country markets with unstable political and economic environments. Based on a study of Turkish MNEs investing in developed countries and emerging economy countries, Demirbag et al. (2010) suggest that as the investment scale in the subsidiary increases, the firm will be more likely to establish subsidiaries in developed countries. Some studies examining this issue by using samples from the Western world also confirmed this notion. As for firms from the emerging economies, the relatively large-scale equity mode is frequently used in other developing countries where the environment is risky and unstable. However, because of the similarity between the home country and the host markets, investing in politically and economically unstable markets on a larger scale could probably be an advantage for EMNEs. The stronger commitment and involvement develops deeper understanding of the host country institutions, which in turn leads to legitimacy and acceptance (Wu et al., 2016).

The measurement of international commitment varies in different studies. International intensity, scale of internationalisation, and degree of internationalisation are frequently used to measure international commitment. International intensity is measured by the proportion of a firm's revenue in foreign countries compared to its total revenue (Miller et al., 2016). The scale of internationalisation is measured by the ratio of foreign sales to total sales (Zhou & Wu, 2014), the logarithm of the amount of total investment in the subsidiary (Demirbag et al., 2010), and the number of subsidiary employees over the number of headquarters employees (Pak & Park, 2005). Degree of internationalisation tends to be a multi-item construct. Lu and Beamish (2004) assessed internationalisation using two variables: the number of overseas subsidiaries and the number of countries these subsidiaries inhabit. The most widely recognised multi-variable measure is the transnationality index developed by UNCTAD (1997, 1999). It combines three ratios: foreign sales to total sales (representing the performance dimension of internationalisation), foreign assets to total assets and foreign employment to total employment (both representing the structural dimension of internationalisation). Due to the multi-variable nature of this measurement and its approach of using both financial and non-financial measures, the transnationality index is the primary measure for a number of studies subject to data availability (e.g. Altomonte et al., 2012; Ruigrok & Wagner, 2003; Suh, Bae, Zhao, Kim, & Arnold, 2010; Waldron, 2008).

2.4.4 Entry Mode Strategy

An entry mode strategy plays an important role in MNEs' international strategy and has been widely researched (Brouthers, 2013a; Chen & Hu, 2002; Chen, 2012; Konopaske, Werner, & Neupert, 2002b; Pangarkar & Lim, 2003; Qu & Zhang, 2015). A FDI project is implemented through a certain entry mode. Once the FDI is made, it is difficult and

costly to change the entry mode. FDI entry modes are categorised generally by the way they are established (greenfield investment/ acquisition) and by the ownership structure (wholly owned subsidiary/ joint venture) (Chen & Hu, 2002).

The way FDI is established is either greenfield mode or acquisition mode. Greenfield mode is used to start a business from the bottom up with investment into new facilities or expansion of existing infrastructure. This type of entry mode usually involves local employment, technology transfer and managerial knowledge transfer. Therefore, it requires a firm to have strong ownership advantages and resources, as it normally happens when the investment is made by firms from developed countries in developing countries. Acquisition mode occurs when foreign firms buy existing assets from local firms. Although the acquisition mode primarily uses assets of a local firm, the resources are normally from the parent firm. The main difference between greenfield investment and acquisition is the origin of the resources employed in the new operation. Therefore, the resources of firms are the major determinant of the establishment method of MNEs. The mistakes in the decision-making of entry modes may result in the waste of a firm's resources or unsatisfactory performance.

According to transaction cost theory, firms choose the best entry mode to reduce transaction cost (Brouthers, 2013a).Thus, MNEs tend to use greenfield mode when their resources are strong enough to cover the additional transaction costs relating to foreign operations, and when there are great location advantages in foreign markets (Dadzie, Larimo, & Nguyen, 2014). A greenfield investment is created by following the design of the parent firm, so it is easier to form a better synergy. On the other hand, acquired firms have their own organisational structure and culture, which can lead to potential conflicts, especially in host countries with a different national culture (Capron & Guille´n, 2009).

Thus, post-acquisition restructuring is the major challenge for acquirers (Capron & Guille´n, 2009). Nevertheless, an acquisition mode has the advantage of fast entry into the target market, and obtaining the acquired firm's advantages and strengthening the acquiring firm's overall firm-specific advantages (Dunning, 2000).

In existing studies of the relationship between the establishment mode and a subsidiary's performance, the results are mixed. Dadzie et al. (2014) found greenfield investment was positively related to the performance of subsidiaries in Ghana. Delios and Makino (2003) reached a similar result, particularly in host countries with high cultural distance and uncertainties. In addition, Siripaisalpipat and Hoshino (2000) and Mansour and Hoshino (2001) also confirmed that subsidiaries in greenfield mode outperform acquisition mode when investing firms have strong firm-specific advantages. Conversely, Larimo (2003) argued a greenfield investment would take longer to finish construction and establish market positioning and hence a greenfield mode will not generate superior subsidiary performance in a short time frame. However, Georgopoulos and Preusse (2009) found no significant relationship between the establishment mode and performance of subsidiaries in Greece. Similarly, Chen and Hu (2002) and Brouthers (2013a) found the determinant of a subsidiary's performance is not the entry mode per se but how the entry mode is selected. They demonstrated that an entry mode selection based on transaction cost theory and contingent upon the host country's institutional and cultural context will outperform those which are not.

Another category is based on the ownership structure: the entry mode is either a wholly-owned subsidiary or a joint venture. A wholly-owned subsidiary is an affiliate in which the parent firm owns 100% of its common stock. In FDI entry mode studies, a 95% cut-off point is used to show whether the subsidiary is wholly owned by the parent firm

(Brouthers & Hennart, 2007; Cui & Jiang, 2009b; Yiu & Makino, 2002). In contrast, a joint venture (JV) is defined as a foreign venture where the parent firm's ownership share is between the minimum level of control (10% based on the amount established by OECD (2008)) and full ownership. JV mode involves a cooperative business agreement to share the profit, loss, control, and resources. Therefore, it has a lower level of resource commitment, risk, control, and potential benefits. To offset the liability of foreignness and ensure fast entry into foreign markets, investing firms often use the JV mode where the host institutional environment is quite different from that in the home country.

The entry mode strategy is closely related to the subsidiary's performance. Investing firms can benefit from a WOS, as it allows full control over the operation, reduces transaction costs, obtains all the profit, and protects the technological advantages from leaking to their rivals (Bhaumik & Gelb, 2005; López-Duarte & Vidal-Suárez, 2010; Siripaisalpipat & Hoshino, 2000). However, a WOS requires greater resources to manage a wide range of activities across the value chain (Pangarkar & Lim, 2003). Thus, in the early stage of internationalisation, many firms, especially those from emerging economies, prefer JV mode, as they do not possess enough resources to launch a WOS (Hoon Lee, Biglaiser, & Staats, 2014; Pangarkar & Lim, 2003). A JV mode helps them with rapid entry to the market, reduced capital costs, and stronger competitiveness, owing to their combined resources with local partners. However, subsidiaries with a JV mode often face challenges in choosing the right partner, combining disparate assets, and integrating different corporate cultures, policies and strategies (Pangarkar & Lim, 2003).

Similar to the situation with the establishment mode, existing empirical studies report mixed results on the relationship between ownership mode and the subsidiary's performance. Dadzie et al. (2014) found a positive relationship between a JV mode and

the subsidiary performance, which is consistent with a number of previous studies (Pan, Li, & Tse, 1999; Reus & Ritchie, 2004). On the other hand, a positive relationship between WOS and subsidiary performance was found, when a subsidiary used an ethnocentric staffing strategy (Konopaske et al., 2002a), or when a firm was large and had international experience (Chen, 2012). Furthermore, some studies argued that performance was relatively independent of a FDI ownership choice (Luo, 2003; Pangarkar & Lim, 2003). Similar to the case of the establishment mode, an ownership mode which is selected based on the prediction of the transaction cost theory and the institutional and cultural context in host countries will have better subsidiary performance than those which are not (Brouthers, 2013a; Chen & Hu, 2002).

Strategic management scholars argue that different strategic orientations of the firm influence selection of business level strategies through willingness to take risks, resource allocation priorities, and preference for specific organising and controlling mechanisms (Miller, 1988; Porter, 1980). Such differences are also likely to be reflected in the entry mode strategies firms make (Liang et al., 2009). Further, a number of studies find subsidiary performance is related to the interaction between the ownership strategy and firm motivation in terms of market seeking, asset seeking (Cui & Jiang, 2009b), resource seeking, and efficiency seeking (Nisar, Boateng, Wu, & Leung, 2012).

2.4.5 Location Strategy

While the entry mode strategy answers the question of how to enter a foreign market, the location strategy provides suggestions of where to locate foreign subsidiaries. According to Dunning's (1980) eclectic paradigm, location advantages, such as large market size, and availability of a skilled workforce and natural resources, are factors that attract inward

FDI. FDI location choice is also found to be associated with the quality of the institutions, government policies, and cultural distance (Bevan, Estrin, & Meyer, 2004; Bhardwaj et al., 2007; Kang & Jiang, 2012; Singh, 2012). High quality of institutions is positively related to FDI inflows, as high quality institutions have an advanced level of investor protection, accounting standards, shareholder protection, quality of law enforcement and anti-director rights, but a low level of corruption (Bevan et al., 2004; North, 1990; Wei, 2000). Therefore, improvement in institutional quality is expected to attract more FDI inflows to home countries.

However, the results regarding the relationship between institutional quality and FDI inflows are inconsistent. More specifically, it is suggested that FDI inflows have no relationship or even a negative relationship with the quality of the institutions in some large developing countries, such as India and China, which are characterised by relatively low institutional quality, a high corruption level, and weak property rights (Fan, Morck, Xu, & Yeung, 2009; Singh, 2012). This result has demonstrated that when investing in developing countries, firms from developed countries are attracted by a low level of institutional quality, in addition to the large market size, low cost of the labour force, and proximity to resources (Singh, 2012). Furthermore, when investigating the influence of formal institutional forces on FDI flows, Kang and Jiang (2012) found that Chinese outward FDI tends to be located in countries with a high level of economic freedom but a repressive and risky political regime.

The resource-based view and FDI motivational theory explain a firm's location strategy from the fit of their firm-specific advantages and investment motives. For instance, firms which have strong ownership advantages are likely to have asset-exploitation motivations and exploit their existing resources in developing countries (Makino, Lau, & Yeh, 2002).

On the other hand, firms with fewer resources are motivated to explore knowledge or technology-based resources from firms in developed countries (Makino et al., 2002). Appropriate location strategy is helpful for the investing firm to achieve its investment goals by utilising country-specific advantages offered by the chosen location. Thus, the MNE's location strategy does have an impact on the subsidiary's performance. Location choice is also closely related to firm-specific resources, the host country's institutions, and their investment motivations.

Studies of location strategy in a single country without consideration of alternative locations tend to generate only a partial picture (Pangarkar & Yuan, 2009). Thus, existing studies have classified a firm's location strategy by using two broad clusters – developing countries (or less developed countries) and developed countries – considering the significant institutional differences between these two clusters (Peng, 2003). With increased popularity of FDI in recent years, the performance implications of location strategy in developed and developing countries have received intensive research attention. As the performance implications of firm-specific advantages may be contingent upon the host country environment, a number of researchers contend that location decisions have a profound influence on MNEs' growth, market value and profitability (Dahl & Sorenson, 2012; Delios & Beamish, 2001; Lee, 2010; Liao, 2015; Makino, Isobe, & Chan, 2004; Pantzalis, 2001; Yang et al., 2013). In particular, the host country environment differs significantly between developed countries and developing countries with regard to institutions and market competition, which may influence the strategy and performance of foreign subsidiaries (Luo, 2002; Peng, 2003). To be specific, developing markets have advantages in low labour costs and a rapidly growing domestic market but disadvantages in weaker institutions characterised by a higher level of political risk and lower level of economic freedom (Makino, Beamish, & Zhao, 2004). Comparatively, developed

markets are more politically stable with a higher level of economic freedom, but are more competitive with costly inputs (Makino, Beamish, et al., 2004).

A number of researchers have compared location strategy between developed and developing countries in terms of performance implications. However, the research results have little consistency. For example, Pantzalis (2001) found that US MNEs that are located in both developing and developed countries had a higher market value than those that were only located in developed countries. Lee (2010) conducted research on Korean manufacturing firms and found FDI into less developed countries had higher growth in capital intensity in comparison to FDI into developed countries. Yang et al. (2013) found that Chinese outward FDI created more value in developing countries than that in developed countries, but only for traditional FDI (market seeking, resource seeking and efficiency seeking). They also found that in a developed country setting, traditional FDI created more value than strategic asset seeking FDI. So far, only one study has investigated the relationship between location strategy and a firm's subsidiary performance, using Japanese subsidiaries as the research sample (Makino, Beamish, et al., 2004). Surprisingly, this study found that the average financial performance is higher and the average exit rate is lower in less developed countries in comparison with the case in developed countries. Further, they also found that FDI performance in less developed countries varied significantly.

2.5 The Strategic fit Approach

Fit is a central concept in a firm's strategy formulation (Toulan, Birkinshaw, & Arnold, 2006), and the concept of strategic fit has served as an important theory-building construct in the strategic management literature (Cui & Jiang, 2009b; Nielsen & Gudergan, 2012; Peng et al., 2014; Soni & Kodali, 2011; Zaefarian, Henneberg, & Naudé, 2013). The

strategic fit approach further suggests that a co-alignment between the environment and strategies has a positive impact on firms' performance (Venkatraman, 1989; Venkatraman & Prescott, 1990). This is also consistent with contingency theory that argues an organisation's performance is largely determined by the level of congruence or fit between its strategies and contextual factors (Hoffer, 1975). With regard to international business, MNEs strive to align their organisational goals with the external environment to achieve strategic fit. Prior research has investigated the fit between organisational strategy and host country environment, international strategies, firm-specific resources, and firm ownership (Banalieva & Sarathy, 2011; He et al., 2015; Lin, 2014; Tian & Slocum, 2014).

Despite the significance of the terms such as 'matched with', 'contingent upon', 'consistent with', 'fit', 'congruence', and 'co-alignment', in the strategic management literature, they tend to be translated into the available or convenient mathematical forms and statistical tests without precise guidelines (Venkatraman, 1989). As stated in Galbraith and Nathanson's work (1979, p. 266) almost four decades ago: "although the concept of fit is a useful one, it lacks the precise definition needed to test and recognise whether an organisation has it or not". Thus, a lack of correspondence between theoretical construction and statistical testing weakens the validity of the relationship. Venkatraman (1989) suggests a match between theoretical assumptions, use of the fit approaches, and the mathematical formulation. Prior studies have conceptualised six approaches that are frequently employed to examine the concept of fit – moderation, mediation, matching, gestalts, profile deviation, and covariation – each of which implies a distinct theoretical meaning and requires the use of specific analytical schemes (Bensaou & Venkatraman, 1995; Cao et al., 2015; Flynn et al., 2010; Gebauer, 2008; Liu & Atuahene-Gima, 2018;

Venkatraman, 1989; Venkatraman & Prescott, 1990; Xu, Cavusgil, & White, 2006; Zaefarian et al., 2013).

2.5.1 Strategic Fit as Matching

The matching approach is used to examine the fit as matching between two theoretically related variables. The major feature of the matching approach is the investigation of fit without the criterion variable (Venkatraman, 1989). That is to say, a strategic fit exists when the indicator variable has a significant relationship with the outcome variable. For example, a firm's structure should match the overall strategy of the firm. A match between the structure and strategy leads to stronger performance whereas a mismatch causes administrative inefficiency (Chandler, 1962). This approach is used in the cases of selecting entry modes (Martin, 2013; Shaver, 1998), supply chain integration (Flynn et al., 2010), and organisational culture (Cao et al., 2015). Statistical testing techniques, such as ordinary least square modelling and structural equation modelling, are used in these studies.

2.5.2 Strategic Fit as Moderation

Fit as moderation is used to test the extent to which a third variable (for example, the external environment) moderates the direct relationship between a predictor variable (for example, strategy) and a criterion variable (for example, performance) (Venkatraman, 1989). A major difference between the moderation and the matching approaches is that the former has a criterion variable, while the latter has no such variable. It is, therefore, appropriate to use the moderation appraoch when an interaction exists between the predictor and the moderator. This approach is widely referred to as the contingency perspective (Engelen, Gupta, Strenger, & Brettel, 2015; Gammeltoft, Filatotchev, &

Hobdari, 2012; Gnizy, Cadogan, Oliveira, & Nizam, 2017; Jiang & Li, 2008; Peng et al., 2014). For instance, it is argued that a firm's performance is contingent upon its organisational learning (Jiang & Li, 2008), structure, strategy and process (Xu et al., 2006), the institutional environment (Wu & Chen, 2014), entrepreneurial orientation (Wales, Parida, & Patel, 2013), and the timing of entry (Hsu et al., 2017). Statistical testing techniques used in the moderation perspective include moderated regression analysis, structural equation modelling, and multiple group analysis.

2.5.3 Strategic Fit as Mediation

Unlike the moderation approach, the mediation approach is conceptualised based on the intervening mechanism (for example, organisational structure) between an antecedent variable (for example, strategy) and the consequent variable (for example, performance). A full mediation is obtained when the antecedent variable has no significant relationship with the consequent variable while the relationships are significant both between the antecedent variable and the intervening variable, and between the intervening variable and the consequent variable. A full mediation indicates that the antecedent variable influences the consequent variable through the effect of the intervening variable, which suggests strategic fit as mediation. A partial mediation is obtained when both the main and the mediation effect are significant, but the main effect is weakened after adding the mediation effect. A partial mediation implies that the antecedent and the presence of the intervening variable jointly determine the consequent variable. The strategic fit as mediation approach allows the investigation of a system of relationships in different stages and should be used based on theoretical predictions (Venkatraman, 1989). The mediation approach is mainly used in an established relationship with a missing

mechanism (Guo, Xu, & Jacobs, 2014; Wu et al., 2016). The purpose of this approach is then to unpack the 'black box' between the antecedent variable and the outcome variable.

2.5.4 Strategic Fit as Gestalts

When more than two variables are involved in the fit construct, it requires the identification of gestalts, which is conceptualised as the degree of internal coherence among a set of theoretical variables (Venkatraman, 1989). Miller describes the role of gestalts as "instead of looking at a few variables or at linear associations among such variables, we should be trying to find frequently recurring clusters of attributes or gestalts" (1981, p. 5). It is noted that as in the strategic fit as matching approach, the strategic fit as gestalts approach is also a criterion-free approach. It is frequently used to identify strategy configurations and to investigate the performance difference between these configurations (Cao et al., 2015; Cerrato, Crosato, & Depperu, 2016; Gebauer, 2008; Huo, Flynn, & Zhao, 2017; Linton & Kask, 2017; Merchant, 2014). A combination of cluster analysis and analysis of variance is employed in studies taking this perspective.

2.5.5 Strategic Fit as Profile Deviation

Unlike the gestalt approach, the profile deviation approach needs a specific criterion (for example, performance) (Venkatraman & Prescott, 1990). This perspective allows a researcher to specify an ideal profile and the strategic fit is viewed as this ideal profile. Strategic fit exists when the degree of adherence to such a multidimensional profile has a positive relationship with performance (Xu et al., 2006). The close adherence to this profile indicates a strong fit. Conversely, deviation from this profile suggests a weak fit. This approach is suggested to investigate the fit of several closely related variables such

as strategy, structure and process (Delery & Doty, 1996; Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017; Xu et al., 2006).

2.5.6 Strategic Fit as Covariation

Finally, the covariation approach is best described as the internal consistency among a set of theoretically related variables (Venkatraman, 1989). The difference between the covariation approach and the gestalt approach is that consistent attention is paid to all aspects of the theoretical construct in the covariation approach, whereas the gestalt approach does not require this consistency. The strategic fit variables must reach internal consistency for good validity of the covariation. In terms of the analytical schemes, the covariation approach is modelled as factor analysis, whereas the gestalt approach is modelled as products of cluster analysis. Second-order confirmatory factor analysis is used in the covariation approach (Venkatraman & Prescott, 1990; Xu et al., 2006).

To summarise, these six approaches complement each other and each of them makes a unique contribution. In the research setting of firm strategy, the matching approach identifies the direct linkage between the antecedents and the strategy itself. The moderation approach is primarily used to test influence of the criterion variable on the strategy-performance link, in which the criterion variable may strengthen or weaken this relationship. The mediation approach helps to identify whether a mediator needs to be present in the organisation for a direct effect to occur between firm strategy and subsidiary performance. The gestalt approach allows the identification of archetypes and therefore reflects a firm's strategic orientation. The profile deviation approach examines whether there are best practices against which firms can benchmark their performance. The

covariation approach explains whether an organisation needs to achieve internal consistency in its allocation of resources to benefit from a standardised strategy.

2.6 MNEs' Performance and Their Measurement

2.6.1 An Introduction to Definitions and Issues

Performance is a complex construct, with different meanings such as people productivity in human resource management, and profitability and efficiency in an organisation (Bhattacharya & Kundu, 2013; Suen & Yang, 2013). Research propensity varies according to different research domains. This research investigates international business (IB) performance, that is, the financial and/or non-financial performance of MNEs. Even narrowed down, performance still has no clear definition and consistent measurement in the IB literature. The most appropriate explanation of performance is "how well or poorly an organisation is doing, but performance is either a moving target, the parameters of which always change, or a fixed target, the parameters of which are known only partially" (Meyer, 1994, p. 556). This definition indicates the dynamic nature of organisation performance. The measurement of performance is designed to "produce objective, relevant information on program or organisational performance that can be used to strengthen management and inform decision making, achieve results and improve overall performance, and increase accountability" (Poister, 2003, p. 4). In other words, performance measurement should be designed to have an impact on behaviour and decisions with a focus on investigation, problem-solving and improvement. However, with no universal framework available, it is still a controversial area in the IB literature.

The performance measurement of MNEs is particularly difficult owing to the geographic scope of MNEs' operations, cross-border variations in accounting standards, the varied

nature of firms' motivations and strategies of international expansion, and the variation in selecting measurement perspectives (parent firm or subsidiaries) and indicators (financial or non-financial) (Hult et al., 2008). Notably, not all the performance can be measured by both financial and non-financial indicators due to data availability. For most of the studies, only one criterion for performance can be used but great variation exists in the perspectives of performance and measurements. Moreover, since MNEs' performance is subject to their motivations, selection of financial or non-financial measurements should be consistent with their objectives (Nielsen, 2007). Owing to the complex nature of IB research, IB literature often draws conflicting findings regarding the determinants of performance. Normally, when great quantities of findings are inconsistent, the methodologies are at issue. The following sections provide a critical review of the performance literature regarding its perspectives and measurements. Good understanding and knowledge on performance measurements help to build a solid foundation for the justification of the research design.

2.6.2 The Perspectives on MNEs' Performance

One of the reasons why the studies have generated conflicting conclusions on MNEs' performance is the variation in research perspectives. The most widely employed perspectives are the parent firm perspective and the subsidiary/ international joint venture (IJV) perspective. Since MNEs tend to operate at different organisational levels and in multinational locations, the performance of parent companies is a different construct from that of subsidiaries. A large body of research addresses performance from the parent company's perspective and there is a similar situation for subsidiaries, indicating that, in general, there is no clear propensity for a research preference for either perspective.

As to WOS, subsidiaries are subordinates to their parent firms and are assigned specific goals such as market seeking, resource seeking, efficiency seeking or strategic asset seeking. More recently, research has found that EMNEs' subsidiaries in developed countries are motivated by supplying their domestic markets and providing distribution and marketing services for their foreign parent (Fabling, 2014). The performance of subsidiaries themselves may not accurately reflect the success of the MNEs as a whole. Thus, research on performance from the parent firm perspective better reflects how well or badly the MNEs perform in the overall international markets. Some WOS, however, tend to evaluate the performance of subsidiaries as well. These subsidiaries are usually from the same parent firm or parent firms in the same country, and are used to investigate the relationship of country-specific conditions and firm performance (Boeh & Beamish, 2012; Christmann, Day, & Yip, 1999; Jean, Tan, & Sinkovics, 2011; Li, 2004; Yang, Martins, & Driffield, 2013). For instance, research has evaluated the foreign affiliates' performance in countries with different development levels and found that FDI from emerging economies perform better in less developed countries than in developed countries (Cuervo-Cazurra & Genc, 2008).

In contrast, IJVs are formed by more than one parent firm with different goals. While an IJV could reach one parent firm's performance goals, it might not meet the goals of the other parent. For instance, when investing in China, foreign partners aim to expand the Chinese market so as to increase profits and market share. However, the Chinese partners are usually aspiring to earn foreign exchange through exporting new products, learn advanced management skills and technologies from their foreign partners and leverage their ownership disadvantages through obtaining the independent manufacturing ability without the effort of importing (Fu, Jing, & Zhang, 2008). With parent companies having different goals, the standards for success are usually different. Therefore, performance of

IJVs needs to be measured from different perspectives. Based on an empirical review of IJV performance issues by Robson, Leonidou, and Katsikeas (2002), performance of IJVs tends to be overwhelmingly measured from the IJV's, rather than the parent partners' perspective in the literature. Some of the recent empirical studies (Kobernyuk, Stiles, & Ellson, 2014; Jorma Larimo, 2007; Zhan & Chen, 2013) also conduct research from this perspective. From this perspective, the controversial results due to goal fulfilment evaluation from different partners could be eliminated. However, studies on how IJV performance influences parent companies would still take a perspective from the parent companies (the partners) (Robson et al., 2002).

Research studies on certain topics such as the multinationality /internationalisation-performance relationship usually focus on the influence of firms' multinationality or the degree of internationalisation on parent firm performance (Chen & Hsu, 2010; Contractor, Kundu, & Hsu, 2003; Pangarkar, 2008). However, research studies on entry mode strategy and performance relationship or location strategy and performance relationship are likely to be from the perspective of subsidiaries (Gorynia, Nowak, & Wolniak, 2005; Konopaske, Werner, & Neupert, 2002a). Decision-making on how to enter foreign markets and which country to enter often has a direct and instant impact on the foreign affiliates' performance. Certain entry mode or location strategies generate better or worse short-term subsidiary performance compared to other choices. Therefore, on these topics, performance implications would be more likely to be considered from the subsidiary's perspective and decision-making recommendations mainly aim at short-term benefits. Furthermore, a research focus on subsidiary survival is also more likely to be from the perspective of subsidiaries (Delios & Beamish, 2001; Garg & Delios, 2007; Li, 1995).

The quality of the research design depends directly on the appropriateness of the selection of performance perspective. Thus, careful selection is required to conduct research from the most appropriate perspective, taking into account the research objectives, and last but certainly not the least, data availability. This study aims to investigate EMNEs' strategic intent and how different types of strategic intent are achieved at the subsidiary level. Thus, the measurement of EMNEs' performance in this study is from the subsidiary level.

2.6.3 Measurement of MNEs' Performance: Objective Indicators

In the international business (IB) literature, researchers employ objective and subjective indicators to measure MNEs' performance. Among all the measurements, financial measurements dominate in the literature. The most frequently used financial indicators are accounting based variables: return on asset (ROA), return on sales (ROS) and growth. ROA is the ratio of after tax income to a firm's total assets, which measures profitability relative to the total amount of assets the owners have invested in the business. ROA is also used to examine the efficiency of a company using its resources. ROS is the ratio of after tax income to a firm's total sales, which is often used as a measure of a firm's operational efficiency as well as its profitability (Garcia-Fuentes, Ferreira, & Kennedy, 2013). The data is often acquired from online or other secondary data sources. Having access to these data sources is essential in applying this methodology.

The second most widely used measurement is market-based measurement, known as Tobin's q. The reason for this measurement is better availability and reliability of the data, usually from the listed MNEs' official websites and annual reports (Singla & George, 2013). The third type of financial measurement is value based indicators, such as economic value added, cash flow and return on investment. Some of the firms use both

accounting based measurement and market based measurement (Luo, 1997). The advantages of using financial indicators are the objectivity, accuracy, and data availability and reliability. It also allows researchers to investigate the changes in MNEs' performance over time through comparing the financial results during that period.

There are some other non-financial objective indicators – such as stability, firm size, firm duration, survival, capital intensity, product differentiation, labour and multi-factor productivity and gross output – used in the evaluation of overall performance (Fabling, 2014; Garg & Delios, 2007; Georgopoulos & Preusse, 2009; Nguyen, 2011; Nielsen, 2007; Pangarkar & Lim, 2003).

2.6.4 Measurement of MNEs' Performance: Subjective Indicators

Despite the advantages of financial indicators, criticism also exists regarding this measurement. Some scholars argue that the variation of national accounting standards is the reason why performance literature often generates conflicting conclusions (Hult et al., 2008). Others state that MNEs are considered successful when they fulfil a range of motives such as enhancing parent learning, improving the strategic positioning of the parent firms, or gaining legitimacy within the larger social environment (Fabling, 2014; Nielsen, 2007). In other words, the variation in MNEs' motivations indicates that MNEs may not intend to fulfil standard financial objectives, instead fulfilling other company goals. Thus, the extent to which MNEs achieve success may not be adequately reflected by financial and objective indicators. Some subsidiaries may not have met the parents' aims despite good financial results or continued duration and survival. Furthermore, financial indicators do not count subsidies and transfer pricing, and thus profit manipulation exists in many cases, especially in the companies which are unwilling to

disclose their financial status (Christmann et al., 1999). Consequently, subjective and perceptual measures of satisfactory performance have emerged to be a more appropriate method to evaluate MNEs' performance. In particular, goal fulfilment is frequently used in IJV performance assessment (Christoffersen, Plenborg, & Robson, 2014).

Like the objective indicators, the subjective measurements have also been dominated by profitability evaluations such as the previous mentioned ROA, ROS, growth of sales and growth of profits (Pangarkar, 2008). Other assessments include satisfaction with the experience and knowledge gained as a result of entering foreign markets and the overall performance of subsidiaries compared to the performance of the parent company (Demirbag, Tatoglu, & Glaister, 2007; Pangarkar, 2008). Data is collected through questionnaire surveys, responding to questions regarding performance evaluation on a five-point Likert scale (strongly agree to strongly disagree) or interviews (Delios, Xu, & Beamish, 2008; Demirbag et al., 2007; Pangarkar, 2008). Due to difficulties in gaining access to valid financial data – particularly from small- and medium-sized MNEs – and the aforementioned disadvantages of financial assessment, subjective performance measurements have gained popularity and have been widely recommended by researchers over the years (Arino, 2003; Delios & Beamish, 2004; Meyer & Su, 2015; Verreynne, Hine, Coote, & Parker, 2016; Zhong, Peng, & Liu, 2013).

However, subjective indicators are not always the solution. One company's financial and non-financial performance information may be too sensitive for the respondents to reveal through interviews or surveys. Thus, the results are criticised as too subjective, or even judgmental. Due to the advantages and disadvantages of objective and subjective performance indicators, multi-dimensional measurements of performance are recommended to evaluate MNEs' comprehensive performance (Demirbag et al., 2007;

Garg & Delios, 2007; Nielsen, 2007). This method not only refers to a combination of both financial (accounting and market based data) and non-financial measurements (duration and survival), but also includes both objective and subjective indicators. However, due to data availability, this multi-dimensional approach is difficult to apply in practice.

2.7 Chapter Summary

The review of the existing literature has demonstrated the reasons for the emergence of FDI, the development pattern and issues related to firms' entry strategies and subsidiary performance. Unlike MNEs from developed countries, EMNEs have to develop more balanced strategic motives in both asset exploration and asset exploitation. The strategic intent perspective is an insightful theoretical lens to investigate how the entry strategies are selected and configured to match distinctive strategic goals. A review of the existing literature also shows that studies on the relationship between entry strategies and subsidiary performance have generated conflicting empirical results. The strategic fit approach could be a good theoretical lens to further examine how the intent-strategy fit could exert an effect on EMNEs' subsidiary performance. Out of the six strategic fit approaches, this study will employ the strategic fit as matching and as gestalt approaches, as they suit the research objectives of this study. More detailed discussion on why these two approaches were selected is presented in the next chapter.

Chapter Three

Research Design and Hypothesis Development

3.1 Chapter Overview

This chapter proposes the conceptual framework as an analytic basis to answer the research questions. Based on the literature, the conceptual framework is constructed to achieve the objectives of this study. Sections 3.2 presents the development of the conceptual framework of the study. Derived from this framework, six main hypotheses and fourteen sub-hypotheses are proposed and explained in section 3.3. Four main hypotheses are based on the strategic fit as matching approach, while two are from the strategic fit as gestalt approach. In the end, section 3.4 provides the concluding remarks of this chapter.

3.2 Conceptual Framework

Due to the importance of strategic fit and its performance implications, more research attention is needed to answer the question of how firms' strategic objectives affect the selection of entry strategies. The current study adopts the approaches of fit as matching and fit as gestalts to investigate how EMNEs' entry strategies are influenced by their strategic intents. The approach of fit as matching is consistent with the strategic management literature consensus that firms' strategies should match their long-term objectives, while the fit as gestalt approach allows investigation of the existing patterns of firms' strategic intents and how the configuration of the intents relates to the selection of entry strategies. In the end, the performance implications will be further investigated using both of the fit approaches. The combination of these two fit approaches contributes to a more holistic picture of the relationship between strategic intents and FDI entry

strategies, which helps to generate a comprehensive understanding of performance implications at the subsidiary level.

3.2.1 Strategic Fit – The Matching Approach

In the strategic fit literature, scholars have long argued that the firm's business strategies should match its strategic orientations due to its willingness to take risks, the way to allocate resources, and organisational preferences of structure and processes in the business operation (Miles & Snow, 1978; Miller & Droge, 1986; Porter, 1980). Venkatraman and Camillus (1984) further suggest that an organisation's aspirations and objectives should be considered when corporate strategies are formulated. Similarly, the strategic cognition perspective (March, 1991) suggests that firms adapt to the environment via exploration and exploitation tendencies. Firms with an exploration tendency tend to innovate in new products, processes and services, while firms with an exploitation tendency are more likely to focus on the incremental improvement of existing technologies (Liang et al., 2009). Indeed, different strategic objectives or orientations are implemented through distinctive corporate strategies and behaviour patterns in the location strategy (Jindra et al., 2016; Kang & Liu, 2016), entry mode strategy (Liang et al., 2009), timing of investing overseas (Paul & Wooster, 2008) and the international intensity (Baldauf, Cravens, & Wagner, 2000).

The current study examines the strategic objectives from the strategic intent perspective (Hamel & Prahalad, 1989), as EMNEs' internationalisation has dual strategic intents, i.e. acquiring strategic assets to offset their competitive weakness, and leveraging their unique ownership advantages (Luo et al., 2011; Rui & Yip, 2008). The distinctive strategic intents serve as EMNEs' long-term strategic goals that cannot be adequately explained by short-term strategic planning (Cui et al., 2014; Rui & Yip, 2008). The

strategic intent perspective argues that in order to gain and sustain strategic advantages in the global market place, MNEs must articulate ambitious strategic goals that surpass the firm's existing resources or capabilities (Hamel & Prahalad, 1994). Instead of a "fit", there is a severe "mismatch" between firms' strategic goals and their existing resources and capabilities (Hamel & Prahalad, 1994). Therefore, the traditional strategic literature suggests that firms need to establish a "fit" between strategies and the existing stock of resources and capabilities may not be applicable in the EMNE's setting. The entry strategies need to surpass the constraints of resources and capabilities and should be set in order to achieve the strategic goals.

In order to catch up to their global competitors, firms may have different strategic intents. For example, a strategic intent could focus on asset augmentation (Rui & Yip, 2008), market expansion (Akbar & McBride, 2004; Luo et al., 2011), or natural resource acquisition (Kang & Liu, 2016). These documented strategic intents have distinct characteristics in terms of their investment patterns and risk orientations. The use of different entry strategies is related to different risk levels (Liang et al., 2009; Luo & Bu, 2018). Therefore, not all entry strategies are suitable for a specific type of strategic intent. Selection of entry strategies needs to match the firm's strategic intent and an alignment of the firm's entry strategies to its strategic intent will be more likely to generate superior performance in terms of attainment of strategic goals in the subsidiaries.

The strategic objectives are theorised from the strategic intent perspective, as EMNEs' internationalisation is mainly for strategic purposes (Luo et al., 2011; Rui & Yip, 2008). EMNEs have three main FDI motives: strategic asset seeking, market seeking and natural resource seeking (Buckley et al., 2008). Notably, EMNEs have developed both the defensive and offensive market seeking intentions (Buckley et al., 2008). Consistent with

the rationale behind the strategic intent perspective, these strategic objectives are developed by EMNEs with the overall intent of leveraging their unique ownership advantages and offsetting their competitive disadvantages (Rui & Yip, 2008). Firms may have different types of strategic intent including "entering new markets, expanding capabilities by learning and acquiring new knowledge, building bases of resources and experiences" (Rui & Yip, 2008, p. 215) and they are aligned very well with offensive market seeking, strategic asset seeking and natural resource seeking. The purpose of firms with strategic intent is to maximise the overall performance beyond establishing the most efficient subsidiaries (Deng, 2004). Thus, efficiency seeking and defensive market seeking are excluded from the current study as their objectives are solely cost reduction and sales generation. Therefore, by employing the strategic intent perspective as the guiding theoretical lens, the current study aims to analyse the EMNEs' strategic intent in terms of strategic asset seeking, offensive market seeking, and natural resource seeking. Further, based on the strategic fit as matching approach, this study will investigate how firms achieve their strategic goals through different FDI strategies at the entry stage regarding the entry mode strategy, location strategy, entry timing and entry intensity to match these strategic intents.

3.2.2 Strategic Fit – The Gestalts Approach

The fit as matching approach examines the direct relationship between indicators and the dependent variable, which is important but inadequate to understand strategic intent and EMNEs' entry strategies. Flynn et al. (2010) point out that the matching approach overlooks the inter-relationship between the indicators and may distort any real relationship among the investigated variables. The fit as matching approach takes a reductionist approach to investigating organisational phenomena so that it is difficult to

reflect complicated phenomena in an accurate and holistic manner. It is common for firms to develop multiple strategic intents (Gaffney et al., 2013; Luo & Bu, 2017), and thus the matching approach as a methodological approach is not sufficient to address the more complicated fit between multiple intents and the required entry strategy. The fit as matching approach is more useful for the match between a single intent and related entry strategy. To address the limitations of the fit as matching approach, the fit as gestalt approach is adopted in order to provide a holistic view on the relationships to be tested.

Instead of addressing single causation and linear relationships, the strategic fit as gestalts approach assumes complex causality and nonlinear relationships (Meyer et al., 1993). It allows the investigation of variables as clusters of interconnected dimensions rather than isolated components (Peer, 2007). It takes a configuration approach to investigate the focal variables in a systematic and holistic manner, where patterns or profiles rather than individual independent variables are related to the outcome variable (Delery & Doty, 1996; Misangyi et al., 2017). As one firm may emphasise strategic asset seeking while others put more weight on market seeking intent and/or natural resource seeking, their strategic intent may have different profiles. For example, when a firm proactively emphasises technological competencies and foreign market opportunities, its profile of strategic intent will be significantly different from a profile of another firm that has only reactive strategic intent in international expansion (Hollensen, 2008). The strategic fit as gestalts approach suggests that different firms may emphasise different strategic intents and to varying degrees to form a holistic entity in which they work simultaneously (Meyer et al., 1993). The extent to which different strategic intents are emphasised in one profile reflects the aggressiveness and ambition of a firm in the foreign market. Thus, a configuration of the three strategic intents exerts an overall effect on the firm's entry strategies. Furthermore, the fit between a firm's profile in terms of strategic intent and its

entry strategies would generate performance implications, in that the firm with a good alignment between strategic intent profiles and entry strategies should be able to outperform firms that have weak or no alignment.

Since firms can develop multiple strategic intents (Gaffney et al., 2013; Luo & Bu, 2017), there is a need for them to configure these different strategic intents. Following the strategic intent perspective, firms invest overseas to acquire resources (strategic assets, markets and natural resources) that complement their existing ones (Rui & Yip, 2008). Due to the heterogeneity of firms' resources, EMNEs may not place equal emphasis on each of the strategic intents. There is a need to establish strategic intent taxonomies in order to provide an insightful understanding of the relationship between firms' strategic intents and FDI entry stage strategies. This study views strategic fit in terms of configuring and aligning various elements as a reflection of the patterns established in practice (Flynn et al., 2010; Miller, 1986). In an effort to catch up with dominant competitors, an EMNE can pursue multiple strategic intents simultaneously in one subsidiary (Deng, 2004; Gaffney et al., 2013; Luo & Bu, 2017). Based on the strategic fit approach, firms' heterogeneous strategic intents require distinctive FDI entry strategies. The configuration approach can empirically develop a taxonomy, and contribute to both theory and practice, as it reveals the patterns that may have not been tested in a theoretical study.

In conclusion, the conceptual framework of the current study is developed to examine different scenarios of fit between various types of strategic intent and FDI entry strategies, as well as the performance implications of fit. More specifically, this framework includes two parts: part one employs the strategic fit as matching approach to investigate the influence of strategic intent on FDI entry strategies, and part two employs the strategic fit

as gestalts approach to investigate various configurations of strategic intent and FDI entry strategies.

Figure 3. 1 Conceptual framework (Part one) – Strategic fit as matching

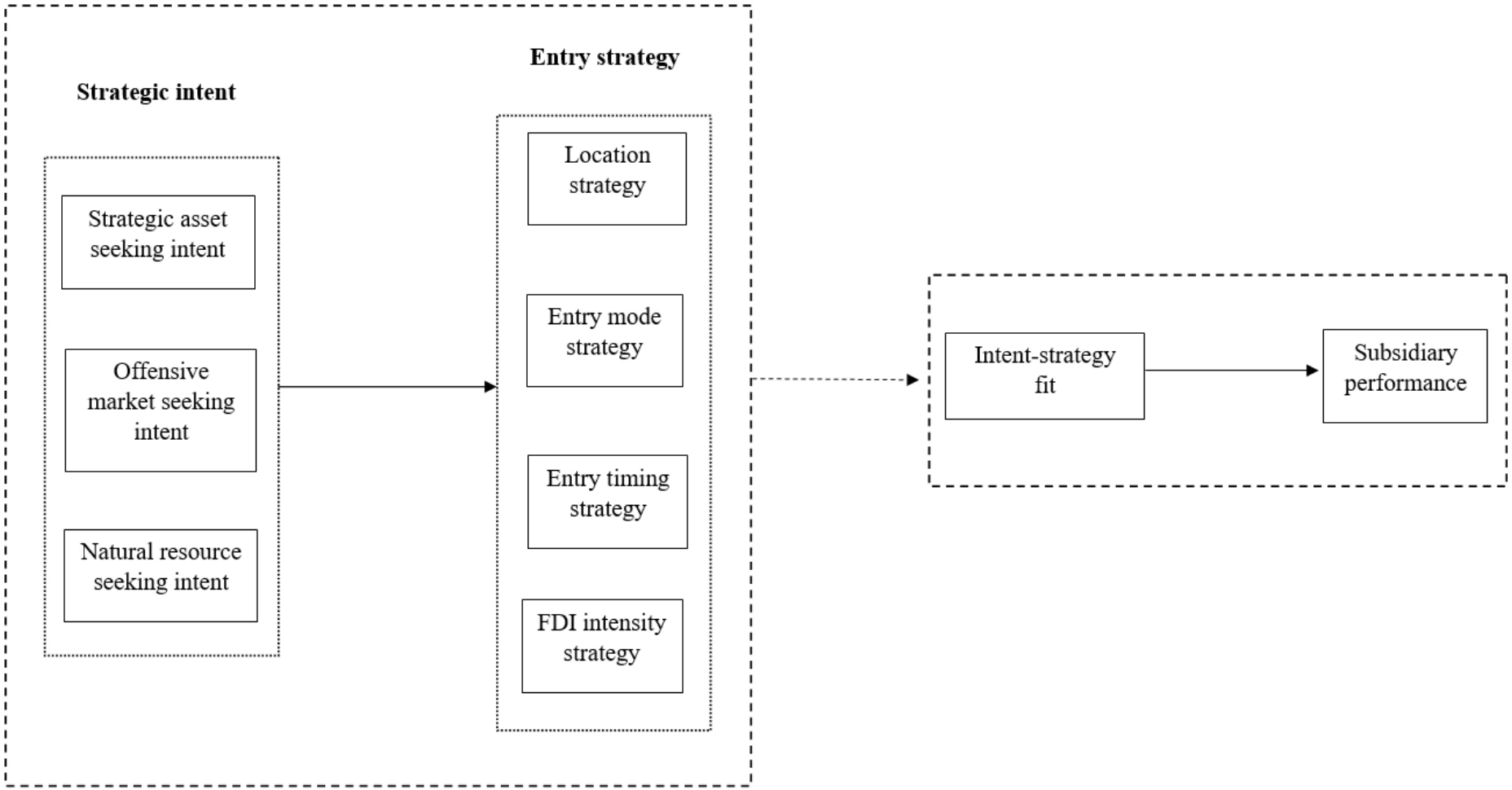
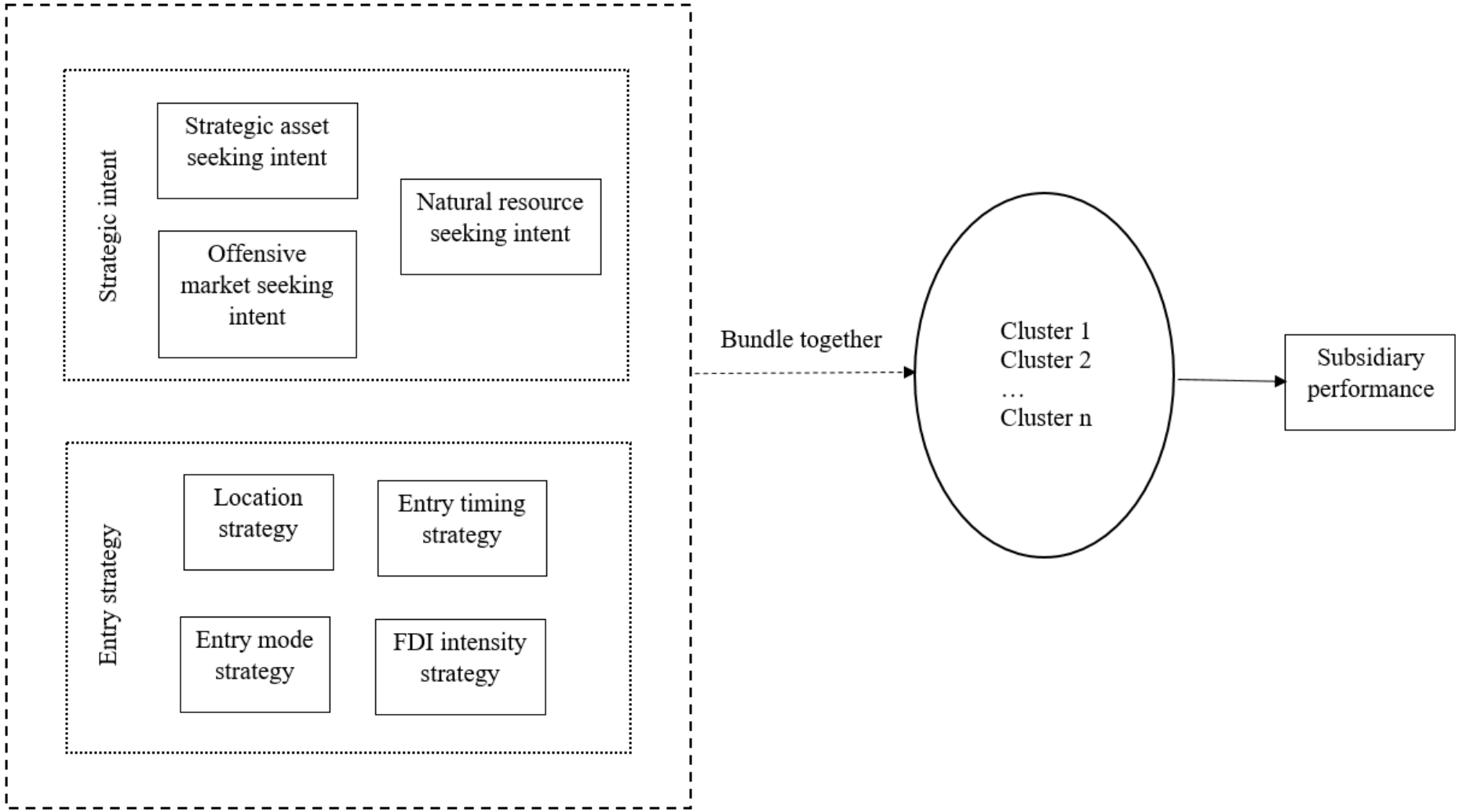


Figure 3. 2 Conceptual framework (Part two) – Strategic fit as gestalts



3.3 Hypothesis Development

3.3.1 Strategic Fit as Matching Approach

Strategic assets form "the set of difficult to trade and imitate, scarce, appropriable and specialised resources and capabilities that bestow the firm's competitive advantage" (Amit & Schoemaker, 1993, p. 36). Strategic asset seeking FDI has appeared mainly in the literature on EMNEs to explain their unconventional internationalisation path, i.e. going global "in the absence of significantly superior technological and managerial resources" (Peng, 2012, p. 96) or aggressive entry modes (Cui & Jiang, 2009b; Deng, 2009; Luo, 2007; Rui & Yip, 2008). EMNEs are engaging in strategic asset seeking FDI for three strategic reasons. First, based on the resource-based view (Barney, 1991; Wernerfelt, 1984) and the organisational learning perspective (Barkema & Vermeulen, 1998), strategic asset seeking firms are motivated to acquire advanced technologies, managerial skills, and established brand names that are mainly embodied in firms from developed countries. EMNEs use FDI as a vehicle to recombine capabilities in order to compete with rivals in the global and the domestic markets (Deng, 2009). Second, institutions in emerging markets such as China are characterised by inefficient legal frameworks and weak protection of intellectual property rights that discourage firms' R&D activities (Rui & Yip, 2008). To avoid institutional constraints, MNEs intend to invest in R&D intensive projects overseas or directly buy strategic assets from advanced MNEs (Luo & Tung, 2007). Lastly, EMNEs are actively involved in strategic asset seeking FDI to take advantage of their unique ownership advantages. In emerging markets such as China, a company's economic behaviour is still largely influenced by government policies (Lu et al., 2011). The government provides strong incentives for firms that are

aligned with its policies. From as early as the initiation of the ‘go global’ policy at the beginning of this new century, the Chinese government has provided increasing financial support (e.g. access to capital, tax concessions, and other incentives) to R&D projects and brand development (Buckley et al., 2008).

3.3.2 Strategic Asset Seeking and FDI Strategies

3.3.2.1 Strategic Asset Seeking and Location Strategy

When seeking strategic assets, EMNEs are interested in tapping foreign knowledge of technology-intensive production and buying foreign brands or other complementary assets (Buckley et al., 2008; Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010). In general, firms in developed countries are characterised by higher quality resources, including advanced managerial skills, brand names and technologies (Buckley et al., 2008; Gubbi et al., 2010). Harrison, Hitt, Hoskisson, and Ireland (2001) suggest that integrating complementary, rather than similar, resources provides an opportunity for development of new capabilities and eventually improves the competitiveness of parent firms. However, the resources that emerging economy MNEs are looking for may not be available in the domestic market or other developing countries. Moreover, from the knowledge spillover perspective, agglomeration economies and knowledge externalities could generate location-bound spillovers (Jindra et al., 2016). Developed countries possess a great number of skilled employees, existing supplier linkages, and market information (Barnard, 2010) which can help to generate cumulative knowledge and increase firms’ production and technological competencies over time. The large number of R&D activities in developed countries also generates spillover effects for investing firms (Jindra et al., 2016). Comparatively, there are much fewer technology spillovers in developing countries. Finally, a high quality institutional framework for protection of

intellectual property rights in developed countries provides a favourable environment for R&D activities for investing firms. On the other hand, institutions in developing countries are more or less under-developed, and characterised by weak intellectual property rights protection, which may discourage technological innovations. Hence, the following hypothesis is proposed.

Hypothesis 1a: Strategic asset seeking firms tend to locate their subsidiaries in developed countries.

3.3.2.2 Strategic Asset Seeking and Entry Mode Strategy

Following the strategic fit approach, firms need to select the right entry mode in order to facilitate achievement of the strategic goals. Unlike explicit knowledge that can be easily accessible and transferable, strategic assets are more likely to be expressed as the tacit knowledge that is deeply embedded in the organisational routines (Zheng, Wei, Zhang, & Yang, 2016). When a joint partnership fails, the partner firms will become competitive rivals to each other, which is why the host country firms are reluctant to share core competencies with their JV partners (Rugman, 2010). Thus, acquiring and transferring strategic knowledge does not occur easily and automatically. Given the challenges associated with the transfer of the tacit knowledge, strategic asset seeking firms are more likely to use the WOS mode. In addition, the WOS and JV modes are distinct in terms of the level of control a parent could impose on the subsidiaries. Goal achievement of strategic asset seeking requires a smooth knowledge flow from the subsidiary to the parent. Therefore, a formal control mechanism is needed to coordinate a series of complex interactions in great detail with other units within the subsidiary (Foss, Husted, & Michailova, 2010). These actions are difficult to implement in a JV, as the shared control system slows down the process of strategic decision making and may cause conflicts

when disagreements between partners appear (Meyer & Su, 2015). Thus, a full control mode, instead of a partial control mode, is more likely to facilitate asset seeking. A JV mode will increase the coordination costs and postpone strategic changes, as it requires consensus of the partners before making substantial strategic changes (Filatotchev, Stephan, & Jindra, 2008). Lastly, the WOS mode is associated with a higher level of risk exposure, due to the greater resource commitments, the sole decision making responsibility, and the absence of a local partner to provide local knowledge and guidance (Liang et al., 2009). Nevertheless, unlike the incremental development of firms' international exploitation, strategic asset seeking firms are more willing to take risks (Hamel & Prahalad, 1989). Thus, the WOS mode fits the strategic purposes of strategic asset seeking firms, the preference for the control systems and the willingness to take risks in foreign investment.

Hypothesis 1b: Strategic asset seeking firms tend to use the WOS mode rather than the JV mode.

3.3.2.3 Strategic Asset Seeking and Entry Timing

Another critical decision that firms need to make when entering a foreign market is the timing of the investment (Stalk & Hout, 1990; Vesey, 1991). The Uppsala model suggests that internationalisation is a slow process based on gradual development of firms' resources (Johanson & Vahlne, 1977, 1990) and a path-dependent process grounded in experiential learning, which all takes time (Casillas & Moreno-Menendez, 2014). However, it is documented that EMNEs frequently enter foreign markets by skipping the low risk mode and choosing the equity mode at an early stage. The uncertainty in the foreign environment and the growth opportunities are the central arguments for first mover (dis)advantages, where firms with strong capabilities and experience are more

likely to become the early movers (Dobrev & Gotsopoulos, 2010). Although EMNEs do not have sufficient resources and capabilities for reaping the first mover advantages, they can still enter the foreign market at a relatively early stage, aiming for strategic goals (Folta & O'Brien, 2004; Paul & Wooster, 2008; Zachary et al., 2015). The timing of entry is also related to how applicable firms' resources are in the foreign countries. For firms whose assets are not completely applicable in the host country, an asset-building strategy and an early entry are better (Lieberman & Montgomery, 1988). Firms entering the foreign market at an early stage gain advantages through controlling foreign assets rather than developing them step by step (Lieberman & Montgomery, 1988), for example, the pre-emption in supply-side markets for labour, other local assets and favourable procurement arrangements (Delios & Makino, 2003). There is no doubt that EMNEs entering foreign markets at an early stage face a higher level of risks. However, given that firms with strategic intents are more oriented to risk-taking (Luo & Bu, 2018), strategic asset seeking firms tend to strive for the growth opportunities of being an early mover. In a study of the relationship between entry timing and foreign subsidiary performance of Japanese firms, Delios and Makino (2003) suggest that firms' entry timing decisions could be subject to the motives for entering a market. Thus, it can be assumed that with a willingness to take the associated higher risk, strategic asset seeking firms are more likely to act as early movers.

Hypothesis 1c: Strategic asset seeking firms tend to enter foreign markets at an earlier stage in comparison to their peers.

3.3.2.4 Strategic Asset Seeking and International Intensity

The strategic fit approach also requires the right degree of internationalisation. EMNEs use different strategies to address their limited resources in internationalisation. Strategic

asset seeking through international expansion is used as one of the means to address this constraint. Prior studies have tried to explain strategic asset seeking by employing various theoretical approaches, for example, the springboard perspective (Luo & Tung, 2007), the institutional perspective (Deng, 2009) and the awareness, motive and capability framework (Cui et al., 2014). What these theoretical perspectives share is that EMNEs seek superior resources and skills that are not available in the home country to compensate for their competitive disadvantage and catch up with their rivals in the global market. Yang et al. (2014) argue that one of the drivers for strategic asset seeking is the openness of the home market. In an open market, technology, trade and investment flow with limited restrictions and so does the competition. Some foreign multinationals even dominate certain industries in the emerging markets. For example, Procter & Gamble and L'OREAL are dominant players in China's commodity and cosmetics markets (Yang et al., 2014). Thus, it becomes imperative for EMNEs to seek new capabilities in order to remain competitive at home. Thus, strategic asset seeking of the EMNEs aims at acquiring resources that are complementary to the resources they have at home and at a more advanced level (Zheng et al., 2016). It is noted that the main focus of strategic asset seeking is to use the advanced technologies and skills acquired from foreign firms to defend their home markets (Hymer, 1976; Porter, 1990; Yang et al., 2014). With the aim to become more competitive in the global market, the home market is crucial for EMNEs because that is where their competitive advantages and growth derive from.

Although to a more limited level, in comparison to the firms in developed countries, firms in emerging markets still possess their firm-specific advantages in the home market, such as access to low-cost labour, rich natural resources, government financing and connections, and a large customer base. EMNEs can combine these firm-specific advantages in the home market and the strategic assets acquired from foreign firms to

defend their home markets (Cui et al., 2014). According to UNCTAD's annual survey of the 100 largest non-financial MNEs from developing and transition economies, 54% of total sales are from their home markets (UNCTAD, 2012). Strom and Nakamura (2014) suggest that strategic asset seeking firms aim to strengthen their competitive position and attain a superior competitive advantage in the home market. In addition, Anderson, Sutherland, and Severe (2015) find that strategic asset seeking Chinese firms witnessed a significant increase in the number of patent applications in the parent firms while the number in the subsidiaries remained the same. This study further confirms that strategic asset seeking firms tend to bring the core competencies back to the parent firm and bolster economic and social development at home. Thus, I propose that internationalisation intensity tends to be at a lower level when the firm seeks strategic assets in foreign markets in order to strengthen the competitiveness of the parent firm and become more competitive in the global market.

Hypothesis 1d: Strategic asset seeking firms tend to enter foreign markets with a lower level of intensity.

3.3.3 Offensive Market Seeking and FDI Strategies

The market seeking motive aims at exploiting or exploring attractive foreign markets, which can be either defensive or offensive market seeking. The defensive market seeking firms invest overseas mainly to avoid tariff and non-tariff trade barriers in order to facilitate exports and to protect their current markets (Deng, 2004; Dunning, 1993). In doing so, firms often establish manufacturing plants in countries where the industrialised countries set fewer or no export quotas or follow where the client goes. Another purpose of defensive market seeking firms is to escape from domestic market competition and saturation (Buckley et al., 2008). With the penetration of globalisation, foreign firms can

easily enter emerging economies. With limited protection from the government and intensive competition from strong rivals in the domestic markets, it is sometimes easier for EMNEs to develop foreign, rather than domestic, markets, especially for those located in China's coastal region (Buckley et al., 2008).

Although EMNEs often establish affiliates in low-income countries so as to exploit their competitive advantage, some other EMNEs are increasingly able to compete in more advanced economies, being motivated by offensive market seeking (Buckley et al., 2007; Deng, 2004; Taylor, 2002). Rather than increasing exports and passively escaping from domestic competition, offensive market seeking firms proactively develop new markets and raise brand awareness (Sanchez-Peinado et al., 2007; UNCTAD, 2003). The purpose of offensive market seeking is to enter the leading markets in the industry, establish a globally recognised brand, and finally become the global leader in the industry (Deng, 2004). Another aspect of offensive market seeking is to strengthen regional economic integration through accessing the regional markets where the host country has free trade agreements (Buckley et al., 2008). In comparison to the defensive market seeking motive, the offensive one is more ambitious and it is consistent with the strategic intent perspective regarding catching up and becoming the global leader in the industry.

3.3.3.1 Offensive Market Seeking and Location Strategy

The strategic fit approach suggests that the offensive market seeking firms need to choose an appropriate location. Although EMNEs are believed to lack firm-specific advantages compared to their rivals in the developed countries, they do obtain certain firm-specific advantages, for example, technologies and brand names developed through domestic and international operations (Morck, Yeung, & Zhao, 2008), and strong institutional support from the home government (Strom & Nakamura, 2014). A number of studies have found

that offensive market seeking has been quite popular for EMNEs, becoming a dominant motive for their FDI (Curran, Lv, & Spigarelli, 2017; Luo & Lemański, 2016; Rodriguez-Arango & Gonzalez-Perez, 2016; Strom & Nakamura, 2014). The rationale for this is twofold. First, based on the institution-based view and institutional economics, the pro-market reforms in emerging economies, such as national governance improvements, and economic liberalisation, have reduced transaction costs and thus facilitate economic relationships and business operations (Dau, 2012). In the meantime, the reforms have increased competition, resulting in more international opportunities. Second, many EMNEs have developed expertise in mass production through being original equipment manufacturers and international joint ventures in their home country (Luo & Zhang, 2016). Together with the availability of global supply chain networks, these advantages enable EMNEs to manufacture technologically standardised products in developed countries at a very attractive price. Although EMNEs' competitive advantage is not strong enough to make them the industrial leader, the institutional environment and the accumulated experience have given EMNEs the confidence and competencies to aggressively enter developed countries. Developed countries are characterised by advanced factor markets, which enable local firms to access key inputs, such as market sophistication and financial resources. In such a context, the sophisticated local customers and fast changing market demand will force EMNEs to continuously improve, thereby strengthening the global competitiveness of the investing firms (Rabbiosi, Elia, & Bertoni, 2012). In addition, the firms' presence in developed countries will help to enhance the global awareness of their brand names. Thus, investing in developed countries facilitates the offensive goals of being the global leaders in the future. EMNEs are also able to exploit their competitive advantages in developing countries, targeting low to mid-end market segments (Peng, 2012). On the other hand, developing countries do not feature a

rich set of market and consumer characteristics. With less-demanding customers and similar institutional conditions, EMNEs face a limited range of challenges and such an environment limits their competency improvement and the opportunities to be the global leader (Rabbiosi et al., 2012). Thus, the following hypothesis is proposed.

Hypothesis 2a: Offensive market seeking firms tend to locate their subsidiaries in developed countries.

3.3.3.2 Offensive Market Seeking and the Entry Mode Strategy

As discussed previously, EMNEs are able to undertake FDI for offensive market seeking, because they have some kind of ownership advantages that may be different from the typical ownership advantages possessed by MNEs from the developed world (Buckley, Munjal, Enderwick, & Forsans, 2016). Jain et al. (2013) suggest that EMNEs' resources could be relationship-based, home experience-based, and country-created assets. With these ownership advantages at hand, some EMNEs have gradually developed domestically well-known brands and a positive reputation. By entering world leading markets aggressively, EMNEs could enhance the brand awareness through establishing a strategic outpost and developing a global business network linking the domestic markets, the advanced markets and the neighbour markets (Cui & Jiang, 2009b). With such offensive market seeking, EMNEs tend to employ a high control entry mode. The reasons are threefold. First, full ownership enables EMNEs to utilise their unique ownership advantages and allows them to make quick strategic decisions in order to survive and penetrate more competitive markets (Sanchez-Peinado et al., 2007). Second, although EMNEs possess some competitive advantages such as brand names and low costs, the brand images have not had global renown. It is costly if the brand image is inappropriately used by the foreign partners, resulting in the brand image being damaged in important

markets. A full control mode will ensure the brand reputation is protected by the parent firm and develop a strong market position in the target market (Isobe et al., 2000). Third, brand names and trademarks are considered tacit know-how that is difficult to codify and transfer. This type of knowledge is more likely to be transferred within the firm, rather than through market transactions. Thus, hierarchical coordination through full ownership appears to be a more efficient option (Martin & Salomon, 2003). The WOS mode allows offensive market seeking firms to efficiently use and transfer their unique ownership advantages, protect their brand image, as well as make fast responses to achieve their aggressive goals. Thus, the following hypothesis is proposed.

Hypothesis 2b: Offensive market seeking firms tend to use a WOS mode.

3.3.3.3 Offensive Market Seeking and Entry Timing

Following the strategic fit approach, offensive market seeking firms need to enter the foreign markets at the right time. Although Buckley et al. (2008) argued that a growing number of EMNEs are now able to compete in more technology-intensive sectors for offensive market seeking, EMNEs are well known for their lack of at least some internal resources that are critical for entering target markets (Li & Krishnan, 2008). To take the proactive step in offensive market seeking, EMNEs need to accumulate critical resources and capabilities, such as manufacturing capabilities, access to distribution channels, service networks and related technologies. Although one of the characteristics of strategic intent is to stretch the existing resources rather than match them, those critical resources and capabilities cannot be missing. For example, Chinese MNEs, such as Huawei, Lenovo, Haier and a number of enterprises in the plastics, chemicals and pharmaceuticals sectors, all possess certain levels of firm resources necessary to enter and compete in foreign markets (UNCTAD, 2003). Similarly, the knowledge-based view states that knowledge

can be generated either internally through R&D, or externally through foreign acquisitions. Internally, EMNEs accumulate their innovation capabilities and marketing knowledge through being the original equipment manufacturer, then the original design manufacturer, and finally becoming the original brand manufacturer (Alcacer & Oxley, 2014). This process is incremental and time consuming. Thus, EMNEs often rely on external sources, such as international strategic alliances, and mergers and acquisitions, rather than internal R&D to shorten the process of creating new knowledge by themselves (Kotabe et al., 2011). Nevertheless, the process of knowledge transfer and learning is never a quick and straight-forward task. Foreign partners often restrict sharing of specific skill areas with EMNEs due to concerns of opportunistic behaviour. Trust is identified as a key factor to reduce such concern, but it takes time to establish the trust (Kotabe et al., 2011; Liu & Zhang, 2014). The learning perspective also suggests that it takes time to absorb, circulate and utilise learned information and to apply knowledge within the organisation (Liu & Zhang, 2014). For EMNEs as resource poor latecomers, the process takes two stages. During the initial stages, EMNEs prefer imitating the readily available technologies and being efficient, which is consistent with the defensive market seeking intent. In the later stages, EMNEs prefer learning by emulation, searching for cutting-edge technologies and differentiating themselves. This stage takes more time and effort (Li & Krishnan, 2008). To develop the critical resources that are needed to undertake offensive market seeking takes time. Thus, the following hypothesis is proposed.

Hypothesis 2c: Offensive market seeking firms tend to enter foreign markets at a later stage.

3.3.3.4 Offensive Market Seeking and Entry Intensity

Unlike the defensive market seeking firms that follow clients overseas, offensive market seeking aims at facilitating entry to new markets, enhancing brand awareness, and undertaking sales and marketing activities in target markets to reduce dependency on intermediaries (Buckley et al., 2008; Nicolas, 2012). When taking such a proactive and aggressive strategic intent of offensive market seeking, EMNEs have not yet established well connected networks or powerful market positions, but have to compete with the host country rivals that are able to benefit more immediately from economies of scope and deploy their existing networks across borders (Verbeke & Brugman, 2009). In addition, EMNEs suffer not only from the liabilities of foreignness but also the liabilities of outsidership (Johanson & Vahlne, 2009), which is an obstacle to achieving offensive market seeking of product recognition abroad and consumer satisfaction. Similarly, EMNEs often encounter consumer ethnocentrism in foreign markets where the negative image of products is linked to the country of origin of the products (Miller et al., 2016). A higher level of commitment is helpful to overcome the liabilities of outsidership and consumer stereotyping by leveraging the reputation of the MNE and facilitating consumer familiarity with the products (Johanson & Vahlne, 2009). Thus, in order to overcome host industry competition threats and to seize host industry growth opportunities, EMNEs need to increase the commitment to the host countries (Cui & Jiang, 2009b). Luo and Zhang (2016) have also argued that EMNEs are radical in investment size and commitment due to the strategic goals underlying the FDI activity. International intensity is the proportion of overseas sales to the overall sales of the organisation, and it can also be measured as the proportion of foreign commitments, such as foreign assets, and foreign employee numbers (Miller et al., 2016). A greater international intensity allows EMNEs to be perceived as insiders, to enhance brand awareness in the target markets, and to set up a

market position and networks that enable them to compete in an unfamiliar market. Therefore, a greater international intensity matches well with offensive market seeking. The following hypothesis is proposed.

Hypothesis 2d: Offensive market seeking firms tend to enter foreign markets with a greater intensity.

3.3.4 Natural Resource Seeking and FDI Strategies

Access to natural resources has long been considered a motivating force for engaging in FDI. The existing studies view EMNEs' investment in natural resource seeking as being motivated by a strategic intent, because it serves firms' long term, rather than short term, goals in building up the resource base and reducing resource dependency of the focal firms (Bass & Chakrabarty, 2014; Kang & Liu, 2016; Lu et al., 2011). Natural resource seeking represents a proactive step that has a strategic meaning, as its final goal is to secure sustainable global competitiveness in the long term. Although emerging markets such as China are endowed with large natural resource reserves, the average per capita is low considering the large population base. Emerging countries are undergoing rapid economic growth and industrialisation, which has also added a strong need for them to acquire and secure a continual supply of raw materials for daily operations. To close the resource gap and meet the needs for steady economic development, EMNEs need to acquire natural resources overseas. As an example, China's rapid economic growth has dramatically increased its appetite for iron ore, coal, copper, and other natural resources (Sun, Peng, Ren, & Yan, 2012). It is noted that natural resource seeking is not only a firm's objective but also a nation-wide mission. As latecomers on the international stage, EMNEs must secure resources aggressively while much of the world's best mineral assets are already held by MNEs from the developed countries. Unlike strategic assets and

markets, natural resources are tangible assets that are found in specific locations (Li & Yue, 2008). Thus, EMNEs focus more on backward integration to access these tangible resources rather than forward integration.

3.3.4.1 Natural Resource Seeking and Location Strategy

Natural resources are tangible resources that are required for industrialisation and economic development, and cannot be readily replaced in the short term. Thus, natural resources are viewed as country-specific advantages, one of the critical determinants for FDI location decisions in Dunning's (1980) OLI framework. In China for example, due to a shortage of per capita resources and the rapid economic development, natural resource seeking is positioned as one of the national grand strategies (Ellings & Friedberg, 2006). The institutional theory suggests that firms are under isomorphic pressures both in the home and host countries (Cui & Jiang, 2012). To achieve the strategic goal of resource seeking at a country level, the home country government shapes FDI activities by providing incentives and supporting policies for natural resource seeking firms (Kang & Liu, 2016). In the host countries, political risk and an under-developed economic environment are often considered obstacles to attracting inward FDI. Hence, developing countries are not considered ideal FDI locations. However, with the financial incentives and policy support from the government, EMNEs are able and also willing to invest in riskier locations. Moreover, studies have even found that EMNEs are attracted by politically and economically unstable conditions (Buckley et al., 2007). Furthermore, studies argue that the unstable environment per se is not an attractive feature for FDI but it is the interaction between the environment and firms' investment motives that jointly determine location decisions (Kolstad & Wiig, 2012; Ramasamy et al., 2012). On the one hand, developing countries are characterised by lower costs for labour, transportation, raw materials and land, and a greater availability of natural resources (Galan, Gonzalez-

Benito, & Zuniga-Vincente, 2007). On the other hand, EMNEs are familiar with operating in developing countries' institutional settings given their embeddedness from home operations (Kang & Jiang, 2012). The familiarity of EMNEs with the host markets will facilitate the access to information and supply channels necessary to acquire needed resources (Huett, Baum, Schwens, & Kabst, 2014). Hence, the following hypothesis is proposed:

Hypothesis 3a: Natural resource seeking firms tend to locate their subsidiaries in developing countries.

3.3.4.2 Natural Resource Seeking and Entry Mode Strategy

In order to obtain raw materials for their own industrial operations and to secure a continuous supply of these resources, MNEs tend to establish subsidiaries in countries rich in minerals, farm land, and other natural resources (Dunning, 1993). The natural resources are critical tangible resources that are often controlled by a few local incumbents (Chen & Hennart, 2002). Although there may be benefits to taking whole ownership when investing firms seek access to foreign resources, the small number of suppliers leads to limited bargaining power and high transaction costs for the investing firms (Kogut, 1988). The collaboration perspective suggests that a collaborative relationship will help to access complementary resources, share risks and reduce the opportunism and transaction costs (Li, Fan, Lee, & Cheng, 2015). In addition, the acquisition of natural resources is viewed as a politically sensitive issue. Foreign activities in the resource sectors need permission from local government agencies, particularly in developing countries where the government control plays an essential role in the resource allocation process (Tseng, 2007). Thus, joint ownership with local firms will facilitate approval from the government. It is consistent with the institution-based view that

investing firms need to comply with the political and legal requirements to gain legitimacy in foreign markets (Scott, 2001). Additionally, the resource dependency theory argues that although entering a foreign market through joint ownership increases the short-term dependence on local firms, it also increases the chances of getting access to the needed resources (Gaffney et al., 2013). In fact, this dependence applies to both of the joint venture partners. For example, Chinese parent firms need natural resources in the resource rich developing countries; in the meantime, the host country firms need the technical skills that Chinese firms have to exploit their resources (Taylor, 2002). This joint development is mutually beneficial to both of the parties in the JV. In the long term, this strategy reduces the parent firms' and the home country's dependence on other firms and countries (Bass & Chakrabarty, 2014). Thus, the following hypothesis is proposed.

Hypothesis 3b: Natural resource seeking firms tend to use the JV mode.

3.3.4.3 Natural Resource Seeking and Entry Timing

The decision about entry timing centres on the issues of uncertainty and resources. Uncertainty associated with a targeted market is greater in the early stages of market exploration (Delios & Makino, 2003). Firms that are either defensive market seeking or strategic asset seeking experience prominent first-mover or early entrant advantages, while natural resource seeking firms are less likely to aim at the first-mover advantages. Instead, the advantages of delaying entry are greater in association with solving information shortcomings and market uncertainty. Natural resource seeking has close links to the vertical integration strategy of EMNEs, as they dominate manufacturing industries (Buckley & Munjal, 2017). However, natural resources are normally under the direct control of the government. Furthermore, natural resource seeking projects are capital intensive projects (Ramasamy et al., 2012). Most of such investment has been

performed by home country governments (Luo & Zhang, 2016). Thus, acquiring natural resources often involves complex political issues. Since it is difficult to establish trust in people from geographically and culturally distant countries (Li, Li, & Wang, 2016), it takes a long time for the investment to be processed and approved under the host country's political system. Suspicion caused by mistrust and differences between the political systems may cause the entry to fail. EMNEs need to accumulate international experience in order to have a better understanding of host country institutions and gain the trust needed for a successful entry into the market. For natural resource seeking private firms, it takes time to accumulate sufficient capital for this capital-intensive investment. Therefore, early entry without sufficient international experience, capital and trust to acquire natural resources can be risky and the failure rate is high. Thus, the following hypothesis is proposed.

Hypothesis 3c: Natural resource seeking firms tend to enter foreign markets at a later stage.

3.3.4.4 Natural Resource Seeking and Entry Intensity

Similar to strategic asset seeking, natural resource seeking is used as a means to address resource constraints in the home country. According to the resource dependency theory (Bass & Chakrabarty, 2014), natural resource seeking should aim at reducing the dependency of the EMNEs on other firms and countries. Another objective of natural resource seeking is to gain access to natural resources that are needed to maintain sustainable economic and social development in the home country and continuously improve the competitiveness of the products in the global market. These two objectives determine that a natural resource seeking firm should maintain minimum international intensity. The allocation of resources should go to the operations in the home country.

Strom and Nakamura (2014) suggest that firms aiming for resources tend to focus on their competitive position in the home country. In addition, as mentioned earlier, natural resource seeking is a politically sensitive issue (Li et al., 2016). Firms should avoid high international intensity in the host country to allay the host governments' concerns of being manipulated by the home government and trapped in political issues. Although natural resource seeking firms are not necessarily state-owned enterprises (SOEs), natural resource seeking SOEs and private firms are both guided by the home country government to pursue a double bottom line by coercing firms to meet both political and social goals apart from maximising economic returns (Duanmu, 2012). For these reasons, regardless of the ownership, the host country firms have concerns about being politically manipulated by the EMNE's government. High international intensity would further raise this concern. Thus, the following hypothesis is proposed.

Hypothesis 3d: Natural resource seeking firms tend to enter foreign markets with lower intensity.

3.3.5 Strategic Fit and EMNEs' Subsidiary Performance

Existing research has suggested that FDI entry strategies – including location strategy (Buckley, Yu, Liu, Munjal, & Tao, 2016; Yuan et al., 2016), entry mode strategy (Brouthers, 2013a; Hollender, Zapkau, & Schwens, 2017), timing of entry (Fuad & Sinha, 2017) and intensity strategy (Miller et al., 2016) – influence subsidiary performance. Studies on entry strategy selection are usually based on transaction cost theory, the resource-based view, an institution-based view, or an industry-based view (Brouthers, 2013a; Buckley, et al., 2016; Fuad & Sinha, 2017; Hollender et al., 2017; Nielsen et al., 2017; Yuan et al., 2016). Firms' strategic fit as related to strategic intent is largely neglected when studying FDI entry strategies and subsidiary performance. The extant

studies on EMNEs' strategies put much stronger emphasis on the conceptualisation and drivers of strategic intent rather than the strategic fit (Cui et al., 2014; Deng, 2013; Elia & Santangelo, 2017; Meyer, 2015). Only a few studies have investigated the influence of strategic asset seeking on firms' entry mode strategies (Cui & Jiang, 2009b; Sutherland, Anderson, & Hertenstein, 2017; Zheng et al., 2016). However, it is rare that EMNEs only pursue one type of strategic intent in one subsidiary. Instead, EMNEs' strategic intent comprises a mix of different types (Gaffney et al., 2013; Luo & Bu, 2017). To address the shortcoming in the prior research, this study investigates all three types of strategic intent.

As discussed in the strategic management literature, firm strategies need to match their strategic goals. To elaborate, the fit as matching approach suggests that subsidiary performance is a function of the alignment between subsidiary strategies and the objectives, as such a fit enables the firm to realise synergies that support the success of its FDI activities (Nielsen & Gudergan, 2012). The absence of such a match leads to inefficiencies in achieving the strategic goals and hence a less desirable subsidiary performance. Given EMNEs' shortage of ownership advantages and the aggressive nature of the strategic intents, there is a severe 'mismatch' between EMNEs' existing resources and their strategic intents in the subsidiary. Firms need to use strategic means (i.e. the entry mode strategy, location strategy, timing strategy, and intensity strategy) to achieve their strategic goals in the subsidiary. Thus, more attention needs to be paid to the strategic fit between strategic intent and FDI entry stage strategies, as well as to the performance implications of such fit. Existing studies have found that subsidiary performance is not predicted by the strategies per se, but by a fit between the strategies and firms' internal factors, particularly how the strategies are selected in accordance with firms' organisational characteristics, such as the investment objectives, past international

experience, and supply and demand conditions (Brouthers, Brouthers, & Werner, 2000; Buckley, Elia, & Kafouros, 2014; Wagner, Grosse-Ruyken, & Erhun, 2012). Firm strategies selected according to the strategic fit approach tend to have a positive relationship with firm performance (Brouthers et al., 2000; Buckley et al., 2014; Wagner et al., 2012). Thus, the following hypotheses are proposed.

Hypothesis 4a: Subsidiaries with an intent-location strategy fit outperform the ones without such a fit.

Hypothesis 4b: Subsidiaries with an intent-entry mode strategy fit outperform the ones without such a fit.

Hypothesis 4c: Subsidiaries with an intent-timing strategy fit outperform the ones without such a fit.

Hypothesis 4d: Subsidiaries with an intent-intensity strategy fit outperform the ones without such a fit.

3.3.6 Strategic Fit as Gestalts Approach

Following the strategic fit as gestalts approach, a configuration of strategic intents leads to different FDI entry strategies. Existing studies on firms' strategies have intensively focused on firm level heterogeneities such as firms' resources, the industry level such as industry effects, and the country level such as government support (Anwar & Hasnu, 2016; Duanmu, 2012; Kang & Liu, 2016; Lu et al., 2011). However, it has been pointed out in the strategic management literature that less attention has been paid to the relationship with the heterogeneity of firms' strategic goals (Li & Krishnan, 2008; Mantere & Sillince, 2007; O'Shannassy, 2016). Although researchers have placed each strategic intent in different categories, for example, strategic asset seeking, offensive market seeking and

natural resource seeking (Buckley et al., 2008; Dunning, 1980), it is difficult to categorise firms' strategic orientations. Most of the time, firms follow a mix of strategic intents. For example, firms setting up research centres also follow to some extent a market-driven strategy as R&D activities can help to customise the products and facilitate the penetration of the foreign market (Nicolas, 2012). In an effort to catch up with established global competitors, an EMNE can pursue multiple objectives simultaneously in a single investment project (Deng, 2004; Gaffney et al., 2013). Similarly, Demirbag et al. (2010) argue that the driving force of EMNEs' internationalisation is not a single dimension of either asset exploitation or asset augmentation; rather it is an integration of both dimensions. In a study on firms' internationalisation strategies, Anwar and Hasnu (2016) suggest that hybrid strategies incorporate a greater variety of competitive strategies, go far beyond the pure strategies created by theories, and most importantly, capture the reality. The same logic applies to firms' FDI intents: in studies focusing on a single strategic intent, it will be difficult to capture the strategic options that are available at the firm and hence they are unlikely to provide a great insight.

3.3.7 The Emergence of Strategic Intent Taxonomies

The IB literature has used several typologies to identify and describe a firm's strategic orientation, such as prospectors, analysers, defenders, and reactors (Anwar & Hasnu, 2016; Miles & Snow, 1978). Prospectors are characterised by constant product innovation and new market expansion, while defenders put more emphasis on production efficiency and defending an existing market. Analysers take the middle ground between prospectors and defenders in that they seek to simultaneously harvest a stable base of existing products and markets, and explore new market opportunities. Finally, reactors lack a consistent strategy and are often ignored in the business strategy literature (Bagnoli & Vedovato, 2014; Gammeltoft et al., 2012; Liang et al., 2009). Notably, the behaviour

pattern of prospectors is consistent with strategic asset seeking intent and offensive market seeking intent, while defenders are relatively weak in strategic intent. Analysers are likely to take a moderate standpoint in terms of the strength of their strategic intent. This taxonomy of international strategies has been widely researched and found to be related to firm performance (Anwar & Hasnu, 2016). It is worth noting that this taxonomy was developed as guidance for firms' internationalisation strategies in general, rather than as a tool for fulfilment of strategic intent. In addition, it does not involve the fit between strategic intent and FDI entry strategies (Liang et al., 2009) that the current study aims to investigate.

Since EMNEs may place different levels of emphasis on a specific type of strategic intent, there could be various ways to configure the intent-strategy fit. These patterns can be described in terms of the strength, balance, or dominance of different strategic intent categories and selection of the optimal entry strategies. EMNEs can have a strong, moderate, or weak pursuit of individual strategic intents. They can also place partial emphasis on a single intent. I define strategic prospectors as having an intent-strategy profile with high intent for strategic asset seeking, offensive market seeking, and also natural resource seeking. A strategic prospector may employ an aggressive entry strategy such as entering a developed country location by using the WOS mode. Similarly, I identify strategic analysers and strategic defenders as having intent-strategy profiles with moderate and weak strategic intent across all three seeking intents respectively. They may employ less risky FDI entry strategies that can vary from a combination of FDI entry strategies regarding the entry mode, location, timing and intensity. EMNEs could also pursue one dominant strategic intent. I describe the firms with high intent in natural resource seeking, but low intent in the other two types of seeking as natural resource seekers. Similarly, there are offensive market-seekers, and strategic asset-seekers. Firms

with one dominant strategic intent may employ different FDI entry strategies as discussed in previous sections.

Following the strategic fit as gestalts approach, this study focuses on the configuration of strategic intents, as well as FDI entry strategies. Firms that configure strategic intents in different ways would exhibit different behaviour patterns in terms of risk taking, prioritising resource allocation, and parent firms' controlling mechanisms (Miller & Droge, 1986; Porter, 1980). For example, firms with strong intent in terms of strategic asset seeking, offensive market seeking, and natural resource seeking will be more willing to take risks, allocate more resources for achievement of the strategic goals, and establish a control system that allows the parent firm to best coordinate with the host country firms. Similarly, firms with moderate strategic intents will behave less aggressively along the above behaviour dimensions. Such differences are likely to be reflected in the strategic decisions when entering foreign markets (Liang et al., 2009). The differences in firms' strategic orientations will lead firms to follow different internationalisation strategies, such as a gradual and incremental internationalisation predicted by the Uppsala model (Johanson & Vahlne 1977, 1990; Paul & Gupta, 2014), and aggressive internationalisation of born global MNEs . In the same vein, EMNEs' strategic intents can be configured with the selection of FDI entry strategies in terms of location choice, entry mode choice, entry timing, and international intensity. These taxonomies are theoretically grounded as the attributes used in forming the intent–strategy profiles are selected based on the strategic intent perspective and the strategic fit approach. As the strategic fit as gestalts approach is developed from an empirical analysis, the final intent–strategy taxonomies will not emerge until the data is analysed. I do not expect that all possible theoretical patterns will exist within a specific set of data. However, the

taxonomy can emerge based on the strategic fit between EMNEs' strategic intents and FDI entry strategies.

Hypothesis 5: An emergent taxonomy of strategic intents can be developed, based on their patterns between the strategic intent and the selection of different FDI entry strategies.

3.3.8 Intent-Strategy Fit and EMNEs' Subsidiary Performance

In the previous section, it was predicted that the profiles of strategic intent and FDI strategies will emerge according to the strategic fit approach. The profile represents a combination of strategic intent (in different strengths and proportions), location strategy and entry strategy, and timing strategy and intensity strategy. The strategic fit as gestalts approach suggests that an organisation is a holistic entity within which different units work simultaneously to achieve organisational goals (Cao et al., 2015). When firms select the optimal FDI strategies for foreign market entry, firms build synergies in the subsidiaries with a different degree of risk aversion (Liang et al., 2009; Mariadoss et al., 2014). Strategic asset seeking is related to diversification objectives, market seeking intent is related to horizontal integration objectives and natural resource seeking, and efficiency seeking intent is related to vertical integration objectives (Verbeke et al., 2009). Given the fact that diversification, horizontal integration and vertical integration usually vary in performance objectives (for example, growth, profitability, efficiency and risk reduction) as well as the time frame expected to realise these goals, a strategic intent pattern which is stronger in these three intents is likely to have more tolerance for slower growth in a short time frame compared to the weaker strategic intents as the main purpose of these intents is to pursue long-term gains.

Given its characteristics as the essence of winning, aggressiveness and foresight, strategic intent is much more than a simple statement of organisational goals (Mantere & Sillince, 2007). Rather, strategic intent accentuates a shared vision and enduring goal that entails employee commitment and managerial attention (Hamel & Prahalad, 1989; Nadkarni & Barr, 2008). In turn, it directs the garnering and manoeuvring of scarce resources. Firms with strong strategic intent maintain stronger vigilance over opportunities and have the mind-set to leverage them to their own advantage. In particular, Mariadoss et al. (2014) found that strategically aggressive firms reach their goals through the efficient deployment of resources to projects and initiatives that are strategically important to them. In addition, the symbolic meaning of strategic intent guides and motivates employees at all levels to work together collectively to seek alternatives to overcome their resource limitations and eventually promote the organisation to a higher level (O'Shannassy, 2016). Similarly, the motivation-opportunity-capability framework (Maclnnis, Moorman, & Jaworski, 1991) highlights the importance of motivation as a driver of firm level action. When opportunity and capability are present, motivation could be the constraining factor that determines an individual/ organisation's achievement (Siemsen, Roth, & Balasubramanian, 2008). In particular for EMNEs, when a firm has implemented the pertinent FDI strategies with limited but competent resources, the strength of a firm's strategic intent will be the "bottleneck" that determines the goal attainment of this firm.

Based on the dynamic capability perspective rooted in the resource based view, strategic intent is also viewed as an idiosyncrasy that helps to detect the presence and the level of a firm's dynamic capabilities (Di Stefano, Peteraf, & Verona, 2014; Teece, 2014). The endogenous stimuli such as motivation and intentionality help to at least partially build firms' capabilities and such intentionality has been recognised as a new scale of the recent conceptualisation of dynamic capability (Teece, 2014; Verreynne et al., 2016). It is noted

that strategic intent represents a higher order dynamic capability that is distinct from the operating capabilities and lower order dynamic capabilities that are needed for day-to-day operations (Verreynne et al., 2016). Higher order dynamic capability involves resources derived through creative and innovative means and thus can be developed as the core competency of the firm to sustain competitiveness (O'Shannassy, 2016; Pant & Lado, 2012). Thus, I propose the following hypotheses.

Hypothesis 6a. Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with moderate strategic intents.

Hypothesis 6b. Holding the intent-strategy fit constant, subsidiaries with moderate strategic intents will perform better than the ones with weak strategic intents.

Hypothesis 6c. Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with weak strategic intents.

3.4 Chapter Summary

This chapter built up the theoretical foundation of the current study based on the strategic fit approach and developed a conceptual framework after reviewing the literature. The conceptual framework is constructed based on the strategic fit as matching and the strategic fit as gestalts approaches. The variables were drawn from the strategic intent perspective, FDI strategies at the entry stage, the taxonomy of strategic intents and subsidiary performance. As summarised in Table 3.1, in total, 20 hypotheses were developed and will be empirically tested in the current study.

Table 3.1 Summary of hypotheses

Hypothesis	Independent variables	Dependent variables	Impact
H1a	Strategic asset seeking	Location strategy	+
H1b	Strategic asset seeking	Entry mode strategy	+
H1c	Strategic asset seeking	Timing strategy	+
H1d	Strategic asset seeking	Intensity strategy	_
H2a	Offensive market seeking	Location strategy	+
H2b	Offensive market seeking	Entry mode strategy	+
H2c	Offensive market seeking	Timing strategy	_
H2d	Offensive market seeking	Intensity strategy	+
H3a	Natural resource seeking	Location strategy	_
H3b	Natural resource seeking	Entry mode strategy	_
H3c	Natural resource seeking	Timing strategy	+
H3d	Natural resource seeking	Intensity strategy	_
H4a	Strategic intent-location strategy fit	Subsidiary performance	+
H4b	Strategic intent-entry mode strategy fit	Subsidiary performance	+
H4c	Strategic intent-timing strategy fit	Subsidiary performance	+
H4d	Strategic intent-intensity strategy fit	Subsidiary performance	+
H5	An emergence of strategic intent and FDI entry strategy clusters		Existing
H6a	Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with moderate strategic intents.		+
H6b	Holding the intent-strategy fit constant, subsidiaries with moderate strategic intents will perform better than the ones with weak strategic intents.		+
H6c	Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with weak strategic intents.		+

Chapter Four

Research Methodology

4.1 Chapter Overview

This chapter discusses and describes the research setting, the research philosophy and the research methods. First, section 4.2 provides a justification for the research setting of China as a leading emerging economy. Second, section 4.3 describes my positivistic research stance, which is followed by a detailed methodological consideration of the quantitative method and the survey method. Then, section 4.4 discusses the survey-based secondary data, while section 4.5 outlines the variable measurements. The last section describes the techniques and procedures used in data analysis.

4.2 Research Setting

Internationalisation of firms in emerging economies involves unique features that differ from those of Western firms. This study aims to investigate the fit between strategic intent and FDI entry strategies, as well as the performance implications of the fit in an emerging economy context. It is noted that no emerging economy has received more research attention than China, particularly since the establishment and implementation of the 'Go Global' policy at the beginning of the new century (Buckley et al., 2016). In recent years, Chinese outward FDI has made a major contribution to the trend of outward FDI from emerging economies. As mentioned earlier, although OFDI from developing countries fluctuated slightly after 2014, OFDI flow from China was growing for 14 consecutive years. Notably, in 2016, OFDI from China surged by 44% and hit a record high of US $183 billion, propelling China to become the second largest FDI source country (following the US) for the first time (UNCTAD, 2017). By 2016, out of the 146 emerging

market MNEs that ranked in the Fortune 500, over 100 were Chinese firms (Emerging Markets Institute, 2016). Chinese MNEs have also achieved prominence owing to a number of recent high-profile M&A deals and large greenfield investments, spanning a wide array of industries (Deng & Yang, 2015; UNCTAD, 2016). By 2016, Chinese MNEs had created overseas employment for 1.34 million people and contributed US $30 billion to host country taxation (Ministry of Commerce of China, 2016). These deals have captured massive political as well as academic attention. Through rapid internationalisation, Chinese MNEs have not only increased in quantity but also improved their level of competitiveness. Chinese firms' technological capabilities have been greatly enhanced as reflected by the R&D expenditure to GDP ratio, reaching slightly over 2% in 2015, edging out the European Union (The World Bank, 2016). Given the rapid increase of Chinese OFDI and the importance of Chinese MNEs in the world economy, the most common setting for EMNE studies in the past 25 years is China (Luo & Zhang, 2016). Given that this study focuses on the relationship between strategic intent, firm entry strategies, and performance in the context of EMNEs, it makes good sense that Chinese MNEs and their FDI activities are selected as the research setting of the study (Luo & Bu, 2017; Zheng et al., 2016).

In addition to the rise in importance of Chinese MNEs, studies focusing on Chinese MNEs can generate ample research and managerial implications. Although emerging economies are labelled with different terms such as "newly industrializing countries", "transition economies", "less developed countries" and "developing countries" (Hoskisson, Eden, Lau, & Wright, 2000), these countries share similar characteristics: involvement of institutions in firm operations, employment of relation-based strategies, rapid economic growth and a market-oriented structural transformation (Luo & Zhang, 2016). In particular, firms from these countries share a similar level of urgency in their strategic

intent and realising this intent by strategic means (Rui & Yip, 2008). With these similarities that China shares with other emerging economies, research outcomes regarding strategic intent and FDI strategies of Chinese MNEs should be transferable to EMNEs from other emerging/developing economies. The cases' success as well as failure would provide good examples and lessons for other EMNEs. By the same token, the research implications would be highly replicable between Chinese MNEs and other EMNEs. In addition, as a fast growing emerging economy, China is fast catching up with its developed country rivals. Some Chinese MNEs already have the capability to survive and compete with the local firms that have weaker competitive advantage and are relatively small in size. For these firms, setting strategic intent and using strategic means would also be an appropriate approach to boost their competitiveness. Thus, with the research setting in a typical emerging economy, China, this study will fill the research gap as well as generate wider implications for researchers, managers and practitioners alike in the developed countries. The findings of this study will be insightful not only for firms from other emerging economies but also for smaller and less competitive firms (from the developed countries) with similar resources and a similar level of need to catch up.

4.3 Methodological Considerations

4.3.1 Philosophical Considerations

Methodology is "a way to systematically solve the research problem" (Kothari, 2004, p. 8). The research questions for this study are: 1) Do EMNEs match FDI entry strategies with various types of strategic intent in order to reach the intent-strategy fit, and if so, to what extent? 2) Does a strategic taxonomy exist between strategic intents and FDI entry strategies? If so, how do different intent-strategy combinations differ in their profiling?

3) Does the fit between EMNEs' strategic intents and their FDI entry strategies generate superior subsidiary performance in terms of goal attainment?

To answer these research questions, the research philosophy adopted in this research is the positivistic approach. Positivistic research is an "organised method for combining deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity" (Neuman, 2003, p. 71). In contrast, interpretive research concerns the understanding of the social world as 'human interpretation' (Saunders et al., 2009). The positivistic approach suits this research better because it looks for objective facts based on which general 'laws' of social life can be discovered by using neutral means of investigation (Inglis & Thorpe, 2012). Following the positivistic philosophy, this study will take a deductive stance that involves developing a theory and hypotheses and designing a research strategy to test the hypotheses (Saunders et al., 2009). The deductive positivistic research paradigm is appropriate for the investigation of MNEs' subsidiary performance and has been widely used in previous research for the investigation of strategic fit and firm performance (Meyer & Su, 2015; Nakano, 2015; Nielsen & Gudergan, 2012; Qu & Zhang, 2015).

Lastly, the chosen methodology in this study is also a commonly used one in the existing literature on MNEs' performance and the use of this method has generated valid research results (Azar & Drogendijk, 2014; Chang & Rhee, 2011; Tian & Slocum, 2014; Wu & Voss, 2015).

4.3.2 Quantitative versus Qualitative Methods

Two research methods are frequently used in social science: quantitative and qualitative. The quantitative research method is more appropriate for a positivistic research paradigm (Saunders et al., 2009). Positivists believe the only way to ensure that the facts are neutrally gathered and analysed is to make sure that knowledge is not unduly intruded on by subjective ideas (Crook & Garratt, 2011). Thus, it is crucial to minimise the possible influences of the researcher's values and perceptions on the subject being studied during data collection and analysis (Cavana, Dellahaye, & Sekaran, 2001). Quantitative research data collection ensures minimum influence from researchers on the research result (Bryman & Bell, 2011). The conceptual framework and the associated variables are predetermined based on existing theories. Accordingly, it is the appropriate research method for studies exploring the causal relationships among variables, especially for a research project with extensive prior studies in the area. After empirical testing, quantitative research usually confirms or rejects the existing theories (Cavana, Dellahaye, & Sekaran, 2001; Saunders, Lewis, & Thornhill, 2009). Therefore, the results of the quantitative study often contribute to the extant literature by theory expansion or application. The advantages of this method lie in the objectivity of the data and the scope of the study (Bryman & Bell, 2011).

In contrast, the qualitative research method is in line with the interpretive research philosophy, focusing on human interactions and the analysis of meaning (Gilbert, 2008). It is usually used to explore a relatively under-researched field. The key variables and hypotheses in qualitative research emerge as the data collection process proceeds, rather than being predetermined. A qualitative study aims to create a new theory from the ground up and contributes to an in-depth understanding of the research topic.

After reviewing the key features of these two methods, a quantitative method was identified as being more appropriate for this study mainly for four reasons. First, the selection of the research method is based on the objectives and nature of the study (Saunders et al., 2009; Sreejesh, Mohapatra, & Anusree, 2014). The primary objective of this study is to empirically identify the strategic fit between EMNEs' strategic intent and FDI strategies, and to test the relationship between the strategic fit and the subsidiary performance of the investing firms. While prior research has examined the fit between MNEs' FDI strategies and firms' existing resources, the governance structure, and the business environment in the home and host countries, the fit between FDI strategies and firms' strategic intent has been largely neglected. This study therefore focuses on this less researched but highly important topic to investigate the fit between intent and strategy. Based on the strategic fit literature, this current study also proposes that EMNEs that achieve strategic fit between their strategic intent and FDI strategies tend to have better subsidiary performance in comparison to those without such a strategic fit. These theoretical propositions need to be further investigated and tested using empirical data. Cavana et al. (2001) and Saunders et al. (2009) suggest that whenever theory testing is required to examine the causal relationships of variables, a quantitative research method would be an appropriate choice. Second, Lund (2012) recommends a quantitative method when research involves a large population and sample size. This study's target firms are the MNEs from China as the leading emerging economy. The number of Chinese MNEs' subsidiaries is over 25,000 in around 184 countries and regions in the world and the number is still growing (Ministry of Commerce of China, 2014). Given the large population size, a quantitative research method is more appropriate. Third, a quantitative method is frequently used in the existing literature on MNEs' performance and the use of this method has generated valid research results (Azar & Drogendijk, 2014; Chang &

Rhee, 2011; Luo & Bu, 2018; He et al., 2018; Tian & Slocum, 2014; Wu & Voss, 2015). Finally, the use of a quantitative method will be less time-consuming and much more effective compared to a qualitative method when involving a sample of similar size (Bryman & Bell, 2011).

4.3.3 Survey Method

In practice, a quantitative method is often implemented by using a survey as the primary data collection method (Gilbert, 2008). A survey is "a research technique, which is used to gather information from a sample of respondents by employing a questionnaire" (Sreejesh, Mohapatra, & Anusree, 2014, p. 17). The survey method has four advantages. Firstly, it allows the collection of a large amount of data in a highly economical way. Considering the sizable population of Chinese MNEs, a survey method is more feasible. Secondly, with a good sampling method and response rate, a survey method can generate findings that are representative of the whole population. Thirdly, in terms of reliability, a survey method allows respondents to take more time to answer the questionnaire, so that more insightful information is possible (Bryman & Bell, 2011). Finally, a survey method is appropriate for finding out people's perceptions of a topic (Neuman, 2003). Given its considerable strengths, a number of recent studies of MNE performance have employed a survey method (Guan & Yam, 2015; Qu & Zhang, 2015; Scott-Kennel & Giroud, 2015; Wu & Voss, 2015). More specifically, Wu and Voss (2015) surveyed 162 Chinese firms to investigate the impact of absorptive capacity on firms' international performance. Scott-Kennel and Giroud (2015) employed a survey method in 347 firms to examine the relationship between firm-specific advantages and MNE subsidiaries' performance. Following the recent research endeavours, this research will employ a survey method.

4.4 Survey-based Secondary Data

The data used in this research is survey-based secondary data. As discussed above, a questionnaire survey is an appropriate data collection method, which is normally used to obtain primary data, gathered first hand to answer the research questions being investigated (Sreejesh et al., 2014). For this research, the data source is survey-based secondary data, defined as "data collected using a survey strategy, usually by questionnaires that have already been analysed for their original purpose" (Saunders et al., 2009, p. 259). Sreejesh et al. (2014) suggest that research problems do not require the gathering of primary data each time. When the precise data regarding the current research is already available, which was collected for some other research purpose, it is not necessary to conduct primary data collection (Sreejesh et al., 2014). Survey-based secondary data is different from documentary-based secondary data, which usually provides only the objective figures. Instead, survey-based secondary data still possesses the advantages of the survey method, providing more perceptual information on the research topic. The most important variable in this study is EMNEs' performance, measured by parent firms' perception of subsidiary goal achievement. Using survey-based secondary data, therefore, allows this information to be collected. Comparatively, documentary-based secondary data usually only provides objective information based on reports, books and other public records (Saunders et al., 2009).

The survey-based secondary data in this research is based on one questionnaire survey entitled "Survey on Current Conditions of and Intention for Outbound Investment by Chinese Enterprises" conducted by the China Council for the Promotion of International Trade (CCPIT) in cooperation with the European Commission (EC) and the United Nations Conference on Trade and Development (UNCTAD) between December 2009

and March 2010. The primary purpose of this survey was to collect comprehensive information regarding overseas investments made by Chinese enterprises and their future investment plans with a focus on providing in-depth information on investment intentions and problems encountered by Chinese enterprises and their response to the Chinese government's 'Going Global' policy (CCPIT, 2010). Using this survey data has the following five advantages.

Firstly, the fact that the survey was jointly designed by CCPIT, EC and UNCTAD ensures the quality of the questionnaire. CCPIT, established in May 1952, is the largest association in China for the promotion of trade and investment with nearly 70,000 member enterprises in China. It is an arm of the Chinese government and enterprises with the aim to operate and promote foreign trade. As one of the co-operators with CCPIT, the EC is the standing executive body of the European Union (EU), with the function of implementing the EU Treaty and the decisions of EU Council, proposing legislative motions to the Council, supervising the carrying out of EU regulations, representing the EU in foreign affairs and trade negotiations and setting up delegations in foreign countries. The other co-operator with CCPIT is UNCTAD, a subordinate organisation of the United Nations, with the mission of promoting trade, investment and development opportunities in developing countries, as well as promoting the development-friendly integration of developing countries into the world economy. CCPIT, EC and UNCTAD jointly designed the questionnaire. All the three bodies are reputable public institutions with extensive experience in conducting surveys and collaborating with other international institutions, which ensures the quality of the questionnaire design. Surveys designed by CCPIT with the cooperation of other international institutions are widely used in academic studies and reports (Kang & Liu, 2016; Liu, Gao, Lu, & Lioliou, 2015; Luo, Xue, & Han, 2010; Tung, 2007; UNCTAD, 2006).

Secondly, the survey questions, comprising 39 pages in total, cover a wealth of information about Chinese enterprises' current conditions and intentions for outward FDI (CCPIT, 2010). More importantly, it includes precise information on Chinese MNEs' strategic intent, FDI strategies and parent firms' goal attainment in subsidiary performance that are needed for this study.

Thirdly, using this survey can help to reduce the likelihood of common method variance (CMV). CMV is defined as "variance that is attributable to the measurement method rather than to the constructs the measures represent" (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003, p. 879). It is a potentially serious concern for data collected through a survey method, because false correlations can be created if the respondents have a propensity to provide consistent answers to survey questions, which in turn causes systematic measurement errors (Chang, van Witteloostuijn, & Eden, 2010). One of the methods to reduce the likelihood of CMV is mixing the order of the questions (Changet al., 2010). The pertinent questions needed for this study are placed in different parts of the questionnaire, mixed with questions designed for the survey's original purposes; consequently, this survey will reduce the chance of a respondent's own mental models affecting their responses and, consequently, reduce the chance of CMV (Meyer & Su, 2015).

Fourthly, regarding the data collection process, the distribution and recovery of the questionnaires was carried out mainly by 31 sub-councils and 4 local branches of CCPIT, which ensures a smooth data collection procedure (CCPIT, 2010). The sample of this survey was randomly selected, including CCPIT members and other enterprises that have been engaged in importing and exporting with annual revenues exceeding RMB 1 million. In total, the sample includes 3,000 Chinese parent firms in 28 provinces with a wide range

of coastal regions, mainland and western China, and covers various industries such as agriculture, manufacturing, construction and financial intermediaries, which ensures good industrial and regional representativeness of the survey results (Table 4.1) (CCPIT, 2010). The authorised cooperation of CCPIT guarantees that survey respondents are from high level managerial positions and are familiar with the companies' foreign investments. If the same survey was carried out by an individual researcher, the survey request would very likely be rejected by the gatekeepers of the company so that the questionnaire might not be answered by the right person. There are many examples in the literature using government agencies as a co-operator in their data collection process to gain 'legitimacy' and increase the response rate and validity of the data (Cui & Jiang, 2009b; Yiu & Makino, 2002). If the respondents consciously or unconsciously misrepresent the truth, then it amounts to response bias. Sometimes respondents deliberately mislead researchers by giving false answers so as not to reveal their ignorance or to avoid embarrassment (Sreejesh et al., 2014). CCPIT requires respondents to complete the questionnaire with factual information, which will be treated as highly confidential. After completion, the respondents are also required to seal the questionnaire with a company stamp to make sure valid questionnaires are returned. Thus, use of a CCPIT survey minimises conscious self-report bias and increases the validity of the survey answers. The survey includes both public and private firms, and firms with different ownership structures and sizes. In total, 1,377 firms returned useful questionnaires with a response rate of 45.9% (CCPIT, 2010). Out of the returned questionnaires, 320 firms have engaged in FDI. After deleting the questionnaires with missing data and inconsistent answers, the final sample of this study comprises 392 subsidiaries from 280 parent firms.

Table 4.1 Sample firm description

Industry type	Percentage	FDI Destinations	Percentage
Agriculture and forestry	2.86	Asia	25.00
Manufacturing	77.14	Africa	7.40
Water, electricity, gas	1.79	Europe	47.19
Architecture	2.85	North America	15.82
Wholesale	6.07	Latin America	1.02
Hotels and restaurants	0.36	Oceania	3.57
Transportation and telecommunication	1.79		
Finance	1.79		
Real estate, rental and advisory	5.35		
Region distribution in China	**Percentage**	**Employee number**	**Percentage**
East coast	72.50	<50	12.50
Central China	12.40	50 to 499	35.36
Northeast China	4.64	500 to 9999	46.07
Western China	10.36	10000 to 19999	1.43
		>20000	4.64

Finally, for a large-scale study, the use of survey-based secondary data is more feasible than other data collection methods in terms of the time and cost involved (Saunders et al., 2009; Sreejesh et al., 2014). It allows collection of comprehensive information on Chinese MNEs regardless of the parent firms' locations, industries, and type of ownership. For this reason, many existing studies have used survey-based secondary data and have

generated ample research results (Chen, 2015; Deng, Jean, & Sinkovics, 2012; Tuan Nham & Yoshi, 2009; Zheng & Qu, 2015).

4.5 Variable Measurement

4.5.1 Dependent Variable

The dependent variable in this study is *subsidiary performance* of EMNEs in terms of perceived goal attainment. Section 2.2 introduced two major measurements of MNE performance in the existing literature: objective and subjective measurement. Subjective measurement of performance suits this study for four reasons. First, this study focuses on the strategic intent and the goal attainment of EMNEs in their subsidiaries, rather than the instant financial benefits. Firms with strategic intent (Hamel & Prahalad, 1989) are willing to sacrifice financial gains in a single FDI project in order to achieve their overall goals, such as accessing advanced technologies, entering new markets, and/or accessing natural resources (Deng, 2004). In particular, Chinese MNEs are motivated not only by corporate goals but also national objectives, especially national goals in relation to technology development and resource security, which make it difficult to generate financial benefits in a short time frame for the involved individual FDI project (Brouthers, 2013a). As there is likely to be a substantial time lag between the implementation of the strategic intent and its effect on financial performance, subjective data that directly measures the extent to which firms are satisfied with their achievement is more appropriate (Verreynne et al., 2016). Secondly, this study investigates the performance of Chinese MNEs' subsidiaries in multiple countries and financial accounts may not truly reflect their performance level owing to the differences in accounting standards and financial mechanisms (Nguyen, 2011). Thirdly, existing studies support perceptual performance measurements in cross-industry research as firms are unwilling to release

financial performance information (Lew & Sinkovics, 2013; Pangarkar & Lim, 2003). Lastly, a subsidiary's financial data is not often available even for large organisations (Makino, Beamish, et al., 2004). In particular, it is difficult to find Chinese SMEs' or unlisted MNEs' financial reports online. Thus measurement of the perceived performance is the best option. This measurement of MNEs' performance, taking into account fulfilment of firms' strategic goals, has been widely used in previous studies and generated ample research results (Brouthers, 2013a; Delios et al., 2008; Demirbag et al., 2007; Meyer & Su, 2015; Zhong et al., 2013). In particular, the study by Brouthers (2013a), which has won the *Journal of International Business Studies* decade award, has developed a research design using subjective measurement for firm performance and emphasised that subjective measures of performance provide great insights regarding firms' strategic goals.

Regarding the number of measurement items, it is commonly agreed that multiple items are more reliable and valid than a single item. However, a single-item measurement can be better than multiple-item measurement for three reasons. Firstly, regarding reliability, it is possible that multiple-item measures may lead to more measurement errors. When facing very similar items, respondents tend to evaluate them according to their reflection on only one item with earlier items having a strong influence on the latter ones (Fuchs & Diamantopoulos, 2009). Thus, more items may lead to less thoughtful responses. Secondly, regarding validity, a multiple-item measurement may not provide an accurate assessment of the construct. Cadogan, Lee, and Chamberlain (2013) argue that formative variables are 'unreal' as they are merely a grouping of terms which are independent from the real entity. In addition, higher-order formative variables could be misleading, or at worst meaningless (Lee & Cadogan, 2013). Therefore, including more items does not necessarily improve validity. Thirdly, regarding the nature of the construct, it is suggested

that a single-item measurement may be the best option to cover all the different dimensions when the complexity of a construct reaches a very high point (Fuchs & Diamantopoulos, 2009). For example, the best way to measure overall job satisfaction is to ask a single question: "how satisfied are you with your job?" (Scarpello & Campbell, 1983). In this case, respondents will automatically consider different aspects of the construct and evaluate them accordingly (Fuchs & Diamantopoulos, 2009). In contrast, a multiple-item measurement cannot capture the dimensions not included in the measurement items. A number of studies have used a single-item measure for the performance construct (Chen & Hu, 2002; Konopaske et al., 2002a; Yan & Gray, 1994).

In the case of this study, as mentioned in the literature review section, performance is a very complex construct, which can be measured objectively or subjectively, using financial and/or non-financial indicators. Under each categorisation, there are a number of different measurements. Due to the nature of the construct, also to ensure greater reliability and validity, the *subsidiary performance* of EMNEs is measured by the satisfaction with overall goal achievement in the subsidiary. The respondents were asked to rank how satisfied they are with the goal attainment in that subsidiary. The response is on a five-point Likert scale (1 = 'very dissatisfied' and 5 = 'very satisfied'). The measurement of foreign subsidiary performance, taking into account the fulfilment of the a firm's objectives, is used in a number of previous studies (Delios et al., 2008; Demirbag et al., 2007; Meyer & Su, 2015; Pangarkar, 2008; Pangarkar & Lim, 2003; Zhong et al., 2013).

4.5.2 Independent Variables

Each of the three variables capturing the construct of strategic intent are measured by multiple survey items. *Strategic asset seeking* is measured by the importance of the

subsidiary to the investing firm in relation to: (1) gaining access to advanced technologies, (2) gaining access to advanced management knowhow, and (3) acquiring good quality brands. These measurement items were taken from previous studies (Kang & Liu, 2016; Lu et al., 2011). *Offensive market seeking* is developed based on the construct defined by Buckley et al. (2008) as the intent to develop new markets (for attractive conditions such as market size and the importance in the global markets) and to deepen regional economic integration. The respondents were required to rank the importance of the subsidiary to the investing firms in relation to: (1) gaining access to the target market, (2) the importance of the target market to the investing firm, and (3) the target market being a member of the regional free trade association. *Natural resource seeking* was measured by asking the respondents to evaluate the importance of the subsidiary regarding: (1) gaining access to mineral resources, (2) fuel resources, and (3) other natural resources such as forests (Kang & Liu, 2016). The three variables capturing strategic intent are measured using a five-point Likert scale, where 1 indicates "not important" and 5 "very important".

Four FDI strategies are measured using the measurements suggested in the literature. *Location strategy* is measured by a dummy variable, coded as '1' when the firm invested in a developed country and '0' when it invested in a developing country. Using a dummy variable to measure location strategy and categorising locations into developed and developing countries is consistent with a number of existing studies (Huett et al., 2014; Yuan et al., 2016). This study used the United Nations classification of developed countries and developing countries. Similarly, *Entry mode strategy* is measured by a dummy variable, coded as '1' when the investment project is formed as a WOS and '0', when the project is a JV. An ownership of 95% and above is considered a WOS entry mode. The classification is consistent with existing studies in which WOS is defined as being fully owned by a parent firm and a JV being partially owned (Brouthers & Hennart,

2007; Chen, 2008; Meyer & Su, 2015; Wu et al., 2016). *Timing strategy* is measured by the number of years since a FDI project started in that country until the survey year, 2010. A longer time indicates the firm is using an early entry strategy, while a shorter time indicates the firm is using a late entry strategy (Wu et al., 2016). *Intensity strategy* is measured by three items: (1) foreign sales to total sales, (2) foreign assets to total assets, and (3) foreign employment to total employment (Miller et al., 2016).

4.5.3 Control Variables

The present study applied four main statistical techniques: structural equation modelling (SEM), discriminant analysis, cluster analysis, and analysis of variance (ANOVA). Among these statistical techniques, control variables are needed for the SEM techniques. The details of these techniques will be introduced in the next section. SEM is used to test the relationship between firms' strategic fit as matching and subsidiary performance. I included several control variables that may influence a firm's subsidiary performance in terms of perceived goal attainment in the foreign subsidiary. *Firm size* and *firm age* were included as they are widely employed as factors that may influence a firm's performance (Brouthers, 2013b; Mohr, Fastoso, Wang, & Shirodkar, 2014; Wu et al, 2016). While *firm size* was measured by the natural logarithm of the number of employees, *firm age* is gauged as the number of years a firm has been operating (Mohr et al., 2014). Firms from different industries may aim at the strategic intent to a different degree, and therefore the attainment of the strategic goals will vary. I controlled such differences by including an *industry* dummy variable, coded as '1' when the subsidiary is in the manufacturing industry and '0' otherwise. *Ownership* of the firm is also believed to influence both the strategic intent and the subsidiary performance as state-owned enterprises (SOEs) receive both incentives in the home country and political controversies in the host countries

regarding strategic intent (Cui et al., 2014). Thus, a dummy variable of *ownership* was included as a control, and coded as '1' for SOEs and '0' otherwise. These four control variables were also included in the SEM model to test the relationship between EMNEs' strategic intent and FDI strategies as *firm size, firm age*, *ownership type*, and *industry type* are also frequently used as control variables in studies on firms' strategic decisions (Huett et al., 2014; Kang & Liu, 2016; Powell & Lim, 2017; Yuan et al., 2016).

4.6 Data Analysis Techniques

Armed with the strategic fit approach, this research investigates the fit between EMNEs' strategic intent and FDI strategies using the fit as matching and fit as gestalts approaches. To strengthen the link between theory building and theory testing, the correspondence between a particular approach/ perspective and its subsequent testing schemes is needed (Venkatraman, 1989). As suggested in the literature, for the matching approach, this study employs structural equation modelling (SEM), while for the fit as gestalts approach, it employs the cluster analysis technique (Cao et al., 2015; Cerrato et al., 2016). I also used different statistical techniques (discriminant analysis, SEM and ANOVA) in order to test the differences between subsidiary performance regarding the attainment of strategic goals. This section will start by introducing the SEM technique.

4.6.1 Structural Equation Modelling

To test the direct linkage of firms' strategic intent and the selection of FDI strategies, this research adopted the covariance-based structural equation modelling (CB-SEM) (Bagozzi & Yi, 1988) via AMOS version 22 for data analysis. CB-SEM involves a maximum likelihood procedure with a goal to minimise the difference between the observed and estimated covariance matrices. Apart from CB-SEM, variance-based SEM (VB-SEM) and ordinary least square (OLS) techniques can also be used to test the direct relationship

between the exogenous variables and the endogenous variable. This study adopts CB-SEM rather than VB-SEM, as the former is more applicable to confirmatory work while the latter is more exploratory (Hair, Hult, Ringle, & Sarstedt, 2014). Moreover, measurements of the variables in this study tend to be reflective, rather than formative, which further confirms that CB-SEM is a technique more appropriate for the present study. Compared to OLS, SEM is a more sophisticated technique and its advantages in testing causal relationships are widely recognised (Blunch, 2013). First, it allows a more complex modelling structure to be tested in one model. In particular, SEM can handle multiple endogenous variables simultaneously, while OLS can only include one endogenous variable at a time (Blunch, 2013). Second, CB-SEM allows the specification of the relationships among the constructs (the structural model) as well as between the measurement items and the constructs (the measurement model) simultaneously. Third, it permits more rigorous development of measurement instruments by testing the validity and the reliability of the measurements. Measurement errors are taken into account in SEM, through which weak measurements with large error terms or low loadings would be assessed and eliminated. Thus, it improves the quality of the latent constructs in the model. Fourth, SEM tests the degree of fit between the tested model and the data, which further assesses the quality of the structural model (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). For these reasons, this study adopted the CB-SEM technique to test the direct effect of strategic intent on firms' different FDI strategies.

This study adopted a two-step process as recommended by Anderson and Gerbing (1988), in which the measurement model is assessed before the analysis of the structural model. This process is consistent with prior research that has used CB-SEM in the business and management literature (Sarkis, Gonzalez-Torre, & Adenso-Diaz, 2010; Wu et al., 2016). Reliability and validity of the measurement constructs (the measurement model) are

assessed prior to the evaluation and the interpretation of the path model. The model fit indices of both the measurement model and the path model are assessed to ensure the fit between the theoretical model and the data in each step of the analysis.

4.6.2 Discriminant Analysis

A combination of discriminant analysis and SEM was used to test the effect of strategic fit as matching on EMNEs' subsidiary performance regarding the attainment of strategic goals. Following previous studies (Shaver, 1998; Brouthers, 2013b; Brouthers et al., 2000), the present study uses a two-stage technique, in which the first stage tests the group membership using discriminant analysis, and the second one tests the relationship between the fit group and subsidiary performance using SEM. These scholars suggest that to determine whether a strategic decision-making model is normative, firms must be separated into two groups and then the performance of these two groups should be compared. This technique has frequently been used in prior studies when there was a need to predict whether the effective strategic choice is related to firms' performance (Brouthers, 2013a, 2013b; Brouthers et al., 2000).

Discriminant analysis is used to predict group membership for new observations. More specifically, it defines the group categories as dependent upon the discriminating variables (the strategic intent predictors), and a random sample is drawn in which group membership is known prior to sampling. The dependent variable is usually dichotomous or categorical (Hair et al., 2014). In the present study, the variables of location and entry mode strategy are both dichotomous, while the FDI intensity and entry timing variables are continuous. Thus, there is a need to transform these two variables into categorical variables. Following the procedure in Jaccard, Wan, and Turrisi (1990), the groups were formed by calculating the mean value plus and minus one standard deviation. These group

memberships, together with the location and entry mode group memberships were used as the ‘known’ group memberships.

Following the procedures in previous studies (Brouthers, 2013a, 2013b; Brouthers et al., 2000), to further test the performance implications of the strategic fit between strategic intent and firms’ FDI strategies, the predicted group membership and the known group membership were compared. The strategic fit variable was created and coded as ‘1’ when the predicted group membership and the known group membership were the same. When the two group memberships were not the same, it was coded as ‘0’, indicating a mismatch between strategic intent and firms’ FDI strategies. Four strategic fit variables were created: intent-location fit, intent-entry mode fit, intent-timing fit and intent-intensity fit. The strategic fit variables and control variables were then regressed on subsidiary performance using the SEM technique.

4.6.3 Two-step Cluster Analysis

SEM is used to identify a structural model and confirm a dependence relationship between exogenous and endogenous variables. However, in the complex business world, a linear causal relationship does not always exist. Cluster analysis allows classification and categorisation of the structure that cannot be captured in a linear relationship and permits discovery of new patterns that cannot be predicted by the existing theory (Hair et al., 2014). Although it imposes a structure on the data, cluster analysis is used as an exploratory technique. That is why variables with a good theoretical basis must be chosen (Aldenderfer & Blashfield, 1984). In this study, the cluster process was guided by the strategic fit as gestalts approach, as theories in strategic management suggest that the firm’s strategies should fit its organisational goals (Nielsen & Gudergan, 2012; Pak, 2002;

Pak & Park, 2005), and more relevant to the present study, a firm's FDI entry strategies should fit its strategic intent for involvement in FDI.

Cluster analysis is used to form strategic gestalts. It permits the profiles of firms' strategic intent and strategy to emerge, based on three strategic intent variables and four FDI entry strategy variables. A combination of cluster analysis and ANOVA has been widely used in previous studies (Cao et al., 2015; Flynn et al., 2010; Huo et al., 2017). A two-step cluster analysis procedure was used in this study, as it is the only statistical technique that allows both continuous and categorical variables to be clustered in the same dataset (Chiu, Fang, Chen, Wang, & Jeris, 2001). The two-step cluster analysis is widely used in health and medical research (Amato, Pizzolanti, Torregrossa, Pantò, & Giordano, 2016; Ambrosini et al., 2017; Fleury, Grenier, & Bamvita, 2015), due to the high likelihood of containing both continuous and categorical attributes, such as gender, education background etc. Due to the increased complexity of data containing mixed measurement scales, two-step cluster analysis has also gained popularity in recent studies on marketing and business strategies (Johnson, Johnson, Devadoss, & Foltz, 2011; Lorentz, Hilmola, Malmsten, & Srai, 2016; Nielsen 2016; Rundle-Thiele, Kubacki, Tkaczynski, & Parkinson, 2015), which confirms that this methodological choice can provide suitable research results.

Following the procedures recommended by Norusis (2011) and existing studies (Cai, Yang, & Guo, 2014; Nielsen, 2016; Rundle-Thiele et al., 2015), the cluster analysis was processed in two steps. In the first step, the log-likelihood measure is used to reveal the pre clusters, permitting exploration of a wide array of clustering solutions. The second step uses the standard hierarchical clustering algorithm on the pre clusters. The number of clusters is further reduced to the optimal number on the basis of Schwarz's Bayesian

information criterion (BIC) which is considered one of the most objective selection criteria to avoid arbitrary decisions in traditional clustering techniques (Chiu et al., 2001; Norusis, 2011). The two-step cluster analysis with an average silhouette coefficient of 0.5 or above indicates fair to good quality clustering (Norusis, 2011; Nielsen, 2016). Canonical discriminant analysis was used to identify the underlying dimensions that define the clusters.

4.6.4 Analysis of Variance

One-way ANOVA was used to test the performance differences among the clusters. One-way ANOVA is a technique to test the group differences for one independent variable with three or more groups with one continuous variable (Field, 2013). There are one-way between-groups ANOVA and one-way with-in groups ANOVA. The between-groups ANOVA is used when the number of participants in each group is unequal, while the within-groups ANOVA is used to measure the same participants under different conditions, for example, across different points in time. Since the aim of this study is to investigate the differences among groups that have different strategy profiles, and the number of participants in each group is not equal, this study employed the between-groups ANOVA.

Essentially, ANOVA models calculate and compare variability in order to determine whether the means between three or more groups are different. The F ratio (mean square between groups divided by mean square within groups) should be determined. A F ratio = 1 indicates there are no differences between groups. A F ratio greater than 1 can confirm that there are significant differences in the mean scores on the dependent variables across different groups. This analysis simply tests the presence of differences between groups. However, it does not specify where the differences occur. To further identify which

groups are different and how they are different, a post hoc test should be used. The two most commonly used post hoc tests are Scheffe's post hoc analysis and Games-Howell's post hoc analysis. To determine which one to use, we need to check the results of the homogeneity of variance. If variances are homogeneous, Scheffe's post hoc analysis is most appropriate. If not, the Games-Howell post hoc analysis is more suitable.

4.7 Chapter Summary

This chapter mainly described various methodological issues involved in order to achieve the stated research objectives by testing the hypotheses. It firstly provided justification for China as the setting of this study. Then, it discussed the methodological considerations which lead to the selection of a quantitative research method and a survey method. Further, the dataset used in this study was introduced and the advantages of using this dataset were discussed, followed by the measurement of the dependent variables, independent variables and control variables. Finally, the data analysis techniques and the procedures were briefly introduced.

Chapter Five

Data Analysis and Results

5.1 Chapter Overview

In this chapter, detailed results generated from the data analysis are presented. The data analysis followed rigorous procedures from the preparation of the data, preliminary tests and the use of a range of statistical techniques (SEM, discriminant analysis, cluster analysis and ANOVA) that are appropriate to answer the specific research questions. At the end of this chapter, a summary of the results is presented.

5.2 Data Preparation

As described in the methodology chapter, 1377 firms returned valid survey questionnaires. Before undertaking the analyses, the data was carefully screened, recoded, and checked for errors and inconsistent answers. First, firms that do not undertake FDI activities were filtered out, leaving 320 suitable firms. The original data was checked for any potential errors, inconsistent answers and missing data. The survey used a 5 point Likert scale which usually does not contain extreme answers and thus the values 1 and 5 are not considered as outliers. Instead, disengaged responses can be a concern for survey data. Disengaged responses happen when participants choose the same value for all or most of the questions. For example, they may select "1, 1, 1…" or "3, 3, 3…" as answers for most of the questions. This can be checked by calculating the standard deviation of the answers from the same participant. If the standard deviation is 0 or very small, it means there is no variance or very little variance among the answers. Gaskin (2014) suggests removing disengaged answers with a standard deviation score less than 0.3. After deleting 40 firms' responses containing disengaged answers and missing data, 280 firms were left. It is

possible that firms have more than one subsidiary in the same location. For firms with multiple projects, this study extracted data from the largest project in that country as large projects tend to better reflect a firm's strategic intent. The final sample included in this study comprised 392 FDI projects made by 280 firms. As the CCPIT (2010) survey contains comprehensive information related to Chinese MNEs' current and future investment intentions, this study only extracted the data that are related to this study. All the currencies were converted into US dollars using the exchange rate in 2010. The data was coded in December 2015 and I repeated the whole process including data screening and coding in June 2016 to check for any possible errors and inconsistent answers. The data entry accuracy was very high (over 99%). Where detected, errors were corrected.

5.3 Preliminary Analysis Results

5.3.1 Non-response Bias Test

Non-response bias is the difference between respondents who participated in the survey and respondents who did not participate in the survey. It was tested to ensure the generalisability of research outcomes (Malhotra & Grover, 1998). Ideally, non-response bias should be tested through a Chi-square test or a t-test to compare the differences between respondents and non-respondents in terms of a set of characteristics, such as their job title, firm size, industry and annual sales etc. However, it is usually difficult or even impossible to gain such information from non-respondents. Therefore, an alternative procedure is recommended by Armstrong and Overton (1977). Following this procedure, the present study separated the survey respondents into different waves in order to treat the second or later waves of survey respondents as non-respondents, and then conducted group difference tests on these different waves of survey respondents based on variables of state ownership, industry, number of employees, firm age, and annual sales.

This research has a total sample of 392 responses. Each returned response clearly indicated the date of response for the particular survey participant. A Chi-square test was conducted between the first half of the responses (196 responses) and the second half of responses (196 responses) for a non-response bias test in order to determine whether there are significant differences between the two groups in terms of state ownership and industry, because a Chi-square test is appropriate when both the group variable and the test variable are categorical. A non-significant Chi-square result indicates there is no significant difference between the two groups. In addition, a t-test was conducted to test the group differences in terms of the number of employees, firm age and annual sales, as it is appropriate to use a t-test when the test variable is a continuous variable. Again, a non-significant t-test result indicates there is no significant difference between the two groups. As shown in Tables 5.1 and 5.2, the p-values in the Chi-square test results and the t-test results were greater than 0.05, indicating non-significant differences between the groups. Therefore, the concern of non-response bias was allayed.

Table 5.1 Chi-square test results for non-response bias

	Group 1		Group 2		P-value
	Observed	**Expected**	**Observed**	**Expected**	
State ownership					
SOE	35	37.77	40	37.81	0.54
Non-SOE	161	158.23	156	158.19	
Total	196	196	196	196	
Industry					
Manufacturing	160	43.8	145	152.8	0.06
Others	36	152.2	51	43.2	
Total	196	196	196	196	

Table 5.2 T-test results for non-response bias

	F-statistics	**t-value**	**df**	**P-value**
Firm age	0.14	-0.49	370	0.63
Employee number	2.17	0.67	320	0.51
Sales volume	1.32	0.37	240	0.71

5.3.2 Test of Normality

Normality refers to the normal distribution of the dataset, which is an underlying assumption in parametric testing, for example, regression. It is usually checked through skewness and kurtosis. It is noted that the normal distribution assumption only applies to continuous or interval variables, not categorical variables. Although both skewness and kurtosis are important in determining the shape of the dataset, for short-interval measures such as 5-point Likert scales, kurtosis is usually more appropriate. Data that has a very

small or very large standard deviation is considered to have kurtosis issues. Usually the rule is that the data has kurtosis problems if the absolute value of the kurtosis is greater than three times the standard error. Another widely accepted rule of thumb is if the scores of skewness and kurtosis are from -2 to 2 (Gravetter & Wallnau, 2014). To achieve better results in skewness and kurtosis, data can be transformed using the natural log form (Pallant, 2016). The results in Table 5.3 show that after taking the natural log form for variables of firm size, firm age and timing of entry, the skewness and kurtosis scores have an absolute value of 1.32 or less, indicating a satisfactory normal distribution for further regression tests.

Table 5.3 Normality tests

	Skewness statistics		**Kurtosis statistics**	
	Skewness	**SE**	**Kurtosis**	**SE**
Firm size	0.20	0.14	0.11	0.27
Firm age	-0.41	0.13	0.37	0.25
Strategic asset seeking	-0.08	0.13	-1.19	0.26
Offensive market seeking	-0.15	0.13	-1.12	0.26
Natural resource seeking	0.01	0.13	-1.32	0.26
Timing of entry	-0.45	0.12	-1.11	0.25
FDI intensity	0.33	0.17	-1.19	0.34

Note: SE = Standard error

5.3.3 Sample Characteristics

The aim of this section was to understand the demographic attributes of respondents that participated in this study. The frequency distributions of firm age, FDI experience,

employee number, industry type, investing firms' regional distribution in China and state ownership were described from the firm level, while the FDI destinations were described at the project level. Table 5.4 summarises the distribution of participants' firm age at the time when the questionnaire was collected.

Table 5.4 Firm age

Firm age	**Frequency (Percentage)**
⩽**5**	52(18.57%)
6 - 9	55(19.64%)
10 - 14	63(22.50%)
15 - 19	51(18.21%)
⩾ **20**	59(21.07%)
Total	280 (100%)

The results in Table 5.4 indicate that the sample firms in this study have a wide range of ages. The percentages of each age range covered around 20% of the whole sample. Thus, the data can be used to make valid generalisations on the strategic intent, FDI strategies, and performance implications of firms at different stages of development. It is noted that 81.43% of the firms were over 5 years old, indicating the participants are mostly established firms rather than start-ups.

However, the range of firms' FDI experience in Table 5.5 revealed a different picture.

Table 5.5 Experience in FDI

Experience in FDI	Frequency (Percentage)
⩽**5**	115(41.07%)
6 - 9	83(29.64%)
10 - 14	56(20.00%)
⩾ **15**	26(9.29%)
Total	280 (100%)

Table 5.5 shows that the majority (41.07%) of the firms had up to five years' experience, and 29.64% had 6 to 9 years of experience at the time of the survey. In total, 70.71% of them had less than 10 years of experience in FDI. Only 9.29% of firms had more than 15 years of experience in FDI. It is consistent with the literature that argues MNEs from emerging economies usually lack international experience (Luo & Bu, 2017). The shortage of FDI experience has resulted in limited managerial capabilities that would be gained from gradual internationalisation. In this case, strategic intent and FDI strategies that match the specific intent are crucial to firms' success. Therefore, the survey sample can provide valid information on firms' strategic intent and FDI strategies and generate interesting practical implications for firms' performance.

In Table 5.6, the most represented category in firm size was firms with 51 to 499 employees (35.36%) and the least (1.43%) had 10000 to 19999 employees. In total, firms with more than 10000 employees comprised slightly more than 6% of the sample, which indicates that although large firms were involved, the majority of firms participating in this study were of small to medium size.

Table 5.6 Employee number

Employee number	Frequency (Percentage)
⩽**50**	35(12.50%)
51 - 499	99(35.36%)
500 - 999	45(16.07%)
1000 - 4999	68(24.29%)
5000 - 9999	16(5.71%)
10000 - 19999	4(1.43%)
⩾ **20000**	13(4.64%)
Total	280 (100%)

It means this study's results can be generalised to the strategic intent and FDI strategies of small to medium size firms, not only the industry giants. Researchers have conducted case studies on some influential and large MNEs from emerging economies, such as Lenovo and Haier. By including small and medium firms, this research will be able to provide interesting results for smaller firms that have not been investigated.

Table 5.7 shows the industry types of the investing firms. As reported, a majority (77.14%) of the responding firms were from the manufacturing industry.

Table 5.7 Industry types

Industry types	**Frequency (Percentage)**
Agriculture and forestry	8(2.86%)
Manufacturing	216(77.14%)
Water, electricity, gas	5(1.79%)
Architecture	8(2.85%)
Wholesale	17(6.07%)
Hotels and restaurants	1(0.36%)
Transportation and telecommunication	5(1.79%)
Finance	5 (1.79%)
Real estate, rental and advisory	15(5.35%)
Total	280 (100%)

The manufacturing firms from emerging economies were initially original equipment manufacturers, then developed into original brand manufacturers and they were aiming to become original design manufacturers through learning from their international experience as well as their own R&D activities (Luo & Zhang, 2016). At the initial stage, manufacturers were mainly involved with exporting activities with minimum risk while for the ones who strive to be the industry leader, strategic intent and the pertinent FDI strategies are needed to meet this goal. Thus, the industry background of the participating firms makes an ideal setting for the current study. Industries involved in this study also include wholesale, real estate and advisory, agriculture and forestry, architecture and many others. It ensures a large variety of industries were represented in this database and good representation of all industries.

The dominant position of the manufacturing industry in this dataset is why the industry variable was coded ‘1’ for the manufacturing industry. In total, 64 firms were from other

industries. These industry types were combined and coded as '0' due to the smaller number of the responses involved. Table 5.8 presents the regional distribution of the participating firms.

Table 5.8 Investing firm's regional distribution

Regions in China	Frequency (Percentage)
East Coast	203(72.5%)
Central China	35(12.5%)
Northern China	13(4.64%)
Western China	29(10.36%)
Total	280 (100%)

From Table 5.8, it can be concluded that a majority of the sample firms were from the east coast of China, followed by Central China and Western China. Northern China is the region with the least MNEs in the dataset. The regional distribution of the sample firms is consistent with the statistical bulletin of China's outward foreign direct investment report (Ministry of Comerce of China, 2010) suggesting that the east coast is the region which generated the most MNEs and the largest outward FDI flow in 2010. In addition, as indicated, it is evident that all of the four regions in China were well represented so that the data can be used to make valid generalisations across different regions that are involved with FDI projects. Table 5.9 reveals the ownership of the sample firms.

Table 5.9 State ownership

State ownership	Frequency (Percentage)
SOE	53(18.93%)
Non-SOE	227(81.07%)
Total	280 (100%)

The results show that only 18.93% of them were state-owned enterprises (SOEs), while the majority (81.07%) were non-SOEs in China. The report of the statistical bulletin of China's outward foreign direct investment (Ministry of Commerce of China, 2010) disclosed the same picture with 16.2% of firms being SOEs and 83.8% being non-SOEs. It provides strong evidence that the distribution of state ownership in the sample firms echoed the distribution of SOEs and non-SOEs in the full population of this study, which leads to an increase of confidence regarding reliability of the data.

Table 5.10 describes the FDI project destinations of the sample firms. In total, the sample firms established subsidiaries in 64 countries. Table 5.10 also illustrates the distribution of the FDI projects in each region.

Table 5.10 Project destinations

FDI project destinations	Frequency (Percentage)
Asia	98(25%)
Africa	29(7.40%)
Europe	185(47.19%)
North America	62(15.82%)
Latin America	4(1.02%)
Oceania	14(3.57%)
Total	392 (100%)

Table 5.10 shows that the dataset has broad coverage of all six regions in the world and hence provides a good representation of Chinese subsidiaries across the globe. A conventional understanding (e.g. the Uppsala model) suggests that MNEs usually set up their foreign subsidiaries in nearby countries. The dataset for this study presented a different picture with a dominance of FDI projects in Europe (47.19%), followed by Asia (25%) and North America (15.82%). Added together, projects in Europe and North America accounted for 63.01% of the whole sample. This regional distribution of the sampled projects can be linked to a dominance of the investing firms from the manufacturing industry in the dataset and the propensity for entering more advanced markets and the intent of augmenting firm resources. Thus, this dataset can be used to make valid generalisations for the study of firms with aggressive goals.

5.3.4 Descriptive Statistics

Table 5.11 presents descriptive statistics of the data, including the mean, standard deviation, value of the variance inflation factor (VIF) test, and correlation matrix for the variables included in this study. Correlations between several variables are relatively high, such as the correlation values between strategic asset seeking and offensive market seeking ($\beta=0.69$, $p<0.01$), between strategic asset seeking and natural resource seeking ($\beta=0.51$, $p<0.01$), and between offensive market seeking and natural resource seeking ($\beta=0.45$, $p<0.01$). Prior studies suggest that closely related variables, such as variables capturing firm strategies (Miller et al., 2016), cultural patterns (Cao et al., 2015), and/or supply chain integration styles (Flynn et al., 2010), tend to have a high correlation with each other. A correlation coefficient with a value of less than 0.7 is the cut-off point (Torugsa, O'Donohue, & Hecker, 2012) to dismiss the issue of multicollinearity. In the present study, the relatively high values of correlation for the strategic intent variables,

which are considered related concepts, are all less than 0.7, indicating that multicollinearity is not a major issue for this study.

Moreover, in order to further detect potential problems from multicollinearity, a multiple regression analysis was performed to assess whether the variance explained by independent variables for the dependent variable overlaps. This test was conducted using SPSS. Variable Inflation Factor (VIF) and tolerance are two important indicators for the test. A value of VIF smaller than 10 is the cut-off point, indicating that there is no significant overlapping of the variance explained between variables, while a VIF value under 3 is ideal in this situation (Bowerman & O'Connell, 1990). Table 5.11 shows the VIF values of all explanatory variables are below the ideal cut-off point of 3 (VIF$\leqslant$2.86). Therefore, the multicollinearity issue is absent.

Table 5.11 Descriptive statistics

Constructs	Mean	SD	VIF	1	2	3	4	5	6	7	8	9	10	11
1. Firm age	16.35	13.68	1.28	1										
2. Firm size	4483.11	14435.47	1.14	0.23*	1									
3. Industry type	0.78	0.41	1.11	-0.15**	0.09	1								
4. State ownership	0.19	0.40	1.45	0.37**	0.19**	-0.19**	1							
5. Strategic asset seeking	2.60	1.13	2.86	-0.07	0.06	0.03	-0.11	1						
6. Offensive market seeking	3.17	1.06	2.69	-0.08	0.05	0.04	-0.12	0.69**	1					
7. Natural resource seeking	2.81	1.41	1.59	0.05	0.04	-0.09	0.06	0.51**	0.45**	1				
8. Entry mode strategy	0.54	0.50	1.04	0.04	0.10	0.13*	-0.01	0.09	0.10	0.73	1			
9. Location strategy	0.55	0.50	1.20	-0.13*	-0.02	0.07	-0.16**	0.28**	0.16**	-0.02	-0.01	1		
10. Entry timing	8.69	6.56	1.34	0.26**	0.13*	0.02	0.35**	-0.05	-0.06	-0.14*	0.08	-0.03	1	
11. FDI intensity	0.42	0.37	1.20	-0.14	-0.19*	-0.01	-0.20*	0.16*	0.15*	0.15	0.02	0.06	0.10	1

Notes: $^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$; SD=Standard Deviation; VIF=Variance Inflation Factor

5.3.5 Common Method Variance

Common method variance (CMV) is the "variance that is attributable to the measurement method rather than to the constructs the measures represent" (Podsakoff et al., 2003, p. 879). It is a potentially serious concern for data collected through a survey method, because false correlations can be created if the respondents have a propensity to provide consistent answers to survey questions, which in turn causes systematic measurement errors (Changet al., 2010). CMV is also a concern when the data is collected from a single source and the variables are using expectation measures (Podsakoff et al., 2003). Four approaches are suggested to handle CMV, including two ex ante approaches in the research design stage and two ex post approaches in the data analysis stage: 1) CMV could be reduced by adding other sources of information for measures of the key variables, for example, the dependent variable(s); 2) by mixing the order of the survey questions and using different scale types; 3) by forming more complicated regression models, such as interactions and non-linear effects and finally, 4) by using statistical techniques to remove the influence of CMV (Changet al., 2010).

This study has used three approaches to control CMV. First, a major advantage in terms of dealing with the CMV issue in this study is that it used data from a secondary source. For a dataset from a secondary source, it is almost impossible to apply an ex ante approach to handle CMV. However, the primary purpose of the original survey was to collect comprehensive information on the current and future investment intentions and problems encountered by Chinese enterprises and their response to the Chinese government's 'Going Global' policy (CCPIT, 2010). Thus, the potential for respondents' own mental models to affect their responses to the survey questions is significantly reduced, as the pertinent questions used in this study are distributed in different parts of the questionnaire,

mixed with the questions designed for the survey's original purposes (Changet al., 2010). Second, the study not only investigates the direct effects of the predictors on the dependent variable but also the non-linear relationships, which also reduced the likelihood of CMV (Meyer & Su, 2015). Most of the items use reverse scales, or a dummy coded with the strategic intent and FDI strategy variables further clustered into different groups. In addition, the strategic fit variables were created after conducting a discriminant analysis by comparing the actual group of the FDI strategy with the FDI strategy predicted by the theoretical framework. The complicated model specifications therefore largely reduced the risk of CMV. Third, the CMV issue was further assessed by using Harman's single-factor test (Podsakoff et al., 2003). The single factor test is suggested for detecting CMV in studies using a group of related constructs in regression and cluster analysis (Flynn et al., 2010). Harman's single-factor model was tested using principal axis factoring with a fixed number of factors to extract only one factor. The results show that the single factor explains 29.01% of the variance, lower than the cut-off point of 35%. The single factor model was further tested in confirmatory factor analysis (CFA). If the model fit is dramatically reduced in the single measurement mode it will indicate the original measurement model with multiple items fit the data better and hence CMV is not likely to be an issue for the data.

5.4 Results of the Measurement Model

Analysis of Moment Structures (AMOS) Version 24, a product of IBM SPSS Statistics, was selected for the analysis of the measurement model in SEM. Following the suggestion by Anderson and Gerbing (1988), the present study applied the two-step approach to test the hypothesised relationships whereas the measurement model was assessed in terms of the instruments' reliability and validity before the analysis of the structural model.

Specifically, the steps for conducting SEM involve model specification, model identification, model estimation, model testing and model modification (Schumacker & Lomax, 2016). First, a measurement model and a structural model were specified based on a theoretical framework generated from prior research. This comprises the selection of observed variable items as indicators of the latent variables and the theory behind testing the relationships among the latent variables in a structural model. Second, a model is identified if the degrees of freedom are equal to or greater than 1. The model in this study was over-identified which indicates parameters can be estimated. Third, the maximum likelihood estimation was used in AMOS, as this method produces consistent and asymptotically unbiased results and thus is suitable for datasets that meet the normality distribution (Blunch, 2013). The last two steps are model testing and model modification. A model is tested for fit based on the non-significance of the Chi-square statistics and other fit indices. When the model does not fit the data, modifications can be made by checking the residual values in the residual matrix, modification indices, or theory. It is also recommended to delete insignificant measurement indicators or paths (for example, a path containing a control variable). In general, adding an error covariance term between observed variables and a covariance term between exogenous variables is also helpful to improve the fit between the model and the data (Schumacker & Lomax, 2016). Four independent variables included in the study were measured by multiple survey items. Among the four, three are drawn from the strategic intent perspective – strategic asset seeking, natural resource seeking, and offensive marking seeking – while the remaining one is FDI intensity. In order to ensure good data quality, a measurement model was used to establish reliability, content validity, convergent validity, and discriminant validity of the measurement instruments, as the premise of a meaningful empirical study relies on the reliability and validity of the measurement instruments. The

measurement model was assessed by testing Cronbach's Alpha in SPSS version 24 and conducting a confirmatory factor analysis (CFA) in AMOS.

Reliability

Reliability refers to internal consistency and it indicates the extent to which items measure the same thing and can be reproduced over time (Blunch, 2013). First of all, reliability was checked through Cronbach's Alpha (CA). Cronbach's Alpha should be above 0.7, but lower scores can also be acceptable in some situations (Schumacker & Lomax, 2016). At least three items were preferred for each construct. However, a single item measurement can also be acceptable in some situations as discussed in the measurement scales section. A single item measurement is treated as a manifest variable or observed variable and therefore is excluded in the measurement model assessment. As Cronbach's Alpha is at the risk of underestimating or overestimating the construct reliability by assuming all factor loadings and error variances are the same, composite reliability (CR) was calculated to add more evidence of the overall reliability of the constructs (Hair et al., 2014). A CR score of 0.7 or above is recommended (Hair et al., 2014). In Table 5.12, the scores of CA and CR for all the latent variables included in the study are over or very close to 0.7, indicating that the measurement instruments have achieved an acceptable level of reliability.

Table 5.12 Reliability and validity tests

Constructs	Items	Factor loading	R^2	t-value	CA	CR
Strategic asset seeking	Gaining access to advanced technologies	0.84***	0.70	16.00	0.85	0.76
	Gaining access to advanced management knowhow	0.86***	0.75	18.56		
	Acquiring good quality brands	0.77***	0.60	15.99		
Offensive market seeking	Entry to the target market	0.81***	0.68	9.53	0.83	0.73
	The importance of the target market	0.53***	0.32	7.87		
	The target market is a regional free trade area	0.73***	0.51	8.59		
Natural resource seeking	Gaining access to mineral resources	0.62***	0.38	11.86	0.79	0.70
	Gaining access to fuel resources	0.87***	0.76	12.17		
	Gaining access to other natural resource such as forests	0.83***	0.63	11.85		
FDI intensity	The percentage of overseas sales to total sales	0.62***	0.38	5.57	0.69	0.69
	The percentage of overseas assets to total assets	0.99***	0.99	4.63		
	The percentage of overseas employee number to total employee number	0.61***	0.35	5.57		

Notes: ***p<0.001; All the factor loadings are standardised; CA=Cronbach's Alpha; CR=Composite Reliability

Validity

Validity refers to the extent to which a measurement correctly measures what it is intended to measure (Hair et al., 2014). Validity was reflected through content validity, convergent validity and discriminant validity. Content validity is the extent to which a measure represents all facets of a given construct (Cavana et al., 2001). It is achieved by selecting survey items that were tested in prior research or suggested in the existing theory. In this study, measurement items for strategic asset seeking and natural resource seeking are derived from the existing studies (Kang & Liu, 2016; Lu et al., 2011), and measurement items for offensive market seeking and FDI intensity were developed based on the conceptualisations introduced and defined in prior studies (Buckley et al., 2008; Miller et al., 2016). Convergent validity refers to the degree of correlation among items within a single latent variable. It shows the extent of shared variance among different items. This can be revealed through factor loadings. It is desirable to have factor loadings greater than 0.7 (Hair et al., 2014). Convergent validity can also be assessed through Average Variance Extracted (AVE). If an AVE score is greater than 0.5, convergent validity is established (Blunch, 2013). Discriminant validity refers to the extent to which factors are distinct and uncorrelated. It is expected that measurement items relate more strongly to their own latent variables rather than to other variables. It can be assessed by examining the relationship between correlation coefficients and the AVE values of the constructs (Hair et al., 2014). The correlation coefficient was compared to the square root of AVE. Discriminant validity is established if the square root of the AVE value is greater than the correlation coefficient (Blunch, 2013; Hair et al., 2014). As shown in Table 5.13, the AVE values are all above the cut-off point 0.5 and the square root of AVE is higher than its corresponding correlation coefficient. Therefore, both convergent validity and discriminant validity were achieved. Overall, the measurement instruments have

exceeded the required thresholds and the measurement model exhibits reliability and validity.

Table 5.13 Correlation matrix, AVE, and square root of AVE for multi-item constructs

Constructs	**AVE**	**1**	**2**	**3**	**4**
1. Strategic asset seeking	0.65	**0.81[a]**			
2. Offensive market seeking	0.55	0.69**	**0.74[a]**		
3. Natural resource seeking	0.58	0.51**	0.45**	**0.76[a]**	
4. FDI intensity	0.58	0.16*	0.15*	0.15	**0.76[a]**

Notes: *p<0.05; **p<0.01; ***p<0.001; AVE=Average variance extracted; [a] The square root of AVE is shown on the diagonal of the matrix

Model fit

For SEM analysis both in the measurement model and structural model, the model fit needs to be checked for the fit between the model and the data. Multiple indices are used to establish goodness-of-fit in order to eliminate the bias associated with use of a single index. Since the Chi-square test has the weakness of rejecting any model when the sample is sufficiently large, the ratio of Chi-square to the degree of freedom (x^2/df) was used as the measure of goodness of fit and values less than 3 are considered to show acceptable fit (Blunch, 2013). Chi-square and x^2/df are absolute fit measures which judge the fit of a model per se without reference to other models that could be relevant in the situation (Blunch, 2013). Thus, other fit indices are also used. The Tucker Lewis Fit Index (TLI), the Comparative Fit Index (CFI) and the Normed Fit Index (NFI) are the relative fit measures that typically compare a restricted model with a full model with a value higher or close to 0.90 indicating a close fit (Schumacker & Lomax, 2016). Lastly, the root-

mean-square error of the approximation (RMSEA) is used as the fit measure based on the non-central Chi-square distribution with values from 0.50 to 0.80 being indicative of a good fit (Schumacker & Lomax, 2016).

In the modelling analysis of the present study, modifications were applied by drawing covariance between the latent variables one by one. The whole model was run again each time until the best model fit was obtained. The following model fit was achieved after covariance was drawn between strategic asset seeking, offensive market seeking and natural resource seeking. As shown in Table 5.14, x^2/df is lower than 2; TLI, CFI and NFI are all above 0.95; and RMSEA is 0.05. The fit indices meet all the criteria of a model with good fit. Therefore, the measurement model is established, indicating that measurement instruments for all the multi-item latent variables are reliable and valid and that the measurement model fits the data well.

Table 5.14 Model fit for the measurement model

Model fit indices	
x^2	91.76
Df	59
P value	0.004
x^2/df	1.56
TLI	0.97
CFI	0.98
NFI	0.95
RMSEA	0.05

5.5 Results of Hypothesis Testing

5.5.1 Results of Hypotheses 1 to 3

The results of the measurement model were used to form a structural model in order to test the strength of the hypothesised relationships regarding the match of firms' FDI entry strategies to their strategic intents. Multiple model fit indices were used to establish a fit between the model and the data.

Table 5.15 Model fit for the structural model

Model fit indices	
x^2	281.13
Df	132
P value	0.000
x^2/df	2.13
TLI	0.93
CFI	0.93
NFI	0.89
RMSEA	0.05

Again, the fit indices of the original model were unsatisfactory. Covariance was drawn between variables that may co-vary with each other theoretically. Each covariance was added one by one until the best model fit was obtained. As shown in Table 5.15, the values of the fit indices met the acceptable levels with TLI and CFI higher than 0.9, NFI very close to 0.9, x^2/df less than 3, and RMSEA between 0.5 and 0.8 (Blunch, 2013; Schumacker & Lomax, 2016). Thus, the structural model is acceptable. Based on survey data of 392 FDI projects made by Chinese firms, SEM analysis was adopted to test the hypothesised influence of variables drawn from the strategic intent perspective on four specific FDI entry strategies in terms of location, entry mode, timing, and FDI intensity.

As demonstrated in Tables 5.16 and 5.17, the results provided empirical support for the hypothesised relationships, while some hypotheses were rejected by the results. For example, none of the strategic intent seems to be significantly related to the selection of the entry mode strategy. The results of the hypotheses testing are explained below.

Table 5.16 Structural model results

Constructs	**Location strategy**	**Entry mode strategy**	**Timing of entry**	**FDI intensity**
Firm size	0.07	0.03	-0.01	-0.51**
Firm age	-0.03	0.08	0.24***	-0.29
Industry	0.02	0.13*	0.12*	-0.17
State ownership	-0.06	0.01	-0.03***	-0.18
Strategic asset seeking	0.89***	0.18	0.33*	-0.31**
Offensive market seeking	-0.55**	-0.07	-0.32	0.35**
Natural resource seeking	-0.15*	-0.01	-0.16*	-0.24
R^2	0.27	0.04	0.12	0.20
N	392	392	392	392

Notes: *p<0.05; **p<0.01; ***p<0.001

Table 5.17 Hypothesis testing results

Hypotheses and the structural model				**Hypothesised relationship**	**Support or not**
H1a	Strategic asset seeking	→	Location strategy	+	Yes
H1b	Strategic asset seeking	→	Entry mode strategy	+	No
H1c	Strategic asset seeking	→	Timing of entry	+	Yes
H1d	Strategic asset seeking	→	FDI intensity	-	Yes
H2a	Offensive market seeking	→	Location strategy	-	No
H2b	Offensive market seeking	→	Entry mode strategy	+	No
H2c	Offensive market seeking	→	Timing of entry	+	No
H2d	Offensive market seeking	→	FDI intensity	+	Yes
H3a	Natural resource seeking	→	Location strategy	-	Yes
H3b	Natural resource seeking	→	Entry mode strategy	-	No
H3c	Natural resource seeking	→	Timing of entry	-	Yes
H3d	Natural resource seeking	→	FDI intensity	-	No

First, regarding the influence of strategic asset seeking on FDI entry strategies, strategic asset seeking had a significant and positive relationship ($\beta=0.89$, $p<0.001$) with location strategy, supporting H1a. However, the path coefficient between strategic asset seeking and entry mode strategy is not significant ($\beta=0.18$, $p>0.05$), rejecting H1b. There is a significant and positive relationship ($\beta=0.33$, $p<0.05$) between strategic asset seeking and

entry timing and a significant and negative relationship (β= - 0.31, p<0.01) between strategic asset seeking and FDI intensity, supporting H1c and H1d respectively. Overall, the results support H1 in that strategic asset seeking is related to firms' FDI strategies, except in the case of entry mode strategy.

Further, regarding the influence of offensive market seeking on FDI entry strategies, there is a significant and negative relationship (β= - 0.55, p<0.01) between offensive market seeking and location strategy. However, the direction of the influence is opposite to the positive sign suggested by the hypothesis, rejecting H2a. The structural paths between offensive market seeking and entry mode strategy (β= - 0.07, p>0.05) and offensive market seeking and timing of entry (β= - 0.32, p>0.05) are insignificant, failing to provide support for H2b and H2c. Offensive market seeking had a positive and significant relationship with FDI intensity (β=0.35, p<0.01), supporting H2d. In general, the results only marginally supported H2 regarding the effect of offensive market seeking on firms' FDI entry strategies, as the relationship is only confirmed for the FDI intensity strategy.

Finally, regarding the influence of natural resource seeking on FDI entry strategies, the structural paths between natural resource seeking and location strategy (β= - 0.15, p<0.05) and between natural resource seeking and entry timing (β= - 0.16, p<0.05) had significant and negative path coefficients, supporting H3a and H3c respectively. However, the relationships between natural resource seeking and entry mode strategy (β= - 0.01, p>0.05) as well as between natural resource seeking and FDI intensity (β= - 0.24, p>0.05) are insignificant, failing to provide support for H3b and H3d. Thus, H2 is partially supported by the empirical results.

5.5.2 Results of Hypotheses 4

5.5.2.1 Discriminant Analysis

Discriminant analysis is used to analyse the dataset when the dependent variable is categorical and the predictors are continuous variables. For this analysis, the data has to meet several requirements, including normality, predictors being independent from each other, and non-overlapping grouping variables (Hair et al., 2014). As discussed earlier in this chapter, the data meets the requirement of normality, the multicollinearity problem is absent, and there is no overlapping group. Thus, these requirements for discriminant analysis have all been met. The two variables of timing and intensity strategies were transformed into dummy variables using a median split with a median of 7.00 for the timing variable and 0.41 for the intensity variable respectively (Pallant, 2016).

The estimation can be done simultaneously or stepwise. A stepwise estimation method was not adopted due to the high risks of incorrect degrees of freedom, sampling error and failure to select the best subset of variables (Harrell, 2015). The simultaneous estimation method was used so that all of the independent variables are considered concurrently. The discriminant function is computed based upon the entire set of independent variables, regardless of the discriminating power of each predictor.

Box's M is a test for the equality of the group covariance matrices (Hair et al., 2014). A significant p value means that there is sufficient evidence that the matrices differ and therefore the groups are discriminant to each other. The Box's M for location strategy, timing strategy and intensity strategy are significant, while the one for entry mode strategy is insignificant, indicating the WOS and JV groups may not be discriminant to each other. Wilks' Lambda is another frequently used criterion for group discrimination (Hair et al., 2014). As shown in Table 5.18, the Wilks' Lambda value of entry mode is

insignificant, further confirming that the entry mode group members are not discriminant to each other. Therefore, the entry mode group is excluded from further analysis. Table 5.18 also presents the standardised canonical discriminant function coefficients. The results show that all of the three variables capturing strategic intent played an important role in the discrimination of the location strategy, timing of entry, and FDI intensity. The classification function is using Fisher's linear discriminant function where an observation's values for the predictors are inserted in the classification functions. A classification score for each group is calculated for the observation, which is then classified into the group with the highest classification score (Hair et al., 2014).

Table 5.18 Standardised canonical discriminant function coefficients

Grouping variables	Predicting variables	Function 1
Location strategy X^2=47.57 df=3 Wilks' Lambda=0.87*** X^2 critical value=16.27	Strategic asset seeking	1.54
	Offensive market seeking	-0.69
	Natural resource seeking	-0.48
Entry mode strategy X^2=4.28 df=3 Wilks' Lambda=0.98^{ns} X^2 critical value=4.64	Strategic asset seeking	0.50
	Offensive market seeking	0.75
	Natural resource seeking	-0.48
Timing of entry X^2=9.57 df=3 Wilks' Lambda=0.97** X^2 critical value=11.34	Strategic asset seeking	-1.16
	Offensive market seeking	0.22
	Natural resource seeking	0.97
FDI intensity X^2=8.52 df=3 Wilks' Lambda=0.95* X^2 critical value=7.82	Strategic asset seeking	-0.12
	Offensive market seeking	1.02
	Natural resource seeking	0.14

Note: * $p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$, ^{ns}=not significant

The predictive accuracy of the discriminant function is measured by the hit ratio. It can be calculated for the overall sample or for specific groups. For a two-group function with equal group size, the overall as well as the group-specific hit ratios need to be above 50% to determine the prediction is better than simply by chance. When the group size is not

equal, the Press's Q statistic (Harrell, 2015) is used to determine the overall discriminatory power of the classification matrix in comparison to a chance model.

The Press's Q is calculated as: Press's Q = [N – (n*K)] ^2/N*(K – 1), where N= sample size, n= number of correct classifications, and K= number of groups.

The Press's Q is then compared with the Chi-square critical value that represents the chance of a correct classification rate of 50%. If the Press's Q is greater than the Chi-square critical value, it is safe to conclude that the prediction is significantly better than 50%. In this study, the group numbers are unequal. Therefore, the Press's Q is used to determine the prediction accuracy of the overall model. As shown in Table 5.19, the Press's Q values are all greater that the Chi-square critical value of each group, indicating that the overall hit ratios of each group are all greater than 50%. In addition, following the suggestion by Hair et al. (2014), this study further checked the group-specific hit ratios using the proportional chance criterion (PRO), calculated with the formula: C_{PRO}=p^2+(1-p)^2, where p=proportion of individuals in group 1, and 1-p=proportion of individuals in group 2. Table 5.19 shows that all of the group-specific hit ratios are above the PRO value in each group, indicating that the group-specific hit ratios are acceptable.

Following the procedures used in prior studies (Brouthers, 2013a; Brouthers, Brouthers, & Werner, 1999; Brouthers et al., 2000), the firms with correctly classified location strategy, timing of entry and FDI intensity are coded as '1', and the incorrectly classified ones are coded as '0'. As is shown in Table 5.19, the intent-location strategy fit, intent-timing strategy fit and intent-intensity strategy fit variables were computed for further analysis.

Table 5.19 Discriminant analysis classification results

				Predicted group membership	
	Actual group	**Number of cases**	**PRC**	1	2
Location strategy	Developing country	177	50.08%	92 52%	85 (48%)
	Developed country	215	61.52%	56 (26%)	159 74%
	Percentage of cases correctly classified	64%			
	Press's Q	30.87			
	Number of firms correctly classified	251 (intent-location strategy fit =1)			
	Number of firms incorrectly classified	141 (intent-location strategy misfit=0)			
Timing of entry	Late entry	177	53.54%	112 63.3%	65 (36.7%)
	Early entry	211	52.29%	83 (39.3%)	128 60.7%
	Percentage of cases correctly classified	61.2%			
	Press's Q	18.76			
	Number of firms correctly classified	240 (intent-timing strategy fit =1)			
	Number of firms incorrectly classified	152 (intent-timing strategy misfit =0)			
FDI intensity	Low intensity	195	50.39%	106 54.4%	89 (45.6%)

High intensity	197	58.24%	59 (29.7%)	138 70.3%
Percentage of cases correctly classified	62.4%			
Press's Q	22.51			
Number of firms correctly classified	244 (intent-intensity strategy fit =1)			
Number of firms incorrectly classified	148 (intent-intensity strategy misfit =0)			

5.5.2.2 SEM of the Intent Strategy Fit Model

Following the procedure in Brouthers et al. (1999), one sample t-test was conducted before conducting SEM to see whether the performance differences between fit group and the mismatch group are significant. As shown in Table 5.20 below, the p-values of these three groups are all equal to or smaller than 0.001, indicating that subsidiary performance is significantly different between groups.

Table 5.20 T-test results for subsidiary performance differences

	F-statistics	**t-value**	**df**	**P-value**
Intent-location strategy fit	51.97	-5.62	390	0.000
Intent-timing strategy fit	12.50	-1.21	390	0.000
Intent-intensity strategy fit	0.92	-3.39	381	0.001

Following the procedures in Brouthers (2013a) and Brouthers et al. (1999, 2000), all the predictor variables (strategic asset seeking, offensive market seeking, and natural

resource seeking), the FDI strategy variables, and the control variables, were included in the path model in step two, together with the intent-strategy fit variables. The fit indices of the original model were initially unsatisfactory. Covariance was drawn between variables that may co-vary with each other theoretically. Each covariance was added one by one until the best model fit was obtained. As shown in Table 5.21, the values of the fit indices met the acceptable levels and thus the structural model is acceptable. Using survey data from 392 FDI projects by Chinese firms, the results in some paths support the hypotheses regarding influence of intent-strategy fit on performance while some do not demonstrate the expected significance as illustrated in Tables 5.21 and 5.22.

Table 5.21 Structural model results of the intent-strategy fit model

Constructs	**Subsidiary performance**
Firm size	0.20^{***}
Firm age	-0.09
Industry	0.06
State ownership	-0.03
Strategic asset seeking	0.27
Offensive market seeking	-0.24
Natural resource seeking	0.01
Location strategy	-0.08
Entry mode strategy	-0.03
Timing of entry	0.10^{+}
FDI intensity	0.26^{**}
Intent-location strategy fit	0.21^{***}
Intent-timing strategy fit	0.01
Intent-intensity strategy fit	0.11^{**}
R^2	0.22
N	392

Notes: $^{+}p<0.1$; $^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$

Model fit indices: $x^2=276.36$, df=124, p value=0.000, $x^2/df=2.23$, CFI=0.90, NFI=0.91, RMSEA=0.06

As shown in Table 5.21, the intent-location strategy fit (β=0.21, p<0.001) and the intent-intensity strategy fit (β=0.11, p<0.01) are significantly and positively related to subsidiary performance, supporting H4a and H4d. As effect of the intent-timing strategy fit (β=0.01, p>0.05) on subsidiary performance is not significant, H4c is rejected. Since the discrimination in the entry mode group is insignificant as mentioned above, further

analysis cannot be performed for the entry mode group. Therefore, there is no empirical evidence to support H4b.

Table 5.22 Hypothesis testing results

Hypotheses and the structural model				**Hypothesised relationship**	**Support or not**
H4a	Intent-location strategy fit	→	Subsidiary performance	+	Yes
H4b	Intent-entry mode strategy fit	→	Subsidiary performance	+	No
H4c	Intent-timing strategy fit	→	Subsidiary performance	+	No
H4d	Intent-intensity strategy fit	→	Subsidiary performance	+	Yes

5.5.3 Results of Hypothesis 5

Cluster analysis can be used to explore the data and generate taxonomies. As cluster analysis maximises homogeneity of objects within the clusters while also maximising heterogeneity between the clusters, two prerequisites of cluster analysis can be stated as: (1) the sampled data should be representative of the population, and (2) there should be no problem of multicollinearity in the data. As discussed in sections 5.2.3 and 5.2.4, the sample of this study is highly representative of the population and multicollinearity is not an issue in this dataset. As discussed in the methodology chapter, two-step cluster analysis in SPSS version 24 was used to analyse the data for this study. Standardisation of variables is the default setting in two-step cluster analysis. However, that option was not used in this study, because it is only recommended for continuous variables rather than categorical variables (Bacher, Wenzig, & Vogles, 2004). For datasets that contain both continuous variables and categorical variables, standardisation is not required. It will also

be helpful to interpret the pattern of individual clusters based on the original value of each variable, instead of the standardised value.

5.5.3.1 Number of Clusters

There is a trade-off when forming clusters: fewer clusters and less homogeneity within individual clusters versus a larger number of clusters and more within-group homogeneity. A hierarchical cluster procedure, a K-mean cluster procedure, and a two-step cluster procedure can be used to determine the optimal number of clusters. The widely used clustering algorithms, K-mean clustering and agglomerative hierarchical techniques suffer from the problems of commensurability, subjectivity of cluster number determination, and difficulty in clustering large datasets (Bacher et al., 2004). In comparison, the two-step cluster analysis technique allows detection of the optimal number of clusters automatically and can be used to analyse data with different measurement scales and a large sample size.

In the two-step cluster analysis procedure, the first step involves calculating the Bayesian Information Criterion (BIC) for each member of the clusters within a specified range and then using it to find the initial estimate for the number of clusters. The second step then refines the initial estimate by finding the greatest change in distance between the two closest clusters in each hierarchical clustering stage. Either log-likelihood or Euclidean techniques can be used to measure distance between two clusters in this step. The log-likelihood measure is selected due to its ability to measure both continuous and categorical variables, which assumes normal distribution for continuous variables and multinomial distribution for categorical variables (SPSS Inc., 2001).

After the cluster solution has been formed, the silhouette coefficient is used to measure the quality of the cluster solution. It calculates the difference between the smallest average

of the between cluster distance and the within cluster distance, divided by the larger of the two distances. The silhouette coefficient ranges from -1 to +1, and the closer to +1 the better the solution (Norusis, 2011). An average silhouette coefficient of 0.5 indicates fair to good quality clustering (Nielsen, 2016). In the present study, a two-step cluster analysis generated a four-cluster solution. The cluster profiles are presented in Table 5.23 with a silhouette coefficient of 0.5, indicating a satisfactory cluster solution.

Table 5.23 Cluster profiles

	Strategic intent			FDI entry strategies				
Cluster	Strategic asset seeking	Offensive market seeking	Natural resource seeking	Location strategy (n)	Entry mode strategy (n)	Entry timing	FDI intensity	n
1	3.5	3.5	3.3	D-ed	WOS	2.0	0.5	87
2	1.2	1.3	1.3	D-ing	WOS	2.0	0.3	95
3	2.7	3.0	3.4	D-ing	JV	1.7	0.4	134
4	3.2	3.0	3.2	D-ed	JV	1.8	0.5	76
								Total: 392

Notes: D-ed=developed countries, D-ing=developing countries

5.5.3.2 Canonical Discriminant Analysis Results

Canonical discriminant analysis was used to test the predictive ability and identify the underlying dimensions that define the clusters. Table 5.24 shows the eigenvalues of the first two functions are over 1.0 and that these functions explained 88.4% of the variance.

Table 5.25 presents the predictive ability of the classification. Between 96.8% and 99.3% of the respondents (overall 98.4%) were correctly classified by the discriminant analysis, indicating high predictive ability.

Table 5.24 Discriminant analysis

Discriminant analysis				
Function	Eigenvalue	Percent of variance	Cumulative percent	Canonical correlation
1	3.41	52.4	52.4	0.88***
2	2.35	36.0	88.4	0.84***
3	0.75	11.6	100.0	0.67***

Notes: *** $p<0.001$

Table 5.25 Classification results

	Predicted group membership					
Cluster number	1	2	3	4	Total	Predicted percentage
1	86	1	0	0	87	98.9%
2	0	92	3	0	95	96.8%
3	0	0	133	1	134	99.3%
4	0	1	0	75	76	98.7%

Note: 98.4% of original grouped cases correctly classified

Table 5.26 reveals that variables for both the strategic intent and FDI strategy constructs are important in Functions 1 and 2. The location strategy dominates in Function 1 by dividing the profiles into four clusters (two with a location strategy in developed countries, one with a location strategy in developing countries, and one with a mixed location strategy). In Function 2, the strategic asset seeking plays a relatively dominant role,

dividing the profiles into four clusters (one with high intent in strategic asset seeking, two with moderate intent strategic asset seeking, and one with low intent strategic asset seeking). Figure 5.1 illustrates the cluster centroids that confirm the independence of the four clusters by the discrimination functions.

Table 5.26 Standardised canonical discriminant function coefficients

Standardised canonical discriminant function coefficients		
	Function	
	1	2
Strategic intent		
Strategic asset seeking	0.36	0.55
Offensive market seeking	0.13	0.28
Natural resource seeking	0.10	0.48
FDI entry strategies		
Location strategy	0.86	-0.50
Entry mode strategy	-0.03	0.04
Entry timing	-0.05	-0.1
FDI intensity	0.11	-0.04

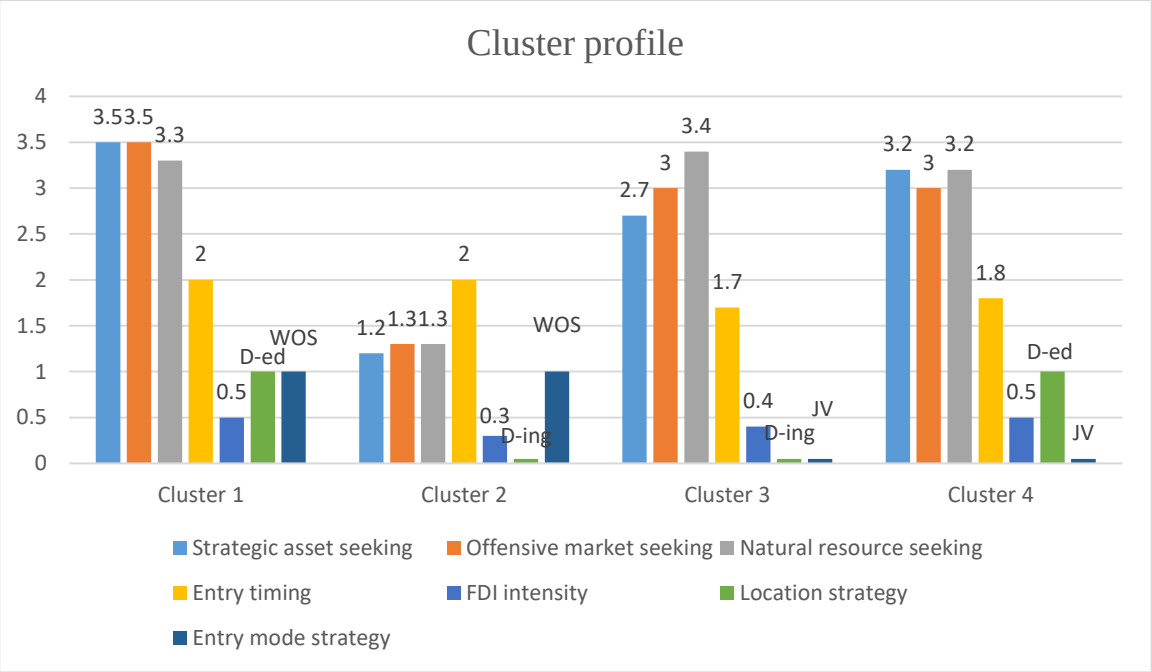
Figure 5. 1 Cluster centroids

5.5.3.3 Results of Hypothesis Testing regarding Strategic Intent Taxonomies

Figure 5.2 reveals the cluster profiles. A two-step cluster analysis generated a four-cluster solution. The cluster taxonomy is interpreted from the balance and strength of the strategic intent as well as a combination of different FDI entry strategies. Three of the profiles contain relatively balanced strategic intent with high, moderate and weak strength. The remaining profile contains dominant intent of natural resource seeking. As illustrated in Figure 5.2, Cluster 1 represents firms that have strong and balanced strategic intents and have a propensity for developed country location, WOS mode, early entry, and high intensity. Cluster 2 represents firms that have balanced but weak strategic intents with a developing country location and WOS mode strategy, early entry, and low intensity. Cluster 3 contains firms with a dominant intent of natural resource seeking with a propensity for location strategy in developing countries, and a JV strategy, as well as late entry and low intensity. Finally, cluster 4 firms are characterised by a moderate and balanced strategic intent with a preference for developed countries, JV mode, late entry, and high intensity.

The two-step cluster analysis and canonical discriminant analysis results showed that intent-strategy profiles are differentiated from each other and are not misclassified. It can therefore be concluded that firms' strategic intent and FDI entry strategies can be classified into different patterns. Thus, a taxonomy of strategic intent and FDI entry strategies can be developed, supporting H5.

Figure 5. 2 Cluster profile



5.5.4 Results of Hypothesis 6

Analysis of variance (ANOVA) is used to test the relationship between different intent-strategy profiles and subsidiary performance. To establish correct application of ANOVA, three data conditions have to be met: independence, normality, and homogeneity of variance (Hair et al., 2014). As the first two conditions were met in previous tests, only the test for the assumption of homogeneity of variance was conducted.

5.5.4.1 Test for Homogeneity of Variance

The homogeneity of variance aims to test whether the variance in scores is the same for each of the four groups established in the cluster analysis. SPSS uses Levene's test for

homogeneity of variances (Pallant, 2016). When homogeneity is violated, the ANOVA results will have an increased chance of Type I errors: the probability of rejecting the null hypothesis when it should be accepted. In a large dataset, however, a violation of homogeneity will lead to an increased chance of a Type II error: the probability of failing to reject the null hypothesis, when it should be rejected (Hair et al., 2014). A p-value of greater than 0.05 indicates the condition of homogeneity of variance is not violated (Hair et al., 2014). Table 5.26 shows that the p-value is 0.82, much greater than 0.05, which confirms that the homogeneity of variances is met.

Table 5.27 Test of homogeneity of variances

Levene Statistic	df1	df2	p-value
0.31	3	0.39	0.82

5.5.4.2 Hypothesis Testing Results

The F-value assesses whether there are significant differences between means of different groups. A significant F-value indicates that significant differences exist between the clusters. Table 5.28 presents a significant F-value ($p<0.05$), indicating significant differences between the clusters. However, it cannot tell which specific groups differ. A post hoc test has the ability to identify them. It is noted that a post hoc test is valid only when the significance level of F-statistics is less than 0.05. Therefore, the post-hoc test should be performed.

Table 5.28 Post hoc test

Cluster number		Mean difference	S.E
1	2	0.36*	0.13
	3	0.31*	0.12
	4	0.19	0.14
2	1	-0.36*	0.13
	3	-0.04	0.11
	4	-0.17	0.13
3	1	-0.31*	0.12
	2	0.04	0.11
	4	-0.12	0.12
4	1	-0.19	0.14
	2	0.17	0.13
	3	0.12	0.12

Notes: S.E=Std. Error; *$p<0.05$

Several types of post-hoc tests are available, for example, the Least Significant Difference (LSD) test, Tukey's honestly significant difference (HSD) test, and Scheffe's test. When the data met the assumption of homogeneity of variances, Tukey's HSD post hoc test can be used. Tukey's HSD was designed for data with equal sample sizes in each group. However, cluster groups in the present study are different in size. Scheffe's test is the most flexible and the most conservative procedure and thus the most widely used one. It allows a complex comparison of means, which contains more than two groups. This study therefore employed Scheffe's test for the post hoc test. As shown in Table 5.28, the post hoc test shows that Clusters 1 and 2, and Clusters 1 and 3 differ significantly.

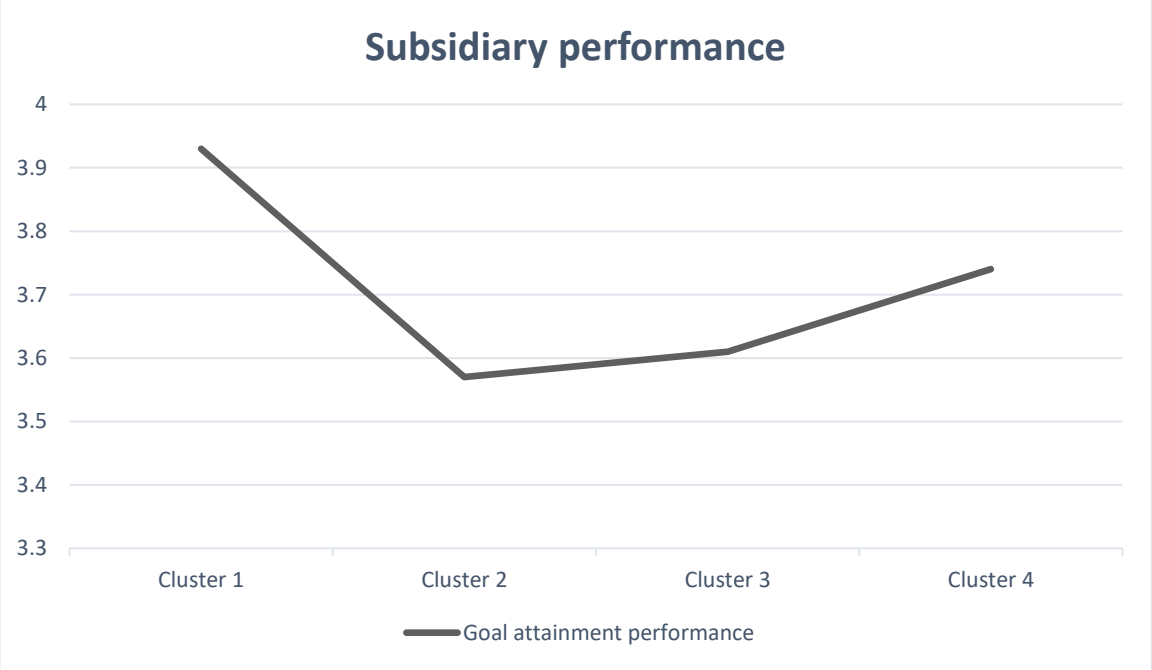
Table 5.29 Analysis of variance

Analysis of variance					
Factor	Cluster1	Cluster2	Cluster3	Cluster4	F-value
Subsidiary performance	3.93(2, 3)	3.57 (1)	3.61 (1)	3.74	3.26*

Notes: The numbers in parentheses indicate the cluster(s) from which that cluster is significantly different at the 0.05 significance level; *p<0.05; **p<0.01; ***p<0.001

As illustrated in Table 5.28 and Figure 5.3, Cluster 1 has significantly higher subsidiary performance than Clusters 2 and 3. However, the differences between Clusters 1 and 4, and Clusters 4 and 2 are not significant. Therefore, the results partially support Hypothesis 6 that proposes that firms with an intent-strategy fit and stronger intent perform better than those with an intent-strategy fit and weaker intent.

Figure 5. 3 Subsidiary performance



5.6 Chapter Summary

This chapter presented the results of this study. Overall, most of the hypotheses were supported by the empirical results. H1a to H4d are the hypotheses based on the strategic fit as matching approach. As revealed in Table 5.30 (H1a – H3d), not all of the strategic intents have a significant relationship with a matched FDI strategy. Similarly, the intent-strategy fit as proposed in H4a to H4d cannot promise better subsidiary performance all the time. Therefore, the strategic fit as gestalts approach (H5 and H6) was designed. In general, the results supported H5 and H6, indicating that the strategic fit as gestalts approach is more viable than the strategic fit as matching approach. More detailed discussions will be presented in Chapter 6.

Table 5.30 Summary of the hypotheses

Hypothesised relationships		**Support or not**
H1a	Strategic asset seeking firms tend to locate their subsidiaries in developed countries.	Support
H1b	Strategic asset seeking firms tend to use the WOS mode rather than the JV mode.	No
H1c	Strategic asset seeking firms tend to enter foreign markets at an earlier stage.	Support
H1d	Strategic asset seeking firms tend to enter foreign markets with lower intensity.	Support
H2a	Offensive market seeking firms tend to locate their subsidiaries in developed countries.	No
H2b	Offensive market seeking firms tend to use a WOS mode.	No
H2c	Offensive market seeking firms tend to enter foreign markets at a later stage.	No
H2d	Offensive market seeking firms tend enter foreign markets with greater intensity.	Support

H3a	Natural resource seeking firms tend to locate their subsidiaries in developing countries.	Support
H3b	Natural resource seeking firms tend to use the JV mode.	No
H3c	Natural resource seeking firms tend to enter foreign markets at a later stage.	Support
H3d	Natural resource seeking firms tend to enter foreign markets with lower intensity.	No
H4a	Subsidiaries with an intent-location strategy fit outperform the ones without it.	Support
H4b	Subsidiaries with an intent-entry mode strategy fit outperform the ones without it.	No
H4c	Subsidiaries with an intent-timing strategy fit outperform the ones without it.	No
H4d	Subsidiaries with an intent-intensity strategy fit outperform the ones without it.	Support
H5	An emergent taxonomy of strategic intents can be developed, based on their patterns of the strategic intent and the selection of different FDI entry strategies.	Support
H6a	Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with moderate strategic intents.	No
H6b	Holding the intent-strategy fit constant, subsidiaries with moderate strategic intents will perform better than the ones with weak strategic intents.	No
H6c	Holding the intent-strategy fit constant, subsidiaries with strong strategic intents will perform better than the ones with weak strategic intents.	Support

Chapter Six

Discussion

6.1 Chapter Overview

This study focuses on strategic intents as the determining factors in the selection of firms' FDI entry strategies and subsidiary performance in the context of a leading emerging economy, China. The objectives of the study are stated as: (1) to examine how EMNEs formulate various FDI entry strategies to match their pursuit of different types of strategic intent and how such a match influences subsidiary performance, and (2) to identify different patterns of configuration for the intent-strategy fit and to examine how the intent-strategy fit influences subsidiary performance. This chapter provides a detailed discussion on the empirical results presented in the previous chapter, discusses how the findings obtained in this study relate to both the literature review and the conceptual framework, and provides implications for theories, business practitioners and policy makers. This chapter has four major sections. First, the chapter overview is introduced. The second and the third sections are the main sections containing the discussion on the findings of the strategic fit as matching approach and the strategic fit as gestalts approach. Lastly, this chapter is summarised with concluding remarks.

6.2 Discussion on Results of the Strategic Fit as Matching Approach

6.2.1 The Match between Strategic Intent and Firms' FDI Entry Strategies

This study has applied the strategic intent perspective. It aimed to examine whether, and how, the firm's four FDI entry strategies (i.e. entry mode strategy, location strategy, timing strategy and intensity strategy) are influenced by its distinctive intents for engagement in FDI behaviour. The empirical results generated from the study suggest the

strategic intents do influence FDI entry strategies, but this intent-entry strategy linkage is not universally valid for all the potential combinations between intents and strategies. This section discusses the confirmed relationships first, followed by the unexpected results.

The empirical results revealed that the firm's intent of strategic asset seeking has a significant impact on its location strategy. To be more specific, when motivated by the intent of seeking strategic assets the firm tends to locate its subsidiary in developed countries, supporting H1a. This finding confirmed the notion of strategic fit as matching: that a location strategy should match the intent of strategic asset seeking. In this case, locating strategic asset seeking FDI in developed countries represents the optimal strategy in the subsidiary. However, the conventional wisdom suggests that firms from emerging economies are more familiar with operating in a similar environment and tend to avoid risks, thus having a preference for locating their FDI in developing countries (Kang & Jiang, 2012; Luo & Zhang, 2016). In contrast to this 'one size fits all' view, the current study suggests that when motivated by the strategic goal of asset augmentation, firms are more likely to be attracted to developed countries due to agglomeration economies and knowledge externalities (Jindra et al., 2016). This view is echoed by the study of Sutherland et al. (2017), which argues that Chinese MNEs do not differ significantly from their developed country counterparts when seeking strategic assets. Similar to the location strategies implemented by MNEs from developed countries, strategic asset seeking FDI by Chinese firms also tends to involve locating operations in developed countries.

Strategic asset seeking was found to significantly influence FDI timing strategy at the entry stage as well. As shown in the empirical results, when seeking strategic assets, investing firms tend to enter foreign markets at an early stage, supporting H1c. Prior

studies have neglected the relationship between the firms' strategic intent and the timing strategy at the entry stage. The results generated from the present study confirmed the argument developed by Fuad and Sinha (2017) and Haleblian et al. (2012), who suggest that when motivated by asset augmentation firms would enter into the markets earlier because early movers possess the first mover advantages over other industry players in the acquisition of strategic assets, and thus contribute to the attainment of strategic asset seeking goals. Firms need to consider their strategic intent when evaluating the first mover advantages versus first mover disadvantages. This finding indicated that the strategic fit as matching assumption exists in the link between strategic asset seeking and the timing of entry, where an early timing strategy should match the strategic asset seeking.

Strategic asset seeking was found to have a significant impact on an EMNE's FDI intensity strategy. The results suggest a negative relationship between strategic asset seeking and firms' FDI intensity, supporting H1d. This finding demonstrates that when seeking strategic assets investing firms are inclined to invest overseas with low FDI intensity. So far, scant research attention has been paid to the relationship between the investing firm's strategic intent and FDI intensity strategy. From the strategic fit approach, the present study proposes a fit between the firm's strategic intent and its FDI intensity strategy. A negative effect of strategic asset seeking on firms' FDI intensity is consistent with the argument that strategic asset seeking firms aim to strengthen their competitive position and sustain the competitive advantage in the home market (Strom & Nakamura, 2014). Similarly, it was also revealed that strategic asset seeking Chinese firms have brought the core competencies, reflected by the number of parent firms' patent applications, back to their parent firms (Sutherland & Anderson, 2015). The present study theorised the linkage between strategic asset seeking and FDI intensity strategy from the

strategic fit as matching approach. Consistent with the arguments in existing studies, this study confirmed that the strategic fit as matching assumption exists in the link between strategic asset seeking and the intensity strategy, where a low intensity FDI strategy would match the intent of strategic asset seeking.

As the second form of strategic intent, offensive market seeking has a significant relationship with the intensity strategy in such a way that the offensive market seeking FDI intent is linked to a high degree of FDI intensity, supporting H2d. This result is consistent with the argument that EMNEs' engagement in radical investment tends to be motivated by the strategic goals for their FDI activity (Luo & Zhang, 2016). It is also consistent with the notion that foreign firms suffer from the liabilities of outsidership (Johanson & Vahlne, 2009). Given the importance of brand enhancement and market dominance for offensive market seeking firms, the liabilities of outsidership is one of the major impediments. Thus, a high degree of intensity facilitates the perception of treating the EMNEs more or less as 'insiders' and thus is beneficial for firms' aggressive expansion in foreign markets. Empirical results from the present study confirmed these arguments and the strategic fit as matching assumption in the link between offensive market seeking and the intensity strategy, where a high intensity strategy would match the offensive market seeking.

The last strategic intent is natural resource seeking. The results from the present study suggest that when seeking natural resources, the firms tend to locate their FDI in developing countries, supporting H3a. Previous studies propose that EMNEs are attracted by politically and economically unstable environments, and tend to set up their subsidiaries in developing countries (Kang & Jiang, 2012; Luo & Zhang, 2016). The present study argues that an unstable environment alone may not be attractive for natural

resource seeking FDI. Instead, the strategic intent of the investing firm is more important, working behind the scenes to determine the location strategy of EMNEs. This finding echoes the research of Kolstad and Wiig (2012), and Ramasamy, Yeung and Laforet (2012), who suggest that the interaction of the environment and the firm's investment motives determines a firm's location decision. More specifically, this study advocates that the intent of natural resource seeking drives EMNEs to locate their FDI project in developing countries. This finding reflects the isomorphic pressures from the institutional forces that the investing firms encounter in host countries. For firms from emerging economies, it is easier to acquire scarce natural resources through the FDI mode in less developed countries. Due to the familiarity of operating a business in a similar environment, EMNEs face less isomorphic pressures in such an environment. Therefore, developing countries are a more attractive environment for EMNEs. Kang and Liu (2016) have generated similar results that natural resource seeking of Chinese firms is positively related to their location choice in other Asian countries. When political risk is higher, the relationship between natural resource seeking and the location choice in other Asian countries becomes stronger. This study confirmed Kang and Liu's (2016) study and further extended the applicability of this linkage from the Asian region to the global scale. This finding confirmed the strategic fit as matching assumption that a location strategy should match the intent of natural resource seeking. More specifically, a strategy of locating FDI in developing countries is optimal for natural resource seeking FDI firms. It is worthwhile to note that when seeking strategic assets, the investing firms tend to develop the opposite location strategy by locating their FDI projects in developed countries. This distinction in FDI location strategy highlights the central notion of the present study that the heterogeneity in firms' strategic intents requires a match with FDI entry strategies.

The results also indicate that when seeking natural resources, the investing firm tends to enter foreign markets at a late stage, supporting H3c. This finding suggests that natural resource seeking firms tend to develop a late-entry strategy in order to mitigate the disadvantages associated with high start-up costs and unfamiliarity with the host environment. This finding is consistent with the argument that advantages associated with early entrance do not equally apply to all firms and that firm heterogeneity acts as an important determinant of whether such advantages outweigh the disadvantages (Hsu et al., 2017). The results here confirmed the strategic fit as matching assumption that a strategy of entry timing would match the natural resource seeking. In this case, a late entry tends to better match the intent of natural resource seeking. It is worthwhile to note that strategic asset seeking FDI tends to have an opposite FDI timing strategy, i.e. entering foreign markets at an early stage. Again, the difference in the patterns of intent-strategy match is related to the role that firm heterogeneity plays in the timing of entry (Hsu et al., 2017). In order to gain more advantages from being an early mover or a late mover, EMNEs need to accentuate their heterogeneous strategic intents and set the entry timing strategy accordingly.

While the results from the SEM analysis have provided empirical support for a number of hypothesised intent-strategy relationships as discussed above, the modelling analysis also generated some results that are unexpected under the assumptions of the strategic fit as matching approach. First, the results show that the offensive market seeking FDI tends to be located in developing countries, which is opposite to the proposed H2a. The possible explanation for the results could be that international markets are increasingly integrating into a global market. Although markets in developing countries and developed countries differed distinctively along various dimensions, such as economic, social, cultural, political and legal dimensions, it has been argued more than a decade ago that integration

and close links among markets cannot be neglected (Ghemawat, 2003). Although the cross border integration of product markets is still incomplete, the integration level has reached historical highs (Ghemawat, 2003). Since the offensive market seeking FDI aims at promoting brand awareness in foreign markets, this intent is largely influenced by a high level of integration of product markets. When product markets are integrated, entering into developing countries as a springboard for aggressive goals will be much easier for EMNEs. Secondly, one firm can develop a set of multiple strategic intents (Gaffney et al., 2013; Luo & Bu, 2017). The modelling results demonstrate a match between strategic asset seeking and a developed country location, and a match between offensive market seeking firms and a developing country location. On the other hand, the results also show that effect of strategic asset seeking on the location strategy in developed countries is much stronger in comparison to the influence of offensive market seeking on location strategy in developing countries. As discussed earlier, the high level of integration in product markets makes it possible for offensive market seeking firms to enter both developing countries and developed countries. Therefore, it is too early to reach a conclusion that offensive market seeking FDI tends to be located in developing countries.

It is noticeable that none of the strategic intent types has a good match with the entry mode strategy. Thus, none of H1b, H2b and H3b is supported, indicating there may not be a simple match between strategic intent and entry mode strategy. The proposed factor, different types of strategic intents, does not play a significant role in determining the selection of EMNEs' entry mode strategies. This could be due to the constraint of firms' entry mode selection, being not only a firm level strategy, but also a location-bound strategy (Brouthers, 2013; Meyer, Ding, & Zhang, 2014). Governments in different countries develop their own specific rules in terms of foreign ownership, and this is

especially true for industries related to national security (Meyer et al., 2014). Thus, firms' entry mode strategy cannot be solely decided by the investing firms. Very often, firms need to compromise their own strategic goals or strategic intents in order to successfully enter the target markets. Moreover, prior research has produced highly conflicting results regarding firms' entry mode strategy. Although the linkage between strategic intent and EMNEs' entry mode strategy is not confirmed in this study, it is still too early to draw a conclusion. Also, EMNEs may have more than one type of strategic intent, making the linkage between strategic intents and the entry mode selection more complicated. These unexpected results reinforce the necessity of not only investigating the match between strategic intents and FDI entry strategies, but also the configurations of them. Therefore, this study conducted further investigation using the strategic fit as gestalts approach.

The results do not support a match between offensive market seeking and timing strategy for entry. An explanation could be the detailed classification for timing. As shown in the literature review chapter, timing strategies for entry can be classified as pioneers, early followers, late followers, late entrants and laggards (Ahlbrecht & Eckert, 2013; Cui & Lui, 2005). In order to capture the accurate timing of entry and accurately reflect firms' internationalisation process, this study employed the actual length of years from the first entry as the measurement for the timing of entry (Paul & Wooster, 2008; Schoenecker & Cooper, 1998; Zachary, Gianiodis, Payne, & Markman, 2015). Being early or late is not pre-determined in this measurement, which is an advantage but also brings risks. The data may not generate a clear cutting point in terms of being early or late, and in this case, a statistically significant relationship would not be generated. Accumulating firm resources and capabilities that are necessary to successfully enter the leading markets is time consuming. Therefore, offensive market seeking FDI tends to enter the target markets in a later stage. However, firms are equipped with idiosyncratic resources and the business

environment in each country is rather distinctive (Fuad & Sinha, 2017). The time needed for them to build up their resource base and reach an adequate level for foreign market competition may vary to a large extent. As illustrated in Table 5.5 in the Results Chapter, more than 70% of the sample firms entered foreign markets less than 10 years ago, and among them, 41.07% entered foreign markets less than 5 years ago. It indicates that the majority of the sample firms falls into late followers, late entrants and laggards categories, which makes it more difficult to determine which firms are slightly early or slightly late. It could be the reason why a statistically significant relationship does not exist in this link.

As the last unexpected finding, there is no significant relationship for the match between natural resource seeking and FDI intensity strategy. While natural resource seeking FDI can be located in either developed or developing countries wherever there are abundant relevant natural resources, the economic development level and challenge of complying with the institutional forces in the host country are important considerations when engaging in FDI to seek natural resources (Kang & Liu, 2016). In developed countries, the economic environment is highly developed and the natural resource projects are usually well funded. In this case, local governments tend to restrict the scale of foreign investment to avoid political manipulation by them (De Beule & Duanmu, 2012). On the other hand, in developing countries, the host economy and the natural resource exploitation projects may suffer from a severe shortage of local funding. In order to advance development of the local economy and exploitation of natural resources, large-scale foreign investment is much welcomed and even incentivised (De Beule & Duanmu, 2012). Under this circumstance, it is hard to generate a clear FDI intensity strategy for natural resource seeking firms across developed and developing countries. In addition, while the real focus of the natural resource seeking firms is on the home country, the measurement for FDI intensity regarding overseas assets to total assets may confuse this

intention. FDI projects in the natural resource sector are extremely capital intensive (Ramasamy et al., 2012). This study has tried to minimise the effect of large-scale natural resource projects on the measurement of FDI intensity through applying multiple items, i.e. the average of overseas sales to total sales, overseas employees to total employees, and overseas assets to total assets. However, the substantial overseas assets make the accurate measurement of the FDI intensity very challenging. These two reasons may cause the insignificant relationship between natural resource seeking and EMNEs' FDI intensity strategy.

To summarise, the results provided support for hypotheses H1a, H1c, H1d, H2d, H3a and H3c. Empirical evidence suggests that when motivated by the intent of strategic asset seeking, a firm locates its FDI in the developed countries, at an earlier stage, and with lower FDI intensity. With the intent of offensive market seeking, a firm tends to develop a high intensity strategy for its FDI behaviour. Finally, when motivated to seek natural resources, a firm tends to locate its FDI in developing countries and to develop a strategy of late entry timing. Therefore, modelling analysis from the strategic fit as matching approach has provided some support for the assumption that the investing firm's strategic intent will guide its formulation of FDI entry strategies.

On the other hand, modelling analysis from the strategic fit as matching approach has not provided support for H1b, H2a, H2b, H2c, H3b and H3d, and the results of testing these hypotheses are unexpected. It is probably too early to reach a conclusion that there is no linkage between the strategic intent and unexpected entry strategies. When firms have one type of strategic intent at a time, or have a dominant strategic intent at one time, the strategic fit as matching approach would be powerful enough as an analytic tool. Generally speaking, firms are more likely to simultaneously pursue multiple types of

strategic intent (Gaffney et al., 2013; Luo & Bu, 2017). In this situation, the strategic fit as matching approach may not be powerful enough.

Overall, some of the unexpected results are probably due to the limited analytic power of the strategic fit as matching approach, as this perspective is able to capture only a simplified picture, rather than a comprehensive one (Flynn et al., 2010). While a FDI entry strategy matches well with one type of strategic intent, it may not be appropriate for another type of intent. Since each firm may have heterogeneous types of strategic intent, it would be difficult or even impossible for the investing firm to develop a FDI entry strategy that matches well with all types of intent. Scholars (Meyer, Tsui, & Hinings, 1993) have long argued that an organisation is a 'multidimensional constellation of conceptually distinct characteristics that commonly occur together' (p.1175) and hence organisational outcomes cannot depend on causality of one characteristic to another. Rather, causality is complex in ways such as one outcome results from the interdependence of multiple conditions and one configuration is related to one outcome but may be unrelated in another situation (Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017). To capture the causal complexity and to gain better understanding of how investing firms develop optimal FDI entry strategies for different types of strategic intent, the strategic fit as gestalts approach was employed to investigate the configurations of different strategic intents and FDI entry strategies. Discussion of empirical results generated from this perspective will be presented in Section 6.4 in this chapter.

6.2.2 Intent-Strategy Match and Subsidiary Performance

Prior studies have suggested that strategic intent of the investing firms may influence their FDI entry strategies (Cui & Jiang, 2009b; Sutherland et al., 2017; Zheng et al., 2016). Based on the strategic fit as matching approach (Venkatraman, 1989), an intent-strategy

fit should have performance implications for the focal firms. However, so far the literature has neither produced nor empirically tested a comprehensive framework for the linkage of strategic intent, firm strategy, and subsidiary performance. Moreover, when attempting to examine the relationship between firm strategies and subsidiary performance, previous studies have suffered from a number of shortcomings, such as the endogeneity problem generated by not including strategy selection criteria, (Brouthers, 2013a), and predominantly focusing on financial performance measures (Garcia-Fuentes et al., 2013). This study addressed these limitations and attempted to extend the understanding of strategy selection and subsidiary performance.

As discussed earlier, empirical results from the fit as a matching approach suggest that individual types of strategic intent are able to predict the firm's formulation of FDI entry strategies. However, the explanatory power of the analysis regarding influence of individual strategic intents on FDI strategies does not seem strong enough. Especially when firms have more than one type of strategic intent that links to contradictory entry strategies, the explanatory power of strategic intents could be significantly weakened. In this situation, FDI entry strategies appear to be driven by a combination of different strategic intents, rather than isolated individual types of intent. Similar findings were revealed on the relationship between strategic fit as matching (between strategic intents and entry strategies) and subsidiary performance. Not all the FDI entry strategies predicted by the strategic intent under the strategic fit as matching approach reported significantly better performance in terms of the attainment of their strategic goals. More specifically, subsidiaries employing a location strategy that can be predicted by the intent-location fit outperform the ones without this fit condition. Similarly, subsidiaries with a FDI intensity strategy that can be predicted by the intent-intensity fit outperform the ones without this fit condition. However, the performance of firms with intent-entry mode fit

and intent-timing fit conditions do not significantly differ from the ones without these fit conditions.

There are several implications. First, employing the strategic fit as matching approach and taking firms' formulation of location strategies into consideration, superior performance was found for strategic asset seeking firms in developed countries, offensive market seeking firms in developed countries, and natural resource seeking firms in developing countries. These results contradict previous studies that argue EMNEs have a preference for locations in developing countries for better subsidiary performance (Kang & Jiang, 2012; Luo & Zhang, 2016). The contradictory findings may be due to the differences in the measurement of subsidiary performance and taking into consideration the self-selection of entry strategies and the match with firms' strategic intents. While a majority of performance studies tend to use financial measurements for firms' performance (Hult et al., 2008), FDI performance is measured in a subjective manner through measuring the attainment of firms' strategic goals. However, when pursuing its strategic intent, the firm is less likely to pay full attention to short-term financial performance of the involved FDI projects, and the time for achieving these goals can be very long (Verreynne et al., 2016). In this case, a satisfactory performance in goal attainment can be achieved without instant financial gains or even sacrificing financial benefits. The findings also confirm that, to maintain satisfactory performance, the environment in the location is not the only factor firms should investigate. Instead, their strategic intents and the selection of location strategies based on the intent-location fit conditions are also critical.

Second, employing the strategic intent as matching approach and taking into consideration firms' FDI intensity strategies, superior performance was found for

strategic asset seeking FDI with lower intensity, for natural resource seeking FDI with lower intensity, and offensive market seeking FDI with greater intensity. Studies on the relationship between FDI intensity and performance have generated highly conflicting empirical results over the last decade (De Jong & Van Houten, 2014). This study suggests that one of the causes for the inconsistent results could be due to the exclusion of the strategic fit concept and the fact that firms' FDI intensity strategy is self-selected. By proposing that the firm's formulation of its FDI intensity needs to fit its strategic intents, the present study offers a new theoretical perspective for the intensity-performance research, and adds new insights to the Uppsala Model (Johanson & Vahlne, 1977) that emphasise an incremental process in the level of commitment to a firm's international expansion. This study provides conditions regarding strategic intents for the Uppsala Model (Johanson & Vahlne, 1977). For the FDI of strategic asset seeking and natural resource seeking, the empirical results suggest that better subsidiary performance would be achieved if firms enter foreign markets with lower intensity. In contrast, for offensive market seeking FDI, better performance would be achieved if firms enter foreign markets with greater intensity. Again, these findings are closely related to the subjective measurement of subsidiary performance, where firms are satisfied with their achievement without considering significant financial gains.

Third, the present study generated some unexpected results regarding the relationships between intent-entry mode fit and subsidiary performance, and between intent-entry timing fit and subsidiary performance. As discussed earlier, some individual types of strategic intent do not have significant exploratory power as predictors for firms' entry mode strategy (see H1b, H2b, and H3b) and entry timing strategy (see H2c). When the FDI entry strategies do not support the proposed intent-strategy relationships, the relationship between intent-strategy fit and subsidiary performance would be more

complex and thus difficult to predict by such fit. On the other hand, it is also premature to conclude that the intent-entry mode fit has no bearing on good subsidiary performance. Here, external factors could play a role in disturbing the intent-entry mode fit. For instance, an investing firm could be forced to select a particular entry mode that does not fit their strategic intent in order to tackle the isomorphic pressure from the institutional forces in the host country.

Regarding the strategy of entry timing, the intent-entry timing fit also did not generate significant exploratory power in predicting better subsidiary performance. The causes for this unexpected result may be twofold. First, while firms were established with idiosyncratic firm resources and capabilities (Fuad & Sinha, 2017), the fit as a match perspective in the present study has not included firm resources/ capabilities as a key factor in determining subsidiary performance. Given the significant differences between firms in their resources and capabilities, the time required for firms to develop the necessary resources/ capabilities needed for international expansion would also be different. Thus, it would be difficult to decide how to define early and late for individual firms. Second, as reflected in the respondents' profiles, the majority of the sample firms are late entrants with internationalisation experience of less than 10 years in that specific market. When the data variation is small, the statistical power could be weakened. Therefore, it is risky to conclude that the intent-entry timing fit does not matter for subsidiary performance.

In brief, adopting the strategic fit as matching approach and based on the proposed hypotheses, the present study suggests that in order to improve subsidiary performance in terms of attainment of investing firms' strategic goals, EMNEs with the intent of strategic asset seeking should enter foreign markets sooner rather than later, while

offensive market seeking and natural resource seeking EMNEs should wait until they have the resources and capabilities ready to compete in foreign markets and the networks ready in host countries for them to successfully establish natural resource bases.

Although the results have not provided full support for the relationship between subsidiary performance and the intent-strategy fit, they do support H4a and H4d, in which subsidiaries perform better when intent-location fit and intent-intensity fit. On one hand, this approach takes the firm's formulation of FDI entry strategies into consideration, without which the significant relationship could be biased (Brouthers, 2013). On the other hand, the strategic fit as matching approach has its limitations when examining a fit between individual types of intent and individual types of strategy (Flynn et al., 2010), as investing firms tend to have a set of multiple strategic intents and need to formulate different types of entry strategy simultaneously (Gaffney et al., 2013). Thus, applying the fit as matching approach alone would generate shortcomings that separate or even isolate the combining role played by different types of intent and entry strategy in determining subsidiary performance. Moreover, the relationship between subsidiary performance and intent-strategy fit may not be linear. To investigate this complicated situation, the strategic fit as gestalts approach was employed and the findings are discussed in Section 6.3.

6.2.3 Summary of the Strategic Fit as Matching Approach

Overall, the empirical results partially support the assumptions generated from the strategic fit as matching approach. As discussed earlier, it appears that the intent-strategy fit model cannot predict all the FDI strategies. When involved in FDI behaviour, firms can be motivated by a set of multiple strategic goals, and need various entry strategies. As a result, a one on one match between intent and entry strategy is more likely to be

exceptional, rather than universal. The strategic fit as matching approach proposed individual FDI entry strategies to match individual types of strategic intent. This approach could lead to the shortcomings of being simplistic and overlooking the causal complexity (Misangyi et al., 2017) involved in the relationship between strategic intent, FDI entry strategy, and subsidiary performance. To pursue different types of strategic intent, the focal firm would need to compromise and select the optimal FDI entry strategies based on the strategic importance of different strategic intents. In doing so, this study further performed the cluster analysis technique to investigate the configurations of strategic intents and entry strategies using the strategic fit as gestalts approach. The following sections discuss the findings on the strategic fit as gestalts approach in detail.

6.3 Discussion of Results from the Strategic Fit as Gestalts Approach

6.3.1 Emergence of Intent-Strategy Taxonomies

Drawing on the strategic fit as gestalts approach, this study first examined the configurations of EMNEs' strategic intent and FDI strategies. Further, the investigation focused on the performance implications of different configurations between strategic intent and entry strategy. It was found that the hypotheses are generally supported, indicating that there are different patterns of strategic intent and entry strategy which EMNEs follow in their internationalisation and these patterns are related to subsidiary performance. The results show that the strategic intent and firms' FDI strategies can be developed into clusters with intent-strategy fit.

Using data with a relatively large sample size, the cluster analysis yielded four clusters in terms of strategic intent and FDI entry strategies, which can be described as 'strategic prospector', 'strategic analyser', 'strategic defender' and 'natural resource seeker'. Each cluster has different characteristics and represents a strategic positioning in risk aversion

(Zachary et al., 2015). The strategic prospector is characterised by strong strategic intent in strategic asset seeking, offensive market seeking and natural resource seeking, as well as aggressive entry strategies. This pattern is consistent with the strategic fit approach that an aggressive pursuit of the organisational goals tends to accompany a high tolerance toward risk taking, as reflected in the FDI entry strategies. The strategic analyser is moderate in pursuing its strategic intent, which matches a moderate level of risk taking. Similarly, the strategic defender takes a reactive position in achieving strategic objectives and is less willing to take risks. Unlike the other three clusters, the natural resource seeker is predominantly pursuing the intent of natural resources. The characteristics of these four clusters are described in the following paragraphs.

Cluster 1 ('Strategic prospectors'): Firms in this cluster overall show balance and strength regarding the types of strategic intent. While intents of strategic asset seeking and offensive market seeking have the highest strength (3.5 out of 5), natural resource seeking is also rather strong (3.3 out of 5). In terms of entry strategies, firms in this cluster are early entrants to the foreign markets, have the highest entry intensity, and tend to formulate aggressive strategies in terms of location and entry mode with a preference for a developed country location strategy and a WOS entry mode strategy. They prefer to implement an early entry strategy that also shows the high risk taking tendency in this cluster. Overall, the distinctive features of this cluster are the highest strength for all types of strategic intents and highly aggressive FDI entry strategies. As suggested in the literature, firms' risk taking activities need to fit their strategic orientation (Mariadoss et al., 2014; Zachary et al., 2015). The stronger the strategic intent, the more risks the firm takes (Luo & Bu, 2018). Thus, the aggressive entry strategies and strong strategic intent in this cluster achieve a good fit. Firms in this cluster have features similar to 'prospectors' as defined by Miles and Snow (1978) in terms of types of firms' internationalisation,

which they classify as firms with constant product innovation and new market expansion. Therefore, taking into account not only the strong strategic intent that firms are pursuing but also the aggressive entry strategies firms have developed, this cluster is described as 'strategic prospectors'.

Cluster 2 ('Strategic defenders'): Firms in this cluster overall show balance and low strength regarding strategic intent. The strength for all three types of strategic intent are the lowest compared to other clusters (1.2 or 1.3 out of 5), and the strength of natural resource seeking is also relatively weak (1.3 out of 5). They also have the lowest level of entry intensity (0.3). These firms prefer a developing country location with a WOS strategy. What distinguishes this cluster from others is the lowest strength of strategic intents on average and the lowest level of aggressiveness in terms of firms' overall FDI entry strategies. The risk-averse nature of the entry strategies fits the firms' weak strategic intent (Mariadoss et al., 2014; Zachary et al., 2015). This cluster shares features similar to 'defenders' as defined by Miles and Snow's (1978) strategic types of internationalisation, which they classify as firms that put more emphasis on production efficiency and defending existing markets. Therefore, I label this cluster 'strategic defenders', taking into account not only the weak level of strategic intents that firms are pursuing but also the less risky entry strategies firms have employed.

Cluster 3 ('Natural resource seekers'): Firms in this cluster overall show an imbalance and moderate strength regarding strategic intents. Their strategic asset seeking and offensive market seeking are at a moderate level compared to other clusters, while the strength of the natural resource seeking is the strongest (3.4 out of 5). Firms in this cluster also feature relatively late entry to foreign markets and a low level of entry intensity. These firms have a clear preference for a location strategy in developing countries with a

JV mode. As the cluster profile shows, the characteristics of firms in this cluster are the dominating role that natural resource seeking plays and a clear location strategy and entry mode strategy that fit natural resource seeking firms. The patterns of late entry timing and a low intensity also fit well with natural resource seeking firms. Therefore, the overall fit in this cluster is good. I label this cluster 'natural resource seekers', taking into account the dominance of the natural resource seeking that firms are pursuing and the entry strategies that are a good fit for the natural resource seeking.

Cluster 4 ('Strategic analysers'): Firms in this cluster overall show balanced and moderate strength regarding the strategic intents. Their strategic asset seeking, offensive market seeking and natural resource seeking are positioned at a moderate level ranging from 3.0 to 3.2 out of 5. Firms in this cluster are relatively late entrants to the foreign markets, and they have the highest entry intensity. These firms are showing a moderate level of aggressiveness in terms of location and entry mode strategies, with a preference for a developed country location strategy and a JV strategy. As the cluster profile shows, the characteristics of firms in this cluster are the balanced and moderate aggression regarding strategic intent and location, entry mode and the timing of entry strategies, while firms tend to invest overseas with greater intensity. Overall, the moderate level of aggression in entry strategies and the moderate strength of strategic intent achieve a good fit in this cluster. What distinguishes this cluster from others is the moderate level of strength regarding strategic intents on average and the moderate level of aggression in terms of firms' overall FDI entry strategies. Firms in this cluster share features similar to 'analysers' in Miles and Snow's (1978) strategic types of internationalisation, which they classify as firms that take a halfway point between prospectors and defenders and seek to simultaneously harvest a stable base of existing products and markets and explore new market opportunities. Therefore, I label this cluster 'strategic analysers', taking into

account the moderate level of strength regarding strategic intent that firms are pursuing and the moderate level of aggression regarding entry strategies that firms have employed.

6.3.2 Intent-Strategy Gestalts and Subsidiary Performance

In the above clusters where firms' strategies fit the strategic intent, it was also found that the level of strategic intent is associated with subsidiary performance in terms of goal attainment. Specifically, firms with the strongest strategic intent outperform the ones with weak strategic intent. It is consistent with the dynamic capability view (Teece, 2014; Verreynne et al., 2016) that firms' strategic intent is an important higher order dynamic capability that can be developed into a core competency of the firm. Surprisingly, the difference between strategic analysers and strategic defenders is not significant. It indicates that there may be a cutoff point in terms of the strength of firms' strategic intent, above which subsidiary performance is optimal, and below which subsidiary performance is not significantly different. The results suggest that firms' strategic intent needs to reach a level that is strong enough to exert a positive impact on subsidiary performance, indicating that a strong dynamic capability is related to subsidiary performance whereas a moderate to weak dynamic capability may not play a significant role. It also suggests that strategic intent needs to be strong enough to lead the establishment of synergies and effectively allocate firms' resources.

The cluster analysis did not yield patterns with dominating offensive market seeking or dominating strategic asset seeking, which supports the importance of considering a configuration of different strategic intents rather than only looking at a single intent. However, the dominant natural resource seeking emerged from the cluster analysis. There are two possible explanations. First, firms from emerging economy markets maintain relatively balanced strategic intent. In order to transform from a competitively backward

position, EMNEs need to place equal weight on the acquisition of strategic assets, entry into new markets and secure supply of natural resources. Second, the emergence of natural resource seekers may be unique in China's context as many large state-owned enterprises invest overseas with strong natural resource seeking goals (Bass & Chakrabarty, 2014). The goal attainment of the natural resource seekers is worse than for the strategic prospectors, but did not significantly differentiate them from the strategic analysers and the strategic defenders. This may be caused by political sensitivity of natural resource seeking firms and the strong role that home and host institutions play in successfully achieving this goal.

This study particularly advances the IB literature on FDI strategic intents in several ways. First, it adds to the strategic intent literature by taking the heterogeneity of firms' strategic intent into consideration. Firms from emerging economy markets are believed to use strategic intent such as strategic asset seeking, offensive market seeking and natural resource seeking to leapfrog from their competitively weak position. However, not every firm adopts these three types of strategic intent equally. This study adds greater comprehensiveness and richness to the understanding of the heterogeneity of firms' strategic intent. Second, this study improves the strategic fit approach by reinforcing the 'fit' concept between firms' heterogeneous strategic intent and firms' FDI entry strategies. The conventional internationalisation theories guide firms to seek 'fit' between their strategies and existing resources. However, the strategic fit between firms' strategic intent and strategies creates a novel path for EMNEs to surpass the resource constraints by setting proactive goals and strategies that match them. It helps EMNEs to eventually become global leaders in the same industry with a sustained competitive advantage. This study further develops a taxonomy of EMNEs' strategic catching up activities based on the strategic fit between the strategic intent and FDI entry strategies. Although Anwar

and Hasnu (2016) have updated the Miles and Snow typology and investigated the influence of prospectors, analysers or reactors on firms' performance, their typology is not specifically designed for EMNEs to sustain competitive advantage.

This study provides empirical evidence of the co-existence of firms' heterogeneous strategic intent and the fit between strategic intent and entry strategies. More importantly, under the intent-strategy fit conditions, it reveals a viable link between the strength of strategic intent and firms' goal attainment. This study therefore has important implications in guiding EMNEs to set and achieve various strategic goals through matched strategies. This study is also relevant for small and medium-sized firms from advanced economies to strengthen their competitive advantage despite their relatively small size and fewer resources.

6.3.3 Summary of the Strategic Fit as Gestalts Approach

The strategic fit as matching approach has some limitations, which makes it necessary to carry out further investigations using the strategic fit as gestalts approach. This research used the cluster analysis technique to examine whether different configurations of strategic intents and firms' FDI entry strategies would emerge. Further, ANOVA was used to test whether subsidiary performance differs significantly among clusters. Four clusters have emerged from the data with different characteristics in each cluster. I labelled the clusters 'strategic prospectors', 'strategic analysers', 'strategic defenders' and 'natural resource seekers' according to the balance and strength of the strategic intents firms are pursuing and the level of aggression of the overall FDI entry strategies. This finding confirms that the strategic fit as gestalts approach does work in an emerging market economy setting. Over half of the investigated firms are either natural resource seekers or strategic defenders, while less than half are strategic prospectors and strategic

analysers. It reflects that the majority of the EMNEs' internationalisation is driven by national strategic goals such as natural resource seeking, or by just protecting their existing markets. This finding is consistent with the belief that EMNEs lack substantial ownership capabilities for aggressive internationalisation moves (Bass & Chakrabarty, 2014; Cui et al., 2014; Mariadoss et al., 2014; Rui & Yip, 2008). The home government's policy incentives in for example natural resource acquisition and strategic assets provide good opportunities for EMNEs to gain location-bounded firm resources. The findings also suggest that strategic prospectors perform much better than strategic defenders and slightly better than natural resource seekers. Although strategic analysers show better subsidiary performance than strategic defenders and slightly worse than strategic prospectors, the performance difference between these clusters is not statistically significant. The finding partially supports the idea that firms with different strategic configurations generate different performance outcomes.

6.4 Chapter Summary

This chapter provided a systematic discussion of the research findings and accentuated the theoretical and practical contributions of this research. Overall, this study suggests that the strategic fit as matching approach alone cannot provide a comprehensive picture of EMNEs' strategic fit between different types of strategic intent and FDI entry strategies. Moreover, based on the self-selection of firms' FDI entry strategies, subsidiary performance cannot be fully predicted by the strategic fit as matching approach. Half of the hypotheses were supported while the other half were not. However, it is too early to conclude that the unexpected findings are simply evidence against the strategic fit approach. Instead, these mixed results are caused by the complicated nature of firms' strategic intents and FDI entry strategies: the heterogeneity of the strategic intents and the

simultaneous decision making regarding the entry strategies. A more comprehensive perspective is required for more sophisticated investigation. Therefore, this research further employed the strategic fit as gestalts approach, and generated four distinctive clusters. Within each of the clusters, the configurations of the strategic intent and FDI entry strategies consolidated with each other and formed a strategic fit condition. It is concluded that the strategic fit as gestalts approach complements the strategic fit as matching approach, and generates more insightful findings. However, the strategic fit as gestalts approach does not guarantee the best subsidiary performance. When the strategic fit condition has been achieved, the stronger the strategic intent, the better the subsidiary performance will be. This has been explained from the dynamic capability perspective (Di Stefano, Peteraf, & Verona, 2014; Teece, 2014) that strategic intents can be developed into a higher order dynamic capability that firms need to sustain their competitive advantage. This study suggests that the selection of optimal configurations of entry strategies activates and catalyses the significant role strategic intents play as a higher order dynamic capability. This finding has led to a further research direction that the attainment of strategic goals may be related to firms' dynamic capabilities that are generated from the experiences in strategic decision making in setting up strategic intents and selecting FDI entry strategies.

Chapter Seven

Conclusions

7.1 Chapter Overview

The previous chapter discussed the findings of the study. This chapter concludes the present study by presenting an overview of the study, summarising its main findings, highlighting its theoretical and practical implications, and discussing its limitations and future research directions. Finally, it ends with the summary of this chapter.

7.2 Overview of the Study

The present study was motivated by the unconventional internationalisation path of firms from emerging markets and by the lack of research explaining EMNEs' successful international expansion without substantial ownership advantages. Applying a strategic intent perspective and based on the strategic fit approach, this study examined relationships between EMNEs' strategic intents, FDI entry strategies, and subsidiary performance. The aim of the study was to understand how EMNEs' pursuit of strategic intents would be achieved through intent-strategy match, and how configurations of the intent-strategy match would influence subsidiary performance in terms of goal attainment. In order to disclose how EMNEs achieve their aggressive strategic intents, the present study developed and addressed the following two study objectives:

1. To examine how EMNEs formulate various FDI entry strategies to match their pursuit of different types of strategic intent and how such a match influences subsidiary performance;

2. To identify different configuration patterns for the intent-strategy fit and to examine

how the intent-strategy fit influences subsidiary performance.

To achieve these two objectives, I investigated FDI entry strategies as the strategic means that EMNEs used to achieve their strategic intents, and three main research questions were formulated.

1. Do EMNEs match FDI entry strategies with various types of strategic intent in order to reach the intent-strategy fit, and if so, to what extent?
2. Does a strategic taxonomy exists between strategic intents and FDI entry strategies? If so, how do different intent-strategy combinations differ in their profiling?
3. Does the fit between EMNEs' strategic intents and their FDI entry strategies generate superior subsidiary performance?

To answer these research questions, a theoretical framework was proposed by applying the two strategic fit approaches of fit as matching and fit as gestalts. Guided by the framework, a set of 20 hypotheses (6 main hypotheses and 14 sub-hypotheses) were derived. Based on the survey data from 392 FDI projects made by 280 Chinese MNEs, an empirical analysis was conducted to test the hypotheses. The theory-testing nature of this study led to the employment of a quantitative research method with a combination of four different statistical techniques, including SEM, discriminant analysis, two-step cluster analysis, and ANOVA. In this study, the strategic intent perspective was adopted as the main theoretical lens to guide the analysis.

7.3 Study Findings

Identifying the factors that contribute to firms' competitive advantage has long been a goal in the field of international business and strategic management. Guided by the

strategic intent perspective, previous research has produced evidence that firms could formulate strategic intents to overcome their competitive disadvantage created by resource constraints by formulating and actively pursuing their strategic intent (Burgelman & Grove, 1996; Florin & Ogbuehi, 2004; Liang et al., 2009; Nielsen & Gudergan, 2012; Pak, 2002; Venkatraman, 1989). However, it still remains unknown how the strategic intents could be pursued and achieved. The present study employed the strategic fit approach from the strategic management literature as the analytical approach to examine this important yet under-researched area.

Guided by the strategic fit approaches, both of fit as matching and fit as gestalts, this study has generated useful findings. The results generated from the fit as matching approach demonstrate that to some extent there has been a fit between different types of strategic intent and the FDI entry strategies, including location strategy, entry timing strategy, and FDI intensity strategy. In general, the findings suggest that investing firms align some FDI entry strategies to the specific types of strategic intent. However, due to the heterogeneity of the strategic intents, it is difficult to generate universally applicable patterns of the intent-strategy fit when examining the one-on-one fit in isolation between individual intents and FDI strategies. Quite frequently, investing firms prioritise different types of strategic intent and then formulate the optimal entry strategies to match them. That is to say, investing firms develop the best fit for the configuration of different types of strategic intents and FDI entry strategies as a whole, rather than individual intents and strategies.

More specifically, the entry mode strategy does not fit any of the individual types of strategic intent. This suggests that, among the four FDI entry strategies examined in the present study, the entry mode strategy is the one that the investing firm has least control

of. In other words, formulating an entry mode strategy is not just a firm level activity, but largely contingent on external factors, such as the host country's rules and regulations regarding foreign ownership. Similarly, the performance implications of intent-entry mode fit is also a rather complex issue. The results from the present study suggest that while an intent-location strategy fit and intent-FDI intensity fit have positive performance implications in the subsidiary, the fit between intent and entry mode as well as between intent and timing strategy have no positive performance implications. These findings further confirm that intent-strategy fit and its performance implications should be examined by the configuration patterns among all the involved types of strategic intent and FDI entry strategies, instead of a one on one match between individual intents and entry strategy. The fit as matching approach is better suited to examining fit situations in isolation between a single intent and an entry strategy, and thus cannot provide a comprehensive picture of the more complex configurations.

Employing the fit as gestalts approach, the modelling analysis has generated results with a more comprehensive picture regarding configurations of all the involved intent types and FDI entry strategies. Individual strategic intents and FDI entry strategies consolidate with each other and form configurations that feature different types of strategic orientations. The empirical results revealed the taxonomy of firms' strategic orientations including four distinctive configurations of strategic intents and FDI entry strategies, which can be described as 'strategic prospectors', 'strategic analysers', 'strategic defenders', and 'natural resource seekers'. It is interesting to see that within each group, firms seem to employ the optimal combined entry strategies that suit their pre-determined overall strategic intents. For example, strategic prospectors feature high strength for all three types of strategic intent and highly aggressive FDI entry strategies. The strategic defenders, however, feature low strength for strategic intents and less aggressive entry

strategies. Positioned between these two more or less extreme clusters, the strategic analysers feature a moderate level of strategic intent and a medium level of aggression regarding the entry strategies. The natural resource seekers are distinguished from the other three clusters by a dominant intent of natural resource seeking together with the entry strategies making a good match with the natural resource seeking intent.

The findings regarding the four distinctive configuration clusters demonstrate that the analysis based on the fit as gestalts approach does provide a more comprehensive picture regarding intent-strategy combinations by clustering all types of strategic intent and FDI entry strategies. The results further confirmed that when involved in FDI behaviour, firms must simultaneously develop their FDI entry strategies on all the dimensions of location, entry mode, FDI intensity, and entry timing by taking their strategic intent for FDI involvement into consideration. Real world business operations are far more complicated than can be predicted by a one on one match between individual types of intent and a single FDI strategy.

Furthermore, the present study has also provided empirical results regarding the performance implications of the identified intent-strategy configurations. While all the intent-strategy clusters represent firms' endeavours to consolidate the overall fit between strategic intents and FDI entry strategies, the subsidiary performances vary. The strategic prospectors are likely to perform better than the strategic defenders. The strategic prospectors also outperform the natural resource seekers, while there is no significant difference between the other groups. These results indicate that when the strategic fit conditions have been met, the stronger the strategic intent, the better the performance in terms of goal attainment will be. Here, the strength of strategic intent could represent a unique type of dynamic capabilities EMNEs possess. Thus, configuring various FDI entry

strategies to reach a fit with the strategic intent could have played the role of a catalyst in transferring strategic intent into a higher order dynamic capability.

7.4 Theoretical Implications

This study seeks to advance our knowledge of strategic intent and EMNEs' subsidiary performance and contributes to the strategic intent perspective in several ways. The first contribution of this study is the extension of the strategic intent perspective through investigating the strategic fit between firms' strategic intent and their FDI entry strategies. While the theoretical construct of strategic intent has been widely accepted, especially in the research of EMNEs, and the extant research has examined the antecedents and processes of some types of strategic intents, a gap remains in understanding of how strategic intent guides EMNEs' formulation of their FDI entry strategies and of how EMNEs pursue and achieve their strategic intents through their formulation of FDI strategies. The existing studies primarily focus on the investigation of the strategic fit between the strategic goals and firms' internal as well as external contexts, such as firms' resources and host country environment. The present study contributes to the strategic intent literature by providing an understanding regarding different types of fit between strategic intent and FDI entry strategies.

The second contribution of this study is the use of multiple analytical approaches regarding strategic fit. Using the fit as matching approach, the existing literature highlighted the importance of the fit between the indicators and the outcome variables. Employing this analytical approach, the results generated from the present study have provided only partial support for hypothesised relationships predicted by taking this approach, while half of the proposed hypotheses failed to gain empirical support. The main cause of partial support lies in the complex nature of the strategic intent and also

FDI entry strategies. A co-existence of different types of strategic intent and various FDI entry strategies along different dimensions is too complicated for a straightforward one on one match relationship that can be predicted from the fit as matching approach. Therefore, this study further employed the fit as gestalts approach to investigate to what extent various types of strategic intent and FDI entry strategies can be configured together. By applying both the approaches of fit as matching and fit as gestalts, this study deepens the understanding of the rationales behind EMNEs' formulation of FDI entry strategies by providing a more comprehensive picture regarding fit between strategic intent and FDI strategies.

Third, this research contributes to the existing literature by profiling firms and firm clusters in terms of the patterns of their internationalisation through configuring different types of strategic intent and various FDI strategies. In a widely cited work, Miles and Snow (1978) categorise firms as prospectors, analysers, defenders, and reactors, based on their strategic types. More recently, Anwar and Hasnu (2016) updated the Miles and Snow typology and investigated the influence of different firm profiles on firm performance. However, their profiling and typologies are not specifically designed for clustering based on strategic intent and FDI strategies, nor are they specific to EMNEs. The present study developed and tested a hypothesis regarding firms' strategic taxonomies by configuring firms' heterogeneous intents and optimal FDI entry strategies. This conceptual profiling and empirical testing of firms' strategic taxonomies presents a novel and significant contribution by improving the understanding of how firms configure their FDI entry strategies by aligning them with EMNEs' strategic intents.

Fourth, by examining the performance implications of the intent-strategy fit (both as matching and as gestalts), the present study contributes to the literature by emphasising

the formulation of FDI entry strategies as the means through which the firms pursue and achieve their strategic intent. More importantly, by examining the conditions and implications of the intent–strategy fit, the present study has identified a viable link between strength of strategic intent and EMNEs' subsidiary performance. This study therefore has important implications for guiding EMNEs in setting and achieving various strategic goals through formulating different FDI strategies and configuring them into different combinations.

7.5 Practical Implications

The findings of the present study have practical implications. The most valuable contribution of the present study for international business practitioners lies in providing more comprehensive evidence regarding whether, and to what extent, different types of strategic intent can fit with the firm's FDI entry strategies to reach a strategic fit, and how an intent-strategy fit from matching and gestalts approaches will generate performance implications for the FDI project in terms of the investing firm's goal attainment. The large-scale empirical data generated partial support for these hypotheses. The data was tested using two analytical approaches as well as four statistical techniques. This research design led to actionable recommendations for practitioners. For example, these two analytic approaches of fit as matching and fit as gestalts generate different results, which provide a more comprehensive picture for practitioners in decision making regarding the firm's FDI entry strategies as well as the firm's pursuit and attainment of their strategic goals.

First, managers should be aware that there is a need to align firms' FDI strategies with different types of strategic intent, because strategic intent provides the strategic orientation for a firm's involvement in FDI. As shown in the empirical findings, investing

firms with a single or a major type of strategic intent will formulate their FDI entry strategies accordingly to reach a fit with the intent. For example, when FDI is motivated by strategic asset seeking, FDI projects should be located in developed countries, enter foreign markets at an early stage, and have relatively low FDI intensity. When motivated by offensive market seeking, the optimal FDI is a location in developing countries with greater FDI intensity. The natural resource seeking FDI takes a different approach and tends to be located in developing countries at a later stage of their international expansion. Further, firms with a location strategy and a FDI intensity strategy that fit the strategic intents perform better than firms with FDI strategies that do not fit their intents. Again, the findings provide a strong reason for EMNEs to align their FDI location strategy and intensity strategy to their strategic intents.

Second, managers also need to be aware that not all the FDI entry strategies have a clear alignment with individual strategic intents. Thus, formulation of FDI entry strategies would need to go beyond the paradigm of intent-strategy fit. More specifically, the results suggest that entry mode strategy does not appear to have a clear linkage to any types of strategic intent, indicating that this strategy needs extra attention from investing firms. The entry mode strategy is considered one of the highly complicated and time-consuming FDI strategies. Based on the findings from the present study, FDI entry mode strategy is related to the investing firm's strategic intent for FDI involvement in some way, but a clear intent-entry mode alignment could not be established as entry mode strategy can be constrained by the host country policies. Similarly, the entry mode strategy and the timing of entry strategy as predicted by firms' strategic intents do not have any advantages over the strategies that are not predicted by such intents, indicating the direct relationships between the intent-entry mode fit and subsidiary performance and the intent-timing fit and subsidiary performance are not viable. Firms need to take the supported direct

relationship as a reference when making entry strategies while also paying extra attention to the unsupported relationships to avoid poor subsidiary performance.

Third, the findings regarding intent-entry strategy configurations can provide significant implications for practitioners. Firms tend to have different types of strategic intent, and as discussed earlier, each type of strategic intent requires specific alignment of FDI entry strategies. It is highly challenging for strategy formulation, as different types of strategic intents can require contradictory FDI entry strategies. Thus, firms must prioritise different types of strategic intent and then formulate FDI strategies accordingly. This intent prioritisation and associated FDI strategy formulation can establish a strategic orientation when the firm is involved in FDI behaviour. International business managers need to be aware of the importance of this strategic orientation, as based on the strategic orientation the intent-entry strategy configurations will determine a firm cluster's FDI profiling.

Fourth and more importantly, international business managers need to realise that a firm's intent-FDI entry strategy profiling can generate performance implications for FDI projects. As discussed earlier, based on cluster profiling, intent-strategy configurations need to evaluate which strategic intent is the major intent and which one is not, and make decisions based on the heterogeneous strategic intents. This research has found an intent-strategy fit taxonomy of EMNEs. Firms with such a fit are labelled 'strategic prospectors', 'strategic analysers', 'strategic defenders', and 'natural resource seekers'. Each of them has distinctive characteristics regarding their strategic intents and FDI entry strategies. This finding suggests that to achieve good alignment between EMNEs' strategic intents and their FDI entry strategies, firms need to look at all these factors as a whole and investigate the patterns of these factors. For example, the strategic prospectors feature strong strategic intents across all the three intents and aggressive entry strategies, while

strategic analysers and strategic defenders feature moderate to weak strategic intents across all of the three intents and a medium to low level of aggression regarding entry strategies. The natural resource seekers feature dominant natural resource seeking, a location strategy in developing countries, and other less aggressive entry strategies. These four groups contain strategic intents and FDI entry strategies that fit each other. However, the subsidiary performance across these groups varies. The strategic prospectors are better than strategic defenders and the natural resource seekers. However, the strategic analysers and the strategic defenders have no significant difference between them regarding their subsidiary performance. It reveals that EMNEs need to first align their FDI entry strategies to their strategic intents and form a consolidated strategic orientation. They also need to bear in mind that among these strategic orientations, the stronger their strategic intents, the better their performance will be. In an environment where the FDI entry strategies are optimal, the strategic intents can be transformed into a higher order dynamic capability that can generate sustained competitive advantage. Therefore, to achieve better performance, EMNEs need to form strong strategic intents and select the optimal FDI entry strategies to achieve these intents. These strategic orientations are based on firms that successfully entered foreign markets. Those trying to enter foreign markets for the first time must carry out a thorough investigation regarding the strategic orientation they need to apply.

7.6 Limitations of the Research

While the present study has made some valuable contributions to both academic research and practice, it has its limitations. First, this study is limited in its scope and scale. There are many FDI motives and strategies an EMNE may have and employ that no single framework can properly cover simultaneously (for example, other motives include

efficiency seeking, defensive market seeking, export driven FDI; and other strategies include multi-domestic strategy, global strategy, transnational strategy and international strategy). The scope of the research was narrowed down to the investigation of FDI motives that are related to the strategic intent construct and FDI strategies at the entry stage for a better understanding of how competitive advantage can be sustained in an emerging economy context. In this regard, this research generates more useful and insightful results academically and practically. Otherwise, this study would be too broad in scope to allow for meaningful relationships to be established. Regarding the scale of the study, this study was designed in the context of emerging economies and excludes firms from other countries. Although it limits the ability to apply the research results to all MNEs, this research context fits the theoretical concepts that this study focuses on and it is able to provide meaningful results for EMNEs.

Second, this research used secondary survey data rather than primary data. Therefore, the measurement items are confined to the items included in the survey. Although the measurement items included in the survey are justified and meet the reliability and validity requirements, it would be better to include more subjective items in the measurement of subsidiary performance, for example, goal attainment in terms of financial benefits, productivity, efficiency, market growth, and R&D development. In reality, the managers of MNEs are difficult to approach as they are very busy managing international businesses and there is no incentive for taking the survey. Approaching the managers in the Chinese MNEs is particularly difficult due to the hierarchical culture. Due to the time constraint and the high cost, I decided to use high quality secondary survey data. I made the most of this dataset. Analysing secondary data is very challenging. As described in the Methodology Chapter, over 3000 firms returned valid surveys with only slightly more than 10% of them engaging in FDI activities. Many variables that this

study was interested in are not in the original form. Therefore, the data analysis process involved a considerable amount of cleaning, screening, coding, transformation and analysis of data. As a result, the final dataset used in this study was generated with the best quality, the least time and a tight budget.

Third, this study is limited by the use of self-reported and cross-sectional data. Self-reported survey data may cause common method variance problems. This issue was minimised through the design of the survey where the dependent and independent variables are distributed in different sections of the survey, and a series of post hoc tests such as Harman's one-factor test and CFA were used. The test results show that CMV is not a major concern in this study. In addition, cross-sectional data is unable to detect the dynamic changes of firms' strategic intents, strategy choices and performance improvement. It is better to investigate these changes using longitudinal data.

It should be noted that the attainment of strategic goals may take a considerable amount of time to be realised. The point of time at which the project was measured is likely to have a significant influence on this variable. Although subjective measurement of subsidiary performance can weaken the time lag effects and only focus on the current status of the project, the length of time that the project has been operating in the market does influence the perception of its current status. For example, the longer the project has been established, the greater the possibility of a positive evaluation because it is more likely to achieve the strategic goals in a longer time than a shorter time.

There are generally several potential sources of errors when conducting survey research. Such errors include measurement error, sampling error, internal validity error and statistical conclusion error (Straub, 1989). This research took several approaches to mitigate them by using commonly accepted methods such as the selection of survey items

from existing strategic management and IB literature, the use of tested instruments where possible and the use of data from a large-scale survey jointly designed by world renowned research institutions. In addition, robust statistical techniques including confirmatory factor analysis (CFA) with variance based SEM were used in the data analysis to assess the reliability and validity of the survey instruments.

7.7 Directions for Future Research

Overcoming the limitations of this study provides opportunities and directions for future studies that can be carried out in the area of strategic management, firm internationalisation and subsidiary performance. First, the present study is confined by the cross-sectional data that only allows examination of the relationship under research at a certain time point. Corporate level strategic intents and FDI entry strategies usually remain stable over time, but they do change under certain circumstances. Firms may shift their strategic goals or the importance of a particular goal. Circumstances such as divestment, moving subsidiary locations, purchasing or selling overseas assets are not rare in this fast changing global environment. Future research designs could use panel data to detect the evolution of EMNEs' internationalisation process regarding the changes in their strategic intents, location strategies, entry mode strategies, and FDI intensity as well as the subsidiary performance improvement over time.

This research provides taxonomies of firms' strategic patterns in terms of firms' strategic intent and FDI entry strategies. However, it is still somewhat unclear how to achieve firms' strategic goals. Future research can continue this line of research. In the next important step, researchers can investigate the optimisation of resource allocation, and how it helps firms achieve their heterogeneous strategic intents. For example, it is still unknown how these firms conquer their liabilities of foreignness, surpass resource constraints and

acquire an accrual of strategic assets in developed countries where competition is extreme and foreign rivals or partners are reluctant to reveal and share their core competencies.

This research focuses on corporate level strategic intents and FDI entry strategies. After this has been decided, more discussion and attention are needed on operational strategies and firm structures. For example, future studies could relate strategic intents and goal attainment to the selection of home replication strategies, global standardisation strategies, transnational strategies and localisation strategies with structures such as global product divisions, international divisions, a global matrix and geographic area. Other strategies such as international marketing strategies and international human resource strategies can also be investigated regarding the co-alignment conditions of firms' strategic intents and the attainment of their strategic goals.

Although it is appropriate in this study to use the subjective measurement of subsidiary performance through measuring the attainment of firms' strategic goals, future studies can investigate this important issue using multiple items. The achievement of different goals can be measured differently through the number of patent applications, the growth in market share, brand awareness and overseas natural resource reserves. Performance measurement using multiple items can provide great insights and a clearer picture on how strategic goals are achieved differently.

In terms of research context, future studies can apply the strategic intent and strategic fit constructs to the internationalisation of SMEs. Strategic intents are typically known as the strategic goals set by emerging market MNEs. However, they also apply to smaller firms from developed countries that suffer from resource constraints and seek aggressive international expansion. This study has opened a gateway to explore this important construct in a much broader context. More research in both an emerging market context

or for SMEs from advanced economies can further advance the theoretical understanding of firms' strategic intents. At the same time, it also helps to contextualise the available constructs and models in these new circumstances, and develop a more comprehensive framework.

7.8 Chapter Summary

The last chapter summarised the whole thesis including the research objectives and research questions, and provided the most important aspects of the research findings. Both the theoretical implications and the practical implications were then discussed. Finally, the limitations of the research were outlined and directions for future research were proposed.

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Appendix

DRC 16

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

STATEMENT OF CONTRIBUTION TO DOCTORAL THESIS CONTAINING PUBLICATIONS

(To appear at the end of each thesis chapter/section/appendix submitted as an article/paper or collected as an appendix at the end of the thesis)

We, the candidate and the candidate's Principal Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the *Statement of Originality*.

Name of Candidate: Lili Mi

Name/Title of Principal Supervisor: Dr Yuanfei Kang

Name of Published Research Output and full reference:

Strategic intent, FDI strategies and EMNCs' goal attainment: A configuration approach. (This manuscript has not been submitted to a journal yet.)
This manuscript has been published in a conference proceeding.
Mi, L., Kang, Y., & Liu, Y., 2018, "Strategic intent, FDI strategies and EMNCs' goal attainment: A configuration approach", presentation at the Academy of International Business (AIB) Conference, Minneapolis, Minnesota, USA.

In which Chapter is the Published Work: This paper is partially from Chapter 1 to Chapter 7 of the thesis.

Please indicate either:

- The percentage of the Published Work that was contributed by the candidate: 80%

  and / or

- Describe the contribution that the candidate has made to the Published Work:

  The candidate contributed the majority of the work including the data analysis, writing up a draft and finalising the article.

Lili Mi — Digitally signed by Lili Mi, Date: 2018.09.27 11:33:41 +12'00'
Candidate's Signature

27/09/2018
Date

Yuanfei Kang — Digitally signed by Yuanfei Kang, Date: 2018.09.27 09:57:51 +12'00'
Principal Supervisor's signature

27/09/2018
Date

GRS Version 3– 16 September 2011