

FDI from Emerging Economies: A [Dynamic] Resource-based Perspective

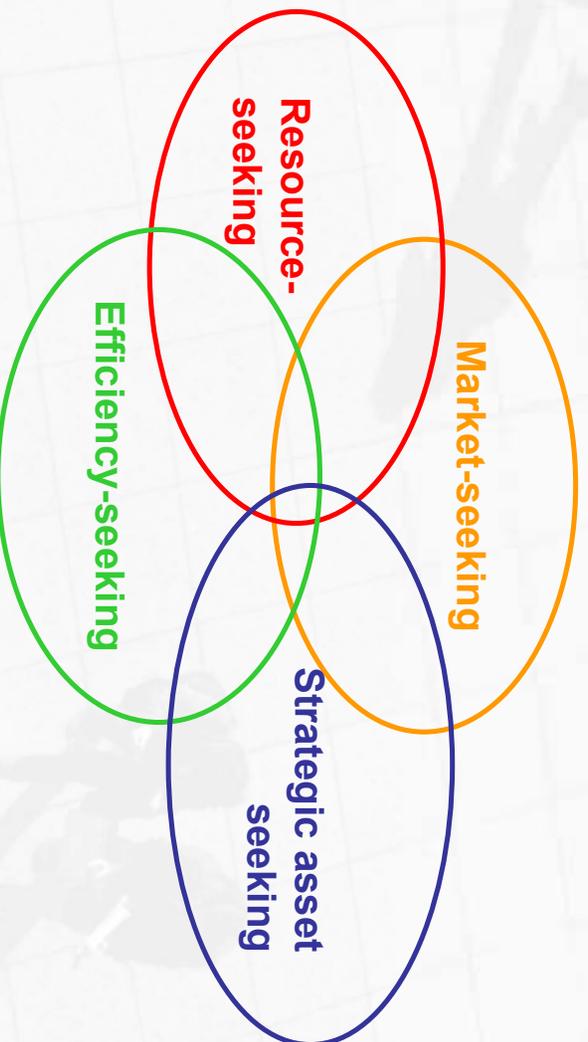
Klaus Meyer

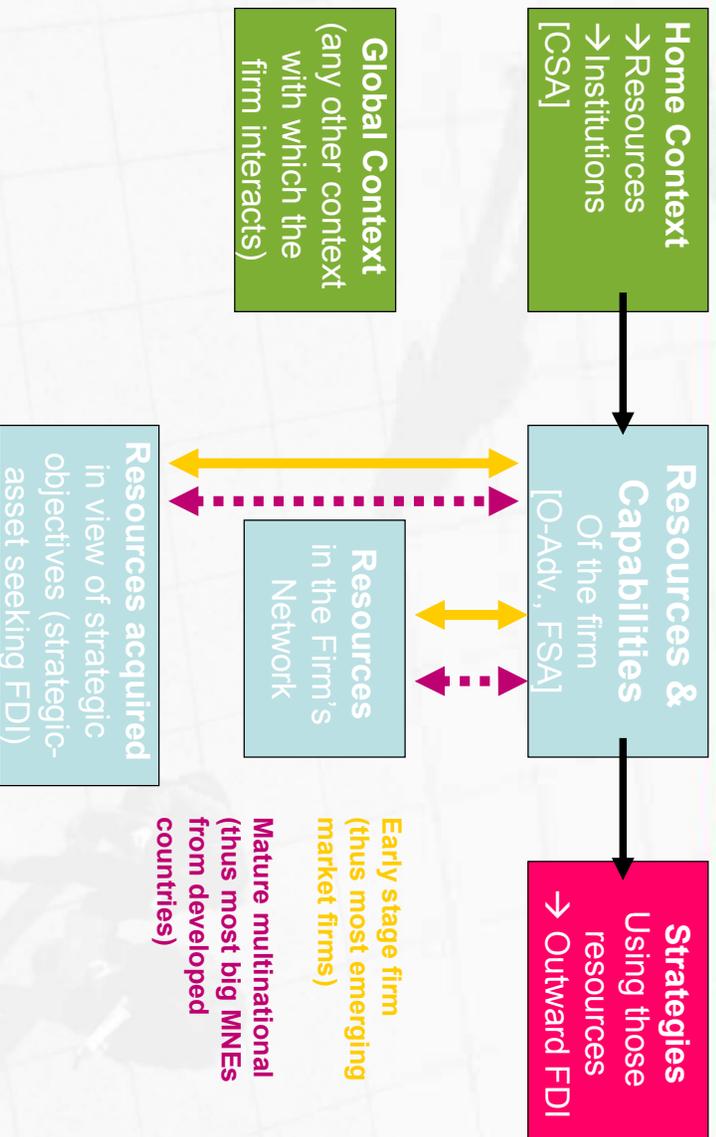
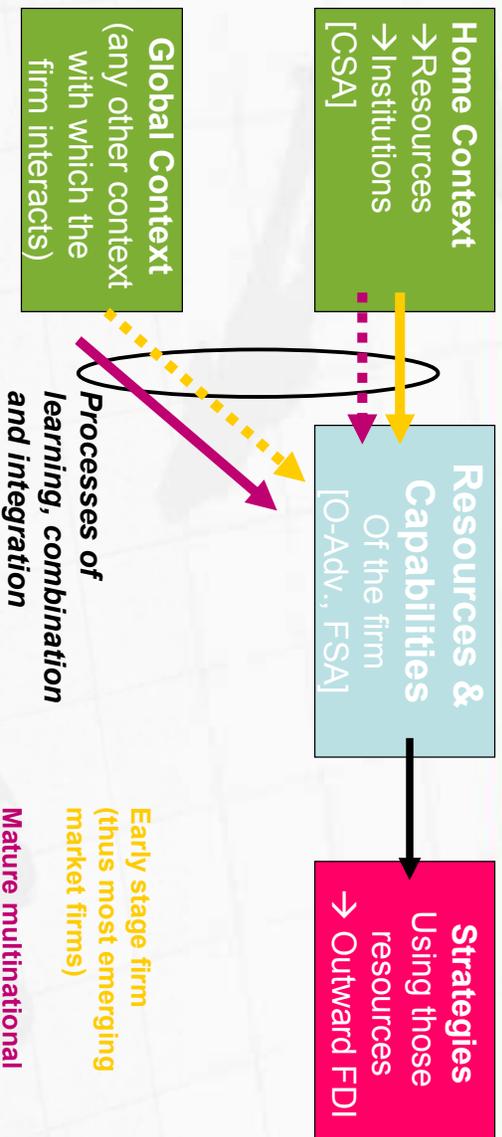
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Same Motives – Difference Importance





Home Environment

→ Resources & Organizational Forms

Emerging Economies

→ Business Groups

Important in Asia, Latin American and Eastern Europe

(Khanna & Rivkin, SMJ 1999; Nachum JMS 2004; Hoskisson et al., SMJ 2005; Khanna & Yafeh, JEL 2007)

Prevalence appears to be related to the institutional development as of the country (Peng, et al., 2005; Hoskisson et al., JoM 2005)

Notably rare in Anglo-American countries

Khanna and Yafeh (2007) follow Morck (2005) to attribute it to specific legislation, notably Roosevelt's taxation of intra-firm profit flows, and laws aimed at protecting minority shareholders.

Persistent phenomenon, though gradually declining (Khanna & Yafeh, JEL 2007)

Some suggest gradual decline of the diversification premium (Khanna & Palepu, AMJ 2000)

Other studies suggest that the phenomenon as such is very persistent (Chung, book 2006; APJM 2007)

Unit of Analysis: Business Groups

Strategic Management → group level as highest level of decision making

Theoretical studies focus on group level rather than firm level (e.g. Peng, et al., 2005; Hoskisson et al., JoM 2005)

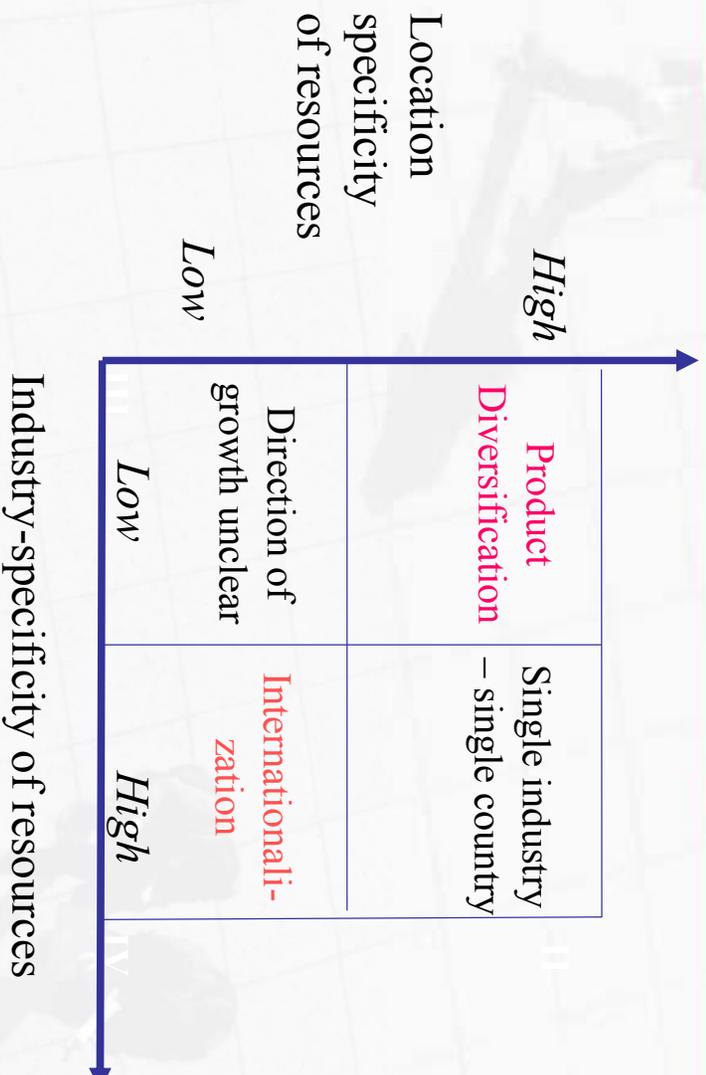
Government Policy → groups as political actors and the policy debates regarding BG (e.g. Chung, book 2006)

Empirical studies

Most empirical studies study only group-member firms that are listed on the stock exchange → a subset.

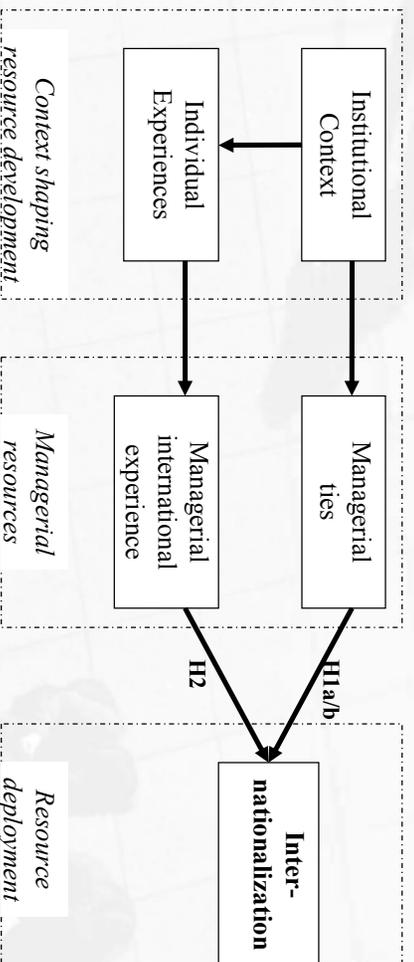
Evidence on BG as such largely comes from **case studies**

A few recent studies use group level data from Taiwan (Luo and Chung, ASQ 2005; Chung and Luo, OS 2007)



(Source: Meyer, 2006)

A Simplified Framework



[Danchi Tan & Klaus E Meyer, 2009, Business Group's Outward FDI]

Internationally-transferable Managerial Resources

Hypothesis 1a: *Business groups whose managers have international education are likely to have a higher level of internationalization than business groups whose managers do not have international education.*

Hypothesis 1b: *Business groups whose managers have international work experience are likely to have a higher level of internationalization than business groups whose managers do not have international work experience.*

[Danchi Tan & Klaus E Meyer, 2009, Business Group's Outward FDI]

Institutionally-bound Managerial Resources

Hypothesis 2: *Business groups whose managers have close ties with the local business community are likely to have a lower level of internationalization than business groups whose managers do not have such ties.*

[Danchi Tan & Klaus E Meyer, 2009, Business Group's Outward FDI]

Context and Data

We aim to test hypotheses on which institutions affect business strategies, and how.

Need for a population of firms from a context where institutional peculiarities are likely to be prevalent, and varying across firms.

We need group-level data!

→ Taiwanese Business Groups

n=209

Source: Directory 'Business Groups in Taiwan'

Firm level variables, which we aggregated to group level as appropriate (average: 26.7 firms per group)

2002 data for dependent variable, 2001 data for explanatory variables

Dependent Variable Internationalization

Non location bound resources:

Managerial foreign education – H1a -0.20 (0.10) **

Managerial foreign experience – H1b 0.75 (0.10) ***

Institutionally embedded resources:

Managerial business association - incidence H2 -0.40 (0.19) **

Managerial other association – incidence H2 -0.06 (0.13)

F 10.38 ***

	International Sales Ratio		
Non location bound resources:			
Managerial foreign education	-0.06	(0.03)	**
Managerial foreign experience	0.14	(0.03)	***
Institutionally embedded resources:			
Managerial business association	-0.12	(0.06)	**
Managerial other association	-0.05	(0.04)	*
F	7.78	***	

Summary and Outlook

Outward FDI from emerging economies

- There is no reason to suggest that existing theories would not apply
- The **types** of resources transferred / locally-acquired are likely to be different
- Strategic asset seeking FDI is likely to be important (but it is not new!!!)

Business groups

- Unit of analysis: focus on groups rather than member firms
- Linking resources of the group to scope / direction of growth
- Institutional resources as location-specific resources driving BG scope

Penrosian Theory in the 21st Century

- Need for incorporating new dimensions, especially international business, M&A markets, and corporate governance.

