The influence of motivations on international location choice in least developed, emerging and developed countries: evidence from Chinese MNEs

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Abstract

Purpose: This research assesses variations of motivations when studying international location decisions. In particular, this study assesses the influence of diverse motivations – seeking technology, seeking brand assets, seeking markets, seeking resources, and escaping institutional constraints – as determinants of the international location choice of emerging market multinational enterprises (EM MNEs) entering least developed, emerging, and developed countries.

Design/methodology/approach: The authors develop a set of hypotheses based on the OLI framework and complement it with an institutional perspective. The conceptual model posits that the different internationalization motivations (seeking technology, seeking brand assets, seeking markets, seeking resources, and escaping institutional constraints) will impact the location choice of EM MNEs in developed economies, emerging markets, or least developed countries. This study uses the 2013 survey data collected by the China Council for the Promotion of International Trade and the Asia Pacific Foundation of Canada. The final sample of analysis of this research includes 693 observations.

Findings: After controlling for several variables, results show that there is a variation of motivations when EM MNEs enter least developed countries, emerging markets, and developed economies. EM MNEs are motivated to enter least developed countries to seek markets and resources. Conversely, those firms enter developed countries in their search for technological assets and to escape institutional constraints at home. While our findings show a clear difference in the motivations that lead to location choice in least developed vs. developed countries, the results are not as clear for location in other emerging countries.

Originality: This paper provides a detailed quantitative study on the internationalization location choice of EM MNEs based on their motivations. Though theoretical models underscore the importance of motivations, we know very little about how in practice motivations drive location choice. We contribute to the international location choice literature a deeper understanding of how diverse motivations drive choices of expansion into developed economies, emerging markets, or least developed countries.

Implications: The paper offers empirical support for the importance of motivations as crucial determinants of location choice.

Keywords: internationalization motives, technology seeking, brand asset seeking, market seeking, resource seeking, escaping institutional constraints, FDI location, least developed countries, emerging markets, developed economies

The influence of motivations on international location choice in least developed, emerging and developed countries: evidence from Chinese MNEs

Introduction

This study focuses on the international location choice of companies from emerging markets (e.g., Buckley et al., 2016; Deng et al., 2017; Gao, Li, & Huang, 2019). Location decisions are crucial for multinational enterprises (MNEs) because they have the potential to determine subsequent company performance (Jain et al., 2013). Correspondingly, a growing body of research has examined different determinants of international location choice (e.g., Albino-Pimentel et al., 2018; Cui et al., 2017; Dimitrova et al., 2020; Lu et al., 2014, Schotter & Beamish, 2013). The determinants addressed in the literature can broadly be grouped into firm- and industry-specific determinants, and host country-specific determinants (Jain et al., 2016). A recent article summarizing the literature on the topic found that firm characteristics was the least studied level of analysis (Nielsen et al., 2017).

Internationalization motivations (such as strategic asset seeking, market seeking, etc.) are a firm-specific determinant that are widely believed to be one of the most important drivers of internationalization (Dunning, 1998). Surprisingly, however, motivations have not received their due attention in the location literature (Jain et al., 2016). Correspondingly, even though theoretical models underscore the importance of motivations, we know very little about how in practice motivations drive location choice (see e.g., Buckley et al., 2008 and Makino et al., 2002 for some of the notable exceptions). This is the gap our study addresses. We advance the literature on motivations as location determinants by developing hypotheses about and empirically testing diverse motivations – seeking technology, seeking brand assets, seeking resources, seeking markets, escaping institutional constraints – as determinants of international location choice. In doing so, we contribute to the international location choice

literature a deeper understanding of how diverse motivations drive choices of expansion into developed economies, emerging markets, or least developed countries (Jain et al., 2013).

Additionally, our theorizing bridges the micro and macro divide in the literature by including the more micro firm-specific aspects of motivations with macro determinants that motivate EM MNEs, such as institutional constraints, an aspect that has been identified as important for better understanding of location decisions (Nielsen et al., 2017).

We specifically focus on international locations choices of emerging market MNEs (EM MNEs), as this has been suggested as an important area to explore (Jain et al., 2013). EM MNEs are rapidly increasing their global presence and it has been suggested that their development paths are different from those of their counterparts from developed economies (Lu et al., 2014). Our empirical context is Chinese companies that have internationalized via an equity-based entry mode, also referred to in the literature as foreign market entry through foreign direct investment (Paul & Benito, 2018; Surdu & Mellahi, 2016). This is in line with Luo and Tung's (2007) definition of EM MNEs as international companies originating in emerging markets and engaging in outward foreign direct investment (OFDI), where they exercise effective control and undertake value-added activities in one or more foreign countries.

Chinese MNEs have attracted attention because of their rapid and aggressive FDI, particularly following the 'going global' policy of the Chinese government. China's OFDI has grown at an accelerated pace since early 2000, and in 2016 China became the second-largest source of OFDI in the world. Chinese outflows of capital reached US$117 billion in 2019 (UNCTAD, 2020). By the end of the same year, China's OFDI stock had reached $2.2 trillion, ranking third after the U.S. ($7.7 trillion) and the Netherlands ($2.6 trillion). Over 27,500 Chinese companies had created 44,000 enterprises overseas in 188 countries or regions in the world (MOFCOM, 2020). This phenomenon has led to an emerging body of

research investigating the determinants of Chinese FDI (e.g., Buckley et al., 2007; Deng, 2009; Klossek et al., 2012; Kolstad & Wiig, 2012; Liang et al., 2012; Li-Ying et al., 2013; Wang et al., 2012). The literature has been heavily dominated by research on large MNEs and state-owned Chinese companies. However, Chinese small and medium-sized enterprises (SMEs) that have been able to expand internationally make a significant contribution to China's economic and social development (Alon et al., 2013; Cardoza et al., 2015; Cho & Tansuhaj, 2013). Therefore, we examine both large and smaller Chinese businesses (Li et al., 2018; Zhou, 2018).

Our results confirm the importance of carefully attending to the variety of motivations for a nuanced understanding of the location choices of EM MNEs. Chinese EM MNEs in our sample are motivated to enter least developed countries to seek markets and resources. Additionally, EM MNEs enter other emerging countries to seek resources. Conversely, EM MNEs enter developed countries motivated by search for technological assets and to escape institutional constraints at home. Our findings provide a better understanding of how motivations drive location choice in practice. We contribute to the international location choice literature by theorizing and empirically testing various motivations that drive internationalization into least developed countries, emerging markets, and developed economies (Jain et al., 2013).

This paper is organized as follows. First, we present the theoretical framework and hypotheses on the impact of motivations on the internationalization location of EM MNEs. Then, we present the methodology of the paper, including the sample, measures, and analytical models. Finally, we describe the results and present the discussion and conclusions.

Motivations of EM MNEs to internationalize and locate in least developed, emerging or developed countries: Theoretical framework and hypotheses

In this section, we complement the ownership-location-internalization (OLI) framework with an institutional perspective (Deng, 2009, Luo & Tung, 2007). We formulate hypotheses about the impact of seeking technology, seeking brand assets, seeking markets, seeking resources and efficiency, and escaping institutional constraints on internationalization and international location. We differentiate between developed countries, emerging markets, and least developed economies as locations choices.

OLI framework

Firms may have several motivations to internationalize. Based on Dunning's eclectic paradigm (Dunning, 1988, 1993), firms' internationalization motives fall into four categories: market seeking, efficiency seeking, resource seeking, and strategic assets seeking. Market seeking is usually undertaken by EM MNEs for reasons such as accessing distribution networks, facilitating export of domestic producers and overall for reaching rapidly growing markets (Buckley et al., 2007). Efficiency seeking is undertaken when firms search for lower production cost, such as lower labor cost. Resource seeking occurs when firms search for raw materials and energy sources (Dunning, 1988, 1993). EM MNEs are motivated by strategic asset seeking (e.g. seeking technology or brand assets) to strengthen innovation capabilities and product competitiveness, and to improve their recognition and reputation in international and / or domestic markets (Cui et al., 2014).

Strategic asset seeking: technology and brand assets

Strategic assets have been defined as 'the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm's competitive advantage' (Amit & Schoemaker, 1993: 36). Strategic asset seeking is distinct from the other motivations in that it is assets-exploring in nature and its purpose is to transform the company's core competency and competitive position; as such it involves the acquisition of knowledge-based resources such as technology or brands (Cui et al. 2014, 2017). Strategic asset seeking should be especially important as a motive for EM MNEs to internationalize into developed countries, because EM MNEs lack in such resources and will therefore aim to acquire them from developed markets rich in technology, strong brand management, or other intangible or proprietary resources (Cuervo-Cazurra & Genc, 2008; Deng, 2009). Extant research has shown that technology-seeking (e.g., Awate et al., 2012, 2015; Buckley et al. 2007; Ramasamy et al., 2012) and acquiring brand strength or brand management experience (Rui & Yip, 2008) are important motivations of EM MNEs to enter developed countries.

The search for strategic assets falls within the asset-augmentation perspective (Buckley et al., 2016; Cui et al., 2017; Meyer, 2015) because emerging-market firms internationalize to augment their home-country assets with foreign ones and as such use internationalization as a mechanism for growth and further internationalization (Luo & Tung, 2007, 2018). EM MNEs are not only deficient in such resources as technology or recognized brands (Deng, 2009), they also lack access to them in their domestic market; yet these resources are critical for competing in global markets (Buckley et al., 2016). Technologies or brands should help provide EM MNEs with a greater reputation and prestige and garner more legitimacy and social support (Deng, 2009).

EM MNEs will direct their asset-seeking behavior towards developed countries with significant levels of human and intellectual capital (Dunning, 2006; Buckley et al., 2007), as other emerging markets or least developed countries are unable to offer such assets. Thus, the

asset-seeking motivation of EM MNEs is driven by a strategic intention to complement and

upgrade their assets and capabilities overseas (Cui & Jiang, 2009; Cui et al., 2017; Wright et

al., 2005). Because creating and sustaining technological and brand assets is complex and

expensive and because these assets are not easily acquired in their home markets (Deng,

2009), EM MNEs tend to seek such assets in developed countries as opposed to least

developed or other emerging countries. Therefore, we posit:

H1a: Seeking technology is positively related to the internationalization of EM MNEs.

H1b: Seeking technology is positively related to the international location of EM MNEs

in developed countries and it is negatively related to the international location of EM

MNEs in least developed or other emerging countries.

H2a: Seeking brand assets is positively related to the internationalization of EM MNEs.

H2b: Seeking brand assets is positively related to the international location of EM MNEs

in developed countries and it is negatively related to the international location of EM

MNEs in least developed or other emerging countries.

Seeking markets

The aim of market-seeking investment is to promote local sales through access to market

channels, thus increasing local market share. Generally speaking, the size of the market

measured by GDP, GDP per capita, GNP or GNP per capita are found to have a direct

influence on investment inflows (Wei et al., 2007). Through expanding market size and

creating opportunities for scale economies, EM MNEs can improve their competitive

advantages by exploiting current resources and capabilities and entering into least developed

or other emerging countries.

Scholars have noted that the core explanation for the existence of MNEs indicates that in

order to pursue international expansion the firm needs to possess some resources and

capabilities allowing it to overcome the liability of foreignness (Guillen & Garcia-Canal, 2009). EM MNEs are latecomers to the global markets and do not have the classic ownership advantages possessed by developed countries MNEs related to technology, brands and marketing capabilities, but they do possess other "nonconventional" capabilities (Guillen & Garcia-Canal, 2009; Williamson & Wan, 2018) such as networking and political skills that they have gained in their home country over the years of developing and growing their market nationally and navigating the local political landscape (Chen et al., 2018). Such capabilities may be especially relevant when internationalizing into least developed countries or other emerging countries operating under political uncertainties (Cuervo-Cazurra & Genc, 2008). Research also suggests that in the case of Chinese MNEs, firms use other home-based competitive advantages in their internationalization, stemming from lower costs of labor, used initially for direct production work but also increasingly for engineering and other support activities (Rui & Yip, 2008). Such advantages, combined with the "political capabilities" of EM MNEs and their ability to navigate the institutional landscape in uncertain political circumstances, make it especially appropriate for EM MNEs to engage in market seeking in least developed countries or other emerging countries (Wei & Alon, 2010). In those countries, EM MNEs should have an advantage over their developed countries MNEs and leverage those advantages to access markets. Thus, we hypothesize:

H3a: Seeking markets is positively related to the internationalization of EM MNEs.

H3b: Seeking markets is positively related to the international location of EM MNEs into least developed or other emerging countries and it is negatively related to the international location of EM MNEs in developed countries.

Seeking resources and efficiency

Literature suggests that EM MNEs pursue resource seeking and efficiency seeking when internationalizing in order to build capacity at home (Cui et al., 2014; Luo & Tung, 2007; Luo et al., 2010). EM MNEs in their formative years are faced with resource and environmental constraints (Shu, 2017). The main objective of resource and efficiency seeking is to secure stable, low-cost, and high-quality natural resource supply, and typically the target in host countries are supply of natural resources such as commodities or internal production inputs (Cui et al., 2014). Additionally, EM MNEs may find the access to capital and labor – another important resource - easier when entering least developed or similar emerging countries (Wei & Andreosso, 2008). International division of labor can prompt companies to seek low-cost labor as part of the efficiency-seeking motivation under the eclectic paradigm (Dunning, 1988, 1993). However, a broader view of resources includes both natural resources and labor as a seeking resources motivation.

In the case of Chinese companies, they tend to invest in countries rich in natural resources (Buckley et al., 2007; Giorgioni, 2018). With the growth of the Chinese economy, Chinese companies are expanding aggressively overseas in search of natural resources (Jain et al., 2016; Kang & Jiang, 2012). Kolstad and Wiig (2012) found that Chinese investment is attracted to large markets with a combination of extensive natural resources and poor institutions. Buckley et al. (2007) argued Chinese foreign investments to be associated with high levels of political risk in, and cultural proximity to, host countries throughout, and with host market size and geographic proximity and host natural resources endowments.

With regard to labor (efficiency-seeking), access to this resource was not considered to be a major motivation for EM MNEs, as they tend to have access to low-cost labor domestically (Buckley et al., 2008). However, recent research indicates that efficiency seeking is a significant motivational factor for Chinese firms to internationalize in ASEAN countries (Ma, Xu, Zeng, & Wang, 2020). It has been suggested that China's rapidly aging population can

lead firms to exploit the population benefit of ASEAN countries which have a comparative

advantage of cheaper labor costs that can help reduce production costs for Chinese EM

MNEs (Ma, Xu, Zeng, & Wang, 2020). As Chinese firms expand aggressively to acquire

natural resources, lower cost of labor in emerging markets and least developed economies

will make those markets relatively more attractive compared to developed countries. Thus,

we expect:

H4a: Seeking resources and efficiency is positively related to the internationalization of

EM MNEs.

H4b: Seeking resources and efficiency is positively related to the international location of

EM MNEs into least developed or other emerging countries, and it is negatively related to

the international location of EM MNEs in developed countries.

Escaping institutional constraints

Deng (2009) developed an institutional framework to explain Chinese firms' outward foreign

direct investment, and propose that Chinese firms internationalize in developed countries to

escape institutional constraints. In countries that lack legal protection for property rights,

where there is poor enforcement of laws, underdeveloped factor markets, and inefficient

market intermediaries (Khanna & Palepu, 2006), firms are motivated to invest internationally

and search for countries where institutions are more efficient, transparent and have an

encouraging environment (Deng, 2009). Deng's framework parallels North's (1990) formal

institutions as part of "the rules of the game" that shape societal transactions. International

business research taking an institutional perspective has indeed provided support for the view

that institutions matter as a location determinant (Kim & Aguilera, 2016), specifically the

quality of institutions. Yamakawa et al. (2008) posit that emerging market firms may be

"pushed" by the harsh regulative environment in emerging markets, and they may be "pulled"

by the friendlier institutional framework in developed economies, including better protection

of intellectual property rights, less corruption, and more transparent capital markets.

In a similar vein, Luo and Tung (2007) suggest that facing institutional and market

constraints at home, emerging market firms can use outward FDI as a springboard to

aggressively internationalize into developed countries. In developed countries, as opposed to

least developed or emerging countries, EM MNEs can take advantage of better access to

financing mechanisms, better infrastructure, or better legal environment. Indeed, an

institutional perspective focuses on the interaction between institutions and firms, and as such

helps us understand strategic choices as the outcome of such an interaction (Peng et al.,

2008). Thus, we expect:

H5a: Escaping institutional constraints is positively related to the internationalization of

EM MNEs.

H5b: Escaping institutional constraints is positively related to the international location of

EM MNEs into developed countries, and it is negatively related to the international

location of EM MNEs in least developed or other emerging countries.

Figure 1 provides a schematic view of our framework and hypotheses.

[Insert Figure 1 here]

Methodology

Sample

The China Council for the Promotion of International Trade (CCPIT) and the Asia Pacific

Foundation of Canada conducted a survey between February and June 2013. Survey methods

are widely used to test important hypotheses in international business (e.g., Hu et al., 2019; Wu & Liu, 2018). The field work for this survey was done by CCPIT with a questionnaire containing 39 questions. The questionnaire was sent to 3,000 Chinese firms with or without experience in international business (Asia Pacific Foundation of Canada, 2013)[1]. In total, 1,090 firms responded. Without including foreign-owned firms, the number of firms in the data set amounted to 979 Chinese firms. After cleaning the data set and taking into account all variables relevant to the study, the final sample of firms with valid responses was 556. Given that the central aspect of our research is international location, we transformed the data set so that the unit of analysis of the research is international location. In the data set we have 387 observations with no international entries and 306 observations with international entries. Of the observations with international entries, 31 are international entries in least developed countries, 94 are international entries in other emerging countries and 181 are entries in developed countries. In other words, the final sample of analysis of this research includes 693 observations. The time period of international entries ranges from 1983 to 2013.

Of all observations included in the final sample, a majority (64.65%) do business in the manufacturing sector, followed by wholesale and retail (11.11%), construction (4.04%), electric, gas and sanitary services (3.46%), and IT (2.45%). The respondents represent a variety of sectors, as indicated in Table 1.

[Insert Table 1 here]

Operationalization of variables

According to Figure 1, the following are the key constructs to operationalize: international location, internationalization, seeking technology, seeking brand assets, seeking markets,

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[1] The report of the Asia Pacific Foundation of Canada does not specify whether the selection of those 3,000 firms was done randomly or not. In this case, we assumed the sample is non-random. In order to correct for potential sample bias, we use Heckman two-stage process (Certo et al., 2016)

seeking resources and efficiency, and escaping institutional constraints. We also include

critical control variables based on previous research (Liang, Lu, & Wang, 2012; Wang et al.,

2012). In particular, control variables include bundling through joint ventures, R&D, public

policy support, whether the firm is a private or state-owned enterprise, and industry sector of

operation. Table 2 shows the variables used in this research, their operationalization, and

measurement.

International location. Our dependent variables include: international location in least

developed countries, international location in emerging countries, and international location

in developed countries. These categories represent firms' current behavior of

internationalization[2]. From the data set provided by the Asia Pacific Foundation of Canada,

we use the three countries that each Chinese MNE in the sample has invested the most in up

to the time of the survey data collection. We classify each of these countries using the

country classification in the World Economic Outlook 2014 and United Nations list of least

developed countries. The world economic outlook divides the world into two major groups:

advanced economies (36 members) and emerging markets and developing economies (153

members) (IMF, 2014). The United Nations provides a list of 48 least developed countries[3]

(United Nations, 2020). Therefore, we classify each destination as a least developed country,

an emerging country, or a developed country. With this information, we create 3 binary

variables. In the first one, international location in least developed countries is coded as 1 and

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[2] The survey developed by CCPIT and the Asia Pacific Foundation of Canada also asks about "what are the three most possible foreign investment destinations in the future?". This survey question indicates future international location intentions. We found that motivations are significantly correlated with future international location intentions, and that future international location intentions are also significantly correlated with our measure of international location behaviour. For instance, those with previous entries in developed countries planned to enter developed countries in the future, and those with previous entries in emerging economies intended to enter emerging economies in the future. In this way, we decided to focus on current behaviour of internationalization because of those significant correlations. We thank an anonymous reviewer for asking about this.
[3] We also included Equatorial Guinea in the list because this country was still classified as a least developed country at the time of the survey data collection for this study.

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zero otherwise. In the second variable, international location in emerging countries is

assigned 1 and zero otherwise. For the third variable, international location in developed

countries is coded as 1 and zero otherwise. For a list of countries where EM MNEs in the

sample have entered, see Appendix 1.

Internationalization. This dependent variable is binary, where zero includes domestic firms

or those with no international entry, and 1 refers to those firms that have invested in least

developed, emerging, or developed countries.

Seeking technology. Based on Dunning's framework (Dunning, 1988, 1993), we measure

four internationalization motives - seeking technology, seeking brand assets, seeking markets,

and seeking resources. From the data set provided by the Asia Pacific Foundation of Canada,

we use the following survey question: 'Which of the following factors will be the driving

force for your company to expand overseas?' The question asks respondents to rate a number

of items from 1 (not important) to 5 (very important). We reduce those items to underlying

factors by using principal component analysis with varimax rotation. The Kaiser-Meyer-

Olkin measure is 0.929 and the variance explained is 78.75%.

We include four items to measure technology-seeking motives: acquire overseas assets

with intellectual property rights, acquire overseas R&D team, acquire overseas R&D

management experience and make use of overseas highly skilled human resources.

Cronbach's alpha for seeking technology is 0.912.

Seeking brand assets. For seeking brand assets, we use three items: upgrading one's own

brand in international markets, upgrading one's own brand in domestic markets, and

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acquiring brand management experience. The Cronbach's alpha for seeking brand assets is 0.908.

Seeking markets. We use four items to measure this variable: expand upstream and downstream industry chain, avoid industry restrictions in China, expand sales in international markets, and avoid the saturated domestic market. The Cronbach's alpha for seeking markets is 0.809.

Seeking resources and efficiency. For measuring this variable, we use three items: make use of overseas low-cost labor, acquire overseas energy and raw materials and acquire overseas parts supply. The Cronbach's alpha for seeking resources is 0.837.

Escaping institutional constraints. To measure this variable, we follow Deng (2009). In particular, we use three items: take advantage of overseas financing mechanism, take advantage of overseas infrastructure and make use of overseas legal environment (Stoian & Mohr, 2016). The Cronbach's alpha for escaping institutional constraints is 0.905.

Control variables

Bundling. We follow Hennart (2009, 2012) to measure this variable. Hennart (2012) develops the bundling perspective to explain the internationalization of EM MNEs. Joint ventures that firms based in China have signed with foreign MNEs favor learning and profit earnings which at the same time may motivate Chinese firms to internationalize. In this sense, we measure bundling as a binary variable, where Sino-foreign joint venture is coded as 1 and zero otherwise.

Firm age. Similar to previous studies (Liu et al., 2017; Wang et al., 2012), we use the number of years since the company was founded until the year the Asia Pacific Foundation of Canada collected the survey data. In further analysis, we use the logarithm of firm age and results are consistent.

Firm size. We use the number of employees the firm had in the year the survey data was collected, which is in line with previous studies (Liang et al., 2012; Liu et al., 2017). In additional analysis, we use the logarithm of firm size and results are the same.[4]

R&D. From the data set provided by the Asia Pacific Foundation of Canada, we use the ratio of R&D to total sales, a measure used by established literature (Wang et al., 2012).

Private enterprise. We code as '1' firms that are completely private and as '0' firms that have at least some level of ownership by the state (Li et al., 2017). In order to obtain this measure, we merge two questions from the data set provided by the Asia Pacific Foundation of Canada: 'what is the corporate ownership of your company? (state-owned or state-controlled, collective-owned, private and Sino-foreign joint venture)' and 'if it is state-owned or state-controlled, what is the state-owned/controlled ratio? (less than 50%, more than or equal 50%)'.

Public policy support. We include three items to measure public policy support: make use of 'going global' policy-related incentives, take advantage of preferential investment policies in host country and take advantage of bilateral trade or investment treaty. We used the same

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[4] We thank an anonymous reviewer for recommending further analysis using logarithms of firm age and firm size.

survey question as for seeking technology. Literature on the role of public policy in the

internationalization of emerging-market firms (e.g., Liang et al., 2012; Liu et al., 2013; Luo

et al., 2010; Wang et al., 2012) suggests that studies need to control for this critical variable,

because many emerging-market governments have strong public policies related to

internationalization, particularly the Chinese government (Deng, 2009; Luo et al., 2010).

Industry. We use dummies for 8 industry sectors, as indicated in Table 2. The base category

for all empirical analyses is the manufacturing sector.

[Insert Table 2 here]

Heckman analysis: Two-stage models

Heckman includes a two-stage process to correct for sample bias (Certo et al., 2016). In the

first stage in this process we use a probit model (equation 1 below) to estimate the probability

of an observation's internationalization. In the second stage, we use probit as well (equation 2

below) to predict international location in least developed, emerging or developed countries.

To account for the potential sample bias, this process uses equation 1 (in conjunction with

equation 2) to create a selection parameter which is then included in equation 2 (Certo et al.,

2016).

In our Heckman models we include two exclusion variables - variables in the first stage

that do not appear in the second stage (Certo et al., 2016; Sartori, 2003). We use bundling and

public policy support as exclusion variables. In the case of emerging countries' firms, these

variables account for whether a firm will internationalize or not (Deng, 2009; Hennart, 2009,

2012; Luo et al., 2010; Wang et al., 2012). Also, in our models, these exclusion variables do

not have significant effects on international location in the second-stage probit model.

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Equation 1: $\text{Internationalization}_i = b_0 + b_1 \text{ Seeking technology}_i + b_2 \text{ Seeking brand assets}_i + b_3 \text{ Seeking markets}_i + b_4 \text{ Seeking resources}_i + b_5 \text{ Escaping institutional constraints}_i + b_6 \text{ Bundling}_i + b_7 \text{ Firm age}_i + b_8 \text{ Firm size}_i + b_9 \text{ R\&D}_i + b_{10} \text{ Private enterprise}_i + b_{11} \text{ Public policy support}_i + b_{12} \text{ Industry}_i + u_i$

Equation 2: $\text{International location}_i = b_0 + b_1 \text{ Seeking technology}_i + b_2 \text{ Seeking brand assets}_i + b_3 \text{ Seeking markets}_i + b_4 \text{ Seeking resources}_i + b_5 \text{ Escaping institutional constraints}_i + b_6 \text{ Firm age}_i + b_7 \text{ Firm size}_i + b_8 \text{ R\&D}_i + b_9 \text{ Private enterprise}_i + b_{10} \text{ Industry}_i + e_i$

Empirical results

Descriptive statistics and correlations

Descriptive statistics are presented in Table 3. Approximately 44% of observations in this sample have internationalized. Additionally, 4.5% of observations have internationalized into least developed countries, 13.6% into emerging countries, and 26.1% into developed countries. Fifty-six per cent of observations have no international entries. Motivations to internationalize and public policy support have means near zero and standard deviations near 1 as a result of principal component analysis with varimax rotation. Approximately 10% of observations have Sino-foreign joint ventures (bundling). On average, observations are 17 years old. Fifty-five per cent of observations have less than 500 employees. About 23% of observations have invested 10% or more in R&D out of total sales. Eighty-four percent of observations are private enterprises.

Based on bivariate correlations, international location in least developed countries is correlated with seeking markets (+), seeking resources (+), firm age (+), firm size (+), and

public policy support (+). International location in emerging countries is correlated with

seeking brand assets (+), bundling (-), firm age (+), firm size (+), private enterprise (-), and

public policy support (+). International location in developed countries is correlated with

seeking technology (+), seeking brand assets (+), seeking resources (-), escaping institutional

constraints (+), firm age (+), firm size (+), private enterprise (-), and public policy support

(+). Internationalization is correlated with seeking technology (+), seeking brand assets (+),

seeking resources (-), bundling (-), firm age (+), firm size (+), R&D (+), private enterprise (-),

and public policy support (+).

All Pearson bivariate correlations are presented in Table 4.

[Insert Tables 3 and 4 here]

First-stage Heckman: The effect of motivations on the internationalization of EM MNEs

Models 1 to 3 in Table 5 include the effect of motivations on the internationalization of

Chinese MNEs. In all 3 models, seeking technology is positively related to

internationalization (0.172, p<0.001). This result provides support to H1a. Additionally, in

those 3 models, seeking brand assets is positively associated with internationalization (0.148,

p < 0.006). This finding provides support to H2a. Seeking resources and efficiency is

significantly related to internationalization but with an opposite sign as expected (-0.13, p<

0.012). This result lends no support to H4a and the finding is unexpected. Escaping

institutional constraints is positively related to internationalization with a one-tailed test

(0.07, p < 0.10). This result provides support to H5a. Lastly, in all these models, seeking

markets is not significantly related with internationalization (0.03, p>0.10) lending no support

to H3a.

Of the control variables, bundling, firm size, private enterprise and public policy support

are significantly related to internationalization. Bundling shows an unexpected negative

relation with internationalization (from -0.294 to -0.368, from $p < 0.025$ to $p < 0.092$). Firm size has a positive association with internationalization (0.278, $p < 0.000$). Private enterprise has a negative relationship with internationalization (-0.37, $p < 0.025$), while public policy support has a positive association with internationalization (from 0.232 to 0.247, $p < 0.000$).

[Insert Table 5 here]

Second-stage Heckman: The effect of motivations on international location

Table 6, models 1 to 3, include the effect of motivations on the international location of Chinese MNEs. In these models, we can observe that seeking technology effects on international location vary according to the group of countries under study. Seeking technology, in model 3, has a positive effect on international location in developed countries (0.175, $p < 0.005$). However, in models 1 and 2, seeking technology is negatively associated with international location in least developed countries (-0.177, $p < 0.032$) and emerging countries (-0.137, $p < 0.09$). Altogether, these results support H1b.

In model 3, seeking brand assets has an expected positive but not significant relationship with international location in developed countries (0.087, $p > 0.10$). In model 1, however, seeking brand assets is negatively related with international location in least developed countries (-0.203, $p < 0.04$) as expected. Seeking brand assets and international location in emerging countries are not significantly related (0.013, $p > 0.10$). These results partially support H2b.

Seeking markets, in model 1, is positively and significantly related with international location in least developed countries, one-tailed test (0.15, $p < 0.085$). However, seeking markets is not significantly related neither with location in emerging countries (-0.007, $p > 0.10$) nor with location in developed countries (-0.054, $p > 0.10$). These results partially support H3b.

Seeking resources and efficiency, in models 1 and 2, is positively associated with international location in least developed countries (0.21, p < 0.011) and with international location in emerging countries (0.096, p < 0.08, one-tailed test). In model 3, seeking resources is negatively related to international location in developed countries (-0.163, p < 0.012). Altogether, these findings support H4b.

Escaping institutional constraints, in model 3, is positively related to international location in developed countries (0.127, p < 0.047). As expected, in model 1, escaping institutional constraints is negatively associated with international location in least developed countries (-0.206, p < 0.035). Escaping institutional constraints is not significantly related to international location in emerging countries (-0.046, p > 0.10). These results support H5b. Table 7 provides a summary of which hypotheses are supported, partially supported or not supported.

Of the control variables, firm size is negatively related with international location in least developed (-0.159, p < 0.061, one-tailed test) and emerging countries (-0.216, p < 0.015); however, firm size is positively associated with international location in developed countries (0.229, p < 0.000). R&D is positively related with international location in emerging countries (0.094, p < 0.09, one-tailed test). Private enterprise is positively associated with international location in least developed countries (0.551, p < 0.025). Industry effects also vary depending on the international location. Construction industry is positively associated with international location in least developed countries, while transportation, warehouse and telecommunications are positively related with location in developed countries. Table 6 provides more details.

All models are statistically significant. Rho that represents the correlation between u and e is high in models 1 to 3 (-0.707, -0.643, 0.789, respectively). Lambda, a function of rho, is statistically significant in models 1 (-0.88, p < 0.085) and 3 (1.07, p < 0.057). Wald test of

independent equations (equation 1 and equation 2), in line with lambda, indicates that the null

hypothesis of independent equations is rejected in models 1 and 3. These indicators reflect

the importance of the Heckman two-stage estimation for sample-selection bias correction.

[Insert Table 6 here]

[Insert Table 7 here]

Discussion and conclusions

The present research assesses variations of motivations when studying international location

decisions of EM MNEs. Specifically, we formulate hypotheses about the impact of seeking

strategic assets, seeking markets, seeking resources and efficiency, and escaping institutional

constraints on EM MNEs international location in least developed, emerging and developed

countries. We test our hypotheses in the context of Chinese firms and use a unique data set of

693 observations. Our results, corrected by Heckman sample selection bias, reveal that EM

MNEs are motivated to internationalize when seeking technology, brand assets, and

resources, and when escaping institutional constraints at home. Specifically, EM MNEs are

motivated to enter developed countries in their search for technology and to escape

institutional constraints at home. While seeking brand assets motivate firms to

internationalize, it does not affect EM MNEs decision to choose an international location.

Seeking markets and resources motivate EM MNEs to enter least developed countries.

Seeking resources also motivate EM MNEs to venture into emerging countries. These results

are net of the effect of control variables (bundling, firm age and size, R&D, private

enterprise, public policy support and industries).

Theoretical implications

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The current study contributes to the OLI framework by providing nuances of the variety of motivations -in the context of EM MNEs- when selecting international locations in least developed, emerging and developed countries. In what follows we organize the theoretical implications of the key findings from this study. First, seeking technology motivates EM MNEs not only to internationalize but also to locate in developed countries as opposed to least developed or emerging countries. This finding confirms what the OLI framework proposes about the positive role of technology motivations not only for internationalization but for location in countries rich in technological assets (Cui et al., 2017). These findings align with the literature suggesting that EM MNEs expand into developed countries in the input market (rather than the product market) in order to obtain sophisticated technology (Cuervo-Cazurra, 2012; Madhok & Keyhani, 2012).

Second, seeking brand assets, as expected, motivates EM MNEs to internationalize and - when EM MNEs are international- to choose least developed countries less. What is interesting, however, is that seeking brand assets does not significantly motivate EM MNEs in our sample to locate in developed countries. OLI and the literature on EM MNEs propose that these firms will choose developed countries when seeking brand assets (Biediger et al., 2005; Rui & Yip, 2008; Yamakawa et al., 2008); however, our empirical findings do not support this proposition. The theoretical arguments suggest that EM MNEs internationalize to developed countries in search of upgrading their strategic assets and capabilities and exploring new strategic assets that they lack (Buckley et al., 2016; Lai et al., 2015; Luo & Tung, 2007, 2018; Paul & Benito, 2018). Our findings, however, only support that EM EMNEs are more likely to seek technological assets than brand assets in developed countries. Our results indicate that Chinese MNEs internationalize to developed countries because they are motivated to acquire overseas assets with intellectual property rights, acquire an overseas

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R&D team, acquire overseas R&D management experience, and make use of overseas highly skilled human resources.

Third, EM MNEs tend to be more motivated to seek markets in least developed countries, as opposed to developed markets. In least developed countries, EM MNEs can exploit current resources and capabilities such as political skills or networking that they have built in their home country over the years when growing their market nationally and navigating the local political landscape (Chen et al., 2018). Such resources and capabilities are relevant when locating in least developed countries operating under political uncertainties (Cuervo-Cazurra & Genc, 2008).

Fourth, seeking resources and efficiency has an unexpected negative effect on internationalization. Interestingly, in our sample of analysis, EM MNEs are less motivated than domestic firms to seek overseas resources (overseas low-cost labor, overseas energy and raw materials, overseas parts supply). We consider this finding to be a possible indication of inward internationalization within emerging countries, which according to Luo and Tung (2018) is the beginning of an upward spiral to springboard. According to Satta, Parola, and Persico (2014), inward internationalization is important to improve EM MNEs' outward internationalization.

However, our more fine-grained analysis (differentiating between least developed, emerging, and developed economies) indicate that EM MNEs are motivated to seek resources and efficiency in least developed or emerging countries as opposed to developed countries. These findings confirm Chinese EM MNEs expand overseas in search of natural resources (Jain et al., 2016; Kang & Jiang, 2012). Especially, Chinese EMNEs locate in countries with a combination of large natural resources, and lower cost of labor (Buckley et al., 2007). Thus, our findings support recent research suggesting that efficiency seeking (lower labor costs) is

an important determinant for Chinese companies to expand to least developed or emerging

markets (Ma, Xu, Zeng, & Wang, 2020).

Fifth, escaping institutional constraints influences the internationalization of EM MNEs

and their location choice. In particular, our empirical findings demonstrate that escaping

institutional constraints motivates EM MNEs to locate in developed countries as opposed to

least developed or other emerging countries. These results provide empirical support to the

proposition of Deng (2009). Our study is in line with previous research that has posited that

EM MNEs are pushed by the difficult regulative environment in emerging market and pulled

by the amicable institutional framework in developed countries (Kim & Aguilera, 2016; Peng

et al., 2008; Stoian & Mohr, 2016; Yamakawa et al., 2008). Our findings also provide support

to the springboard perspective (Kumar et al., 2020; Luo & Tung, 2007, 2018) which suggests

that, facing institutional and market constraints at home, EM MNEs use outward foreign

direct investment as a springboard to aggressively internationalize into developed countries.

Sixth, our results related to control variables, indicate that, larger EM MNEs are more

likely to internationalize, and when doing so, larger EM MNEs enter developed countries as

opposed to least developed or emerging countries. Another control variable result indicates

that R&D drives international decisions to locate in emerging countries. These results

corroborate the significant role of firm-specific advantages that EM MNEs exploit when

internationalizing (Cuervo-Cazurra & Genc, 2008; Guillen & Garcia-Canal, 2009;

Ramamurti, 2012). Our control variables results also show that public policy support is a

driver of internationalization, and that private enterprise is inversely related to

internationalization. In other words, EM MNEs owned or controlled by the state are more

likely to internationalize. Results also indicate that private enterprises tend to enter least

developed countries. These findings contribute to the growing body of literature focused on

the role of home governments in the internationalization of EM MNEs (e.g., Liu et al., 2013; Luo et al., 2010).

Finally, our control variable results also show that bundling is negatively related to internationalization. While Hennart (2009, 2012) proposes that bundling is a key mechanism for EM MNEs to internationalize, our findings indicate the opposite. We consider that at the time of the survey data collection -2013- Chinese sampled firms with bundling are mostly focused in their domestic market, and perhaps, if we were to collect data in 2020, we may be able to observe a positive effect of bundling as proposed by Hennart (2009, 2012). Also, in our measure of bundling, we are not able to discern whether the Sino-foreign joint venture has been signed with an international firm from a developed country. If we were to have this information, we may have been able to find a positive effect of bundling on the internationalization of emerging market firms. Lastly, we measure bundling focusing on joint ventures; however, it may be the case that Chinese firms may be appropriating the great majority of profits through other contractual relationships with international firms from developed countries -as suggested by Hennart (2009, 2012). Again, in this situation, we may have been able to observe a positive sign of bundling.

Managerial implications

Our research indicates that managers of EM MNEs have a certain logic for internationalization, especially when choosing an international location. This logic is based on desired goals (motivations), institutional constraints at home, assets currently possessed, and government related factors (public policy support and state ownership). Thus, EM MNE behavior related to internationalization seems not disparate, but predictable.

Our findings provide important implications for managers of EM MNEs. The findings indicate that EM MNEs appear to be motivated to internationalize into developed countries in

order to upgrade their technological capabilities and to escape institutional constraints at home. Another finding indicates that firm size affects the location of EM MNEs in developed countries. EM MNEs are encouraged to continue to build assets and - as suggested by Dierickx and Cool (1989) - should adhere to a set of consistent policies over a period of time and make appropriate choices in terms of strategic expenditures (e.g., inputs). In this way, EM MNEs should build assets which are critical to internationalization.

Our results also reveal that EM MNEs internationalize into least developed economies to seek markets (avoid industry restrictions in China, expand sales in international markets, avoid the saturated domestic market) and seek resources (overseas low-cost labor, overseas energy and raw materials, overseas parts supply), and that this internationalization tends to be done by smaller and private firms. Managers of EM MNEs should leverage their 'nontraditional' capabilities (e.g., political and networking capabilities, dealing with uncertain institutional environments) and continue to expand into growing less developed markets.

Limitations and future research lines

As with all research, this study has limitations that can serve as avenues of future exploration. A promising research line is to focus on the performance implications of the foreign location decisions of EM MNEs. Because our focus in this study was on the motives and location choice of internationalization, we did not venture into examining companies' performance. However, this is an area about which we still know little (Surdu & Mellahi, 2016). In recent research on the performance of Chinese multinationals, Rugman, Nguyen, and Wei (2016) suggested that their performance is poor relative to their global peers. Rugman et al.'s study focused on large manufacturing firms only and examined financial performance (e.g., net profit margin, return on assets). Further research is needed in order to understand the

performance of EM MNEs across different industry types and firm sizes, and closer

consideration is warranted for a broader set of performance metrics that account for the

diversity of company objectives and institutional environments of emerging-market firms.

For instance, it may be that EM MNEs underperform on traditional financial performance,

but achieve other goals (e.g., political goals, social impact, etc.). Therefore, we suggest that

performance in consideration of context and goals is an important future line of inquiry.

Future research can shed light on how managers' characteristics, such as managerial

knowledge and international experience, influence foreign location decisions, and the

performance implications of managers' characteristics. In the current study, we did not argue

theoretically nor have data about manager-specific variables. However, research has

suggested that scholars move from the study of 'factors to actors' (Barkema & Shvyrkov,

2007; Surdu & Mellahi, 2016). The literature on international entrepreneurship provides a

fruitful point of departure for such an inquiry (Alon & Rottig, 2013; Alon et al., 2013). Thus,

we hope to see more studies that consider the interplay of firm-specific and manager-specific

variables that affect internationalization and the performance of EM MNEs.

While our findings show a clear difference in the motivations that lead to location choice

in least developed vs. developed economies, the results are not as clear for location in

emerging countries. While we theorized that seeking markets would be a strong motivation

for EM MNEs to enter emerging countries, our results did not support that proposition. Our

results only show that EM MNEs locate in emerging countries to seek resources (significant

at one-tailed test), to exploit R&D capabilities (significant at one-tailed test), or because they

are smaller firms. Future research needs to further study why, how and under what conditions

EM MNEs internationalize into other emerging countries. For instance, future studies can

disentangle which capabilities can facilitate EM MNEs market seeking motivations when

internationalizing into emerging or developed countries. Additionally, there is anecdotal

evidence that indicates that EM MNEs have been banned to enter in developed countries (e.g., Australia and Canada) with seeking natural resources motivations. Future research should collect systematic data and study the relationship between EM MNEs seeking resources and internationalization in developed countries[5].

While our results show significant associations between motivation data and international location, our motivation data may have few limitations that future research should resolve. The survey question "which of the following factors will be the driving force for your company to expand overseas" asks internationalization intention in the future. Ideally, while we consider that obtaining this data may be difficult, future research should collect motivation data related to the year of entry in a particular international country. Additionally, the motivation question in the survey refers to expansion which may encompass different entry modes. Future research -when collecting survey data - should be more specific and ask for motivations related to different entry modes.

Lastly, as our results are based on a sample of Chinese firms, we caution the generalizability of our findings to other EM MNEs. China may be an outlier of emerging markets and future research is encouraged to replicate this study using data from MNEs from other emerging markets. It will be particularly interesting to observe which future findings are different from the results of this study. Specifically, it may be the case that MNEs from other emerging countries do not internationalize in the same proportion as Chinese MNEs into least developed countries.

Conclusion

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[5] We thank an anonymous reviewer for suggesting future studies that link market seeking motivations and capabilities, and research that relates EM MNEs seeking resources in developed countries.

In this study we examine the effect of motivations on the international location of EM MNEs. We find that, in the context of Chinese EM MNEs, firms are motivated to enter least developed countries to seek markets as well as resources and efficiency (low labor costs). We also find that EM MNEs enter emerging countries to seek resources, and that these firms enter developed countries in their search for technological assets and to escape institutional constraints at home. Our research provides a nuanced understanding about how different motivations impact international location choice in least developed, emerging, and developed economies.

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Table 1. Firms' characteristics by industry (n = 693 observations)

2-digit NAICS Sector	Sector Description	(%)
22	Electric, Gas, and Sanitary Services	3.46
23	Construction	4.04
31	Manufacturing	64.65
42, 44, 45	Wholesale and Retail Trade	11.11
48–49	Transportation, Warehouse, and Telecommunications	0.72
51	IT	2.45
53	Real Estate, and Leasing and Business Services	2.31
-	Other Services	11.26
Total		**100.00**

Note: NAICS = North American Industry Classification System

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Table 2. Operationalization of variables

Variable	Operationalization	Measurement
International location	International entry. Countries are classified based on the World Economic Outlook and United Nations. See Methodology section for more details.	1: Least developed countries; 2: Emerging countries; 3: Developed countries
Internationalization	Whether the business operates domestically or internationally	0: Only domestic operations; 1: International
Seeking technology	Four items used: - Acquire overseas assets with intellectual property rights - Acquire overseas R&D team - Acquire overseas R&D management experience - Make use of overseas highly skilled human resources	Scale from 1: Not important to 5: Very important. Factor used from the result of principal components analysis, varimax rotation. Cronbach's alpha for this factor is 0.912.
Seeking brand assets	Three items used from the question, 'Which of the following factors will be the driving force for your company to (further) expand overseas?': - Upgrade own brand in international markets - Upgrade own brand in domestic market - Acquire brand management experience	Scale from 1: Not important to 5: Very important. Factor used from the result of principal component analysis, varimax rotation. Cronbach's alpha for this factor is 0.908.
Seeking markets	Four items used: - Expand upstream and downstream industry chain - Avoid industry restriction in China - Expand sales in international market - Avoid the saturated domestic market	Scale from 1: Not important to 5: Very important. Factor used from the result of principal component analysis, varimax rotation. Cronbach's alpha for this factor is 0.809.
Seeking resources and efficiency	Three items used: - Make use of overseas low-cost labour - Acquire overseas energy and raw materials - Acquire overseas parts supply	Scale from 1: Not important to 5: Very important. Factor used from the result of principal component analysis, varimax rotation. Cronbach's alpha for this factor is 0.8307.
Escaping institutional constraints	Three items used: - Take advantage of overseas financing mechanism - Take advantage of overseas infrastructure - Make use of overseas legal environment	Scale from 1: Not important to 5: Very important. Factor used from the result of principal component analysis, varimax rotation. Cronbach's alpha for this factor is 0.905.
Bundling	Current joint venture in China with a foreign company	1: Sino-foreign joint venture; 0: otherwise
Firm age	The year when the company was founded was subtracted from the year of data collection.	Years
Firm size	What is the total number of employees in 2012?	1: <100; 2: 100–499; 3: 500–999; 4: 1,000–9,999; 5: 10,000+
R&D	What is the ratio of R&D investment to total sales revenue in 2012?	1: 0%; 2: <5%; 3: 5–9%; 4: 10–19%; 5: >20%
Private enterprise	What is the corporate ownership of your company?	0: SOE (includes State-owned or State-controlled); 1: Private enterprise
Public policy support	Three items used: - Make use of 'going global' policy-related incentives - Take advantage of preferential investment policies in host country - Take advantage of bilateral trade or investment treaty	Scale from 1: Not important to 5: Very important. Factor used from the result of principal component analysis, varimax rotation. Cronbach's alpha for this factor is 0.882.
Industry	What is the industry section of your company's main business in China?	Dummy: 22: electric, gas, and sanitary services; 23: construction; 31: manufacturing (base); 42, 44, 45: wholesale and retail trade; 48, 49: transportation, warehouse, and telecommunications; 51: IT; 53: real estate and leasing and business services; 99: other services

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Table 3. Descriptive statistics (n = 693 observations)

Variable	Mean	Standard deviation	Min	Max
1. International location in:				
- Least developed countries	0.045	0.207	0	1
- Emerging countries	0.136	0.343	0	1
- Developed countries	0.261	0.440	0	1
2. Internationalization	0.442	0.497	0	1
3. Seeking technology	0.013	1.017	-3.443	2.951
4. Seeking brand assets	0.017	1.013	-4.010	3.127
5. Seeking markets	0.027	1.008	-2.949	3.365
6. Seeking resources and efficiency	-0.017	1.021	-3.138	2.417
7. Escaping institutional constraints	0.001	1.015	-4.434	3.524
8. Bundling	0.101	0.302	0	1
9. Firm age	17.632	13.172	2	77
10. Firm size				
- Less than 500 employees	0.551	0.498	0	1
- 500–999 employees	0.157	0.364	0	1
- 1,000–9,999 employees	0.225	0.418	0	1
- 10,000+ employees	0.066	0.249	0	1
11. R&D				
- 0%	0.186	0.390	0	1
- <5%	0.291	0.455	0	1
- 5–9%	0.290	0.454	0	1
- 10–19%	0.137	0.344	0	1
- 20%+	0.095	0.294	0	1
12. Private enterprise	0.841	0.366	0	1
13. Public policy support	0.011	1.006	-2.866	3.183

Table 4. Correlation matrix (n = 693 observations)

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. International location in least developed countries	1														
2. International location in emerging countries	-.086 (.024)	1													
3. International location in developed countries	-.129 (.001)	-.236 (.000)	1												
4. Internationalization	.243 (.000)	.446 (.000)	.669 (.000)	1											
5. Seeking technology	-.034 (.366)	.016 (.68)	.177 (.000)	.153 (.001)	1										
6. Seeking brand assets	-.035 (.363)	.087 (.023)	.109 (.004)	.141 (.000)	-.012 (.759)	1									
7. Seeking markets	.121 (.001)	.044 (.252)	-.03 (.435)	.054 (.154)	.009 (.808)	.004 (.918)	1								
8. Seeking resources and efficiency	.085 (.025)	.012 (.761)	-.186 (.000)	-.121 (.002)	-.018 (.639)	.003 (.934)	.005 (.897)	1							
9. Escaping institutional constraints	-.056 (.141)	-.013 (.729)	.077 (.042)	.036 (.346)	.015 (.700)	-.012 (.744)	.030 (.43)	.014 (.709)	1						
10. Bundling	-.049 (.194)	-.091 (.017)	-.014 (.713)	-.096 (.012)	.017 (.647)	.019 (.625)	-.057 (.131)	.022 (.569)	.082 (.031)	1					
11. Firm age	.123 (.001)	.084 (.026)	.092 (.015)	.191 (.000)	.059 (.121)	.111 (.003)	.091 (.016)	-.025 (.514)	-.029 (.446)	-.083 (.029)	1				
12. Firm size	.069 (.069)	.104 (.006)	.268 (.000)	.337 (.000)	.107 (.005)	.117 (.002)	.024 (.529)	-.109 (.004)	-.024 (.524)	.031 (.416)	.449 (.000)	1			
13. R&D	-.032 (.394)	.058 (.125)	.054 (.153)	.075 (.049)	.124 (.001)	.024 (.533)	.055 (.148)	.013 (.734)	.066 (.082)	.162 (.000)	.092 (.015)	.227 (.000)	1		
14. Private enterprise	-.040 (.296)	-.162 (.000)	-.074 (.05)	-.194 (.000)	-.032 (.396)	-.114 (.003)	-.071 (.061)	-.044 (.246)	.077 (.042)	.106 (.005)	-.389 (.000)	-0.268 (.000)	-.053 (.167)	1	
15. Public policy support	.145 (.000)	.135 (.000)	.089 (.019)	.232 (.000)	.008 (.833)	-.018 (.633)	.006 (.875)	.018 (.632)	-.013 (.732)	-.137 (.000)	.060 (.114)	.148 (.000)	.115 (.002)	-.028 (.467)	1

Note: p-values are between parentheses

Table 5. First-stage Heckman: The effect of motivations on the internationalization of EM MNEs

Independent Variable	Model 1 First-stage dependent variable: Internationalization		Model 2 First-stage dependent variable: Internationalization		Model 3 First-stage dependent variable: Internationalization	
	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value
Seeking technology	0.174	0.001	0.172	0.001	0.174	0.001
Seeking brand assets	0.148	0.006	0.149	0.006	0.149	0.005
Seeking markets	0.033	0.554	0.035	0.534	0.030	0.592
Seeking resources and efficiency	-0.134	0.012	-0.131	0.011	-0.132	0.010
Escaping institutional constraints	0.074	0.154	0.071	0.165	0.067	0.184
Bundling	-0.294	0.092	-0.368	0.028	-0.346	0.025
Firm age	-0.001	0.806	-0.002	0.743	-0.002	0.690
Firm size	0.278	0.000	0.278	0.000	0.279	0.000
R&D	-0.034	0.487	-0.031	0.525	-0.030	0.539
Private enterprise	-0.373	0.023	-0.381	0.025	-0.379	0.025
Public policy support	0.247	0.000	0.232	0.000	0.241	0.000
Electric, gas, and sanitary services	-0.269	0.323	-0.272	0.313	-0.281	0.298
Construction	0.254	0.365	0.253	0.370	0.229	0.415
Wholesale and retail trade	0.076	0.666	0.069	0.697	0.077	0.664
Transportation, warehouse, and telecommunications	-0.164	0.826	-0.185	0.803	-0.174	0.815
IT	0.006	0.983	0.005	0.986	0.002	0.996
Real estate, and leasing and business services	0.458	0.141	0.462	0.142	0.469	0.137
Other services	-0.400	0.041	-0.415	0.036	-0.410	0.036
Constant	-0.414	0.109	-0.395	0.138	-0.402	0.133
n	693		693		693	

Note: Method used: heckprobit regression with robust standard errors in stata.

Table 6. Second-stage Heckman: The effect of motivations on the international location of EM MNEs

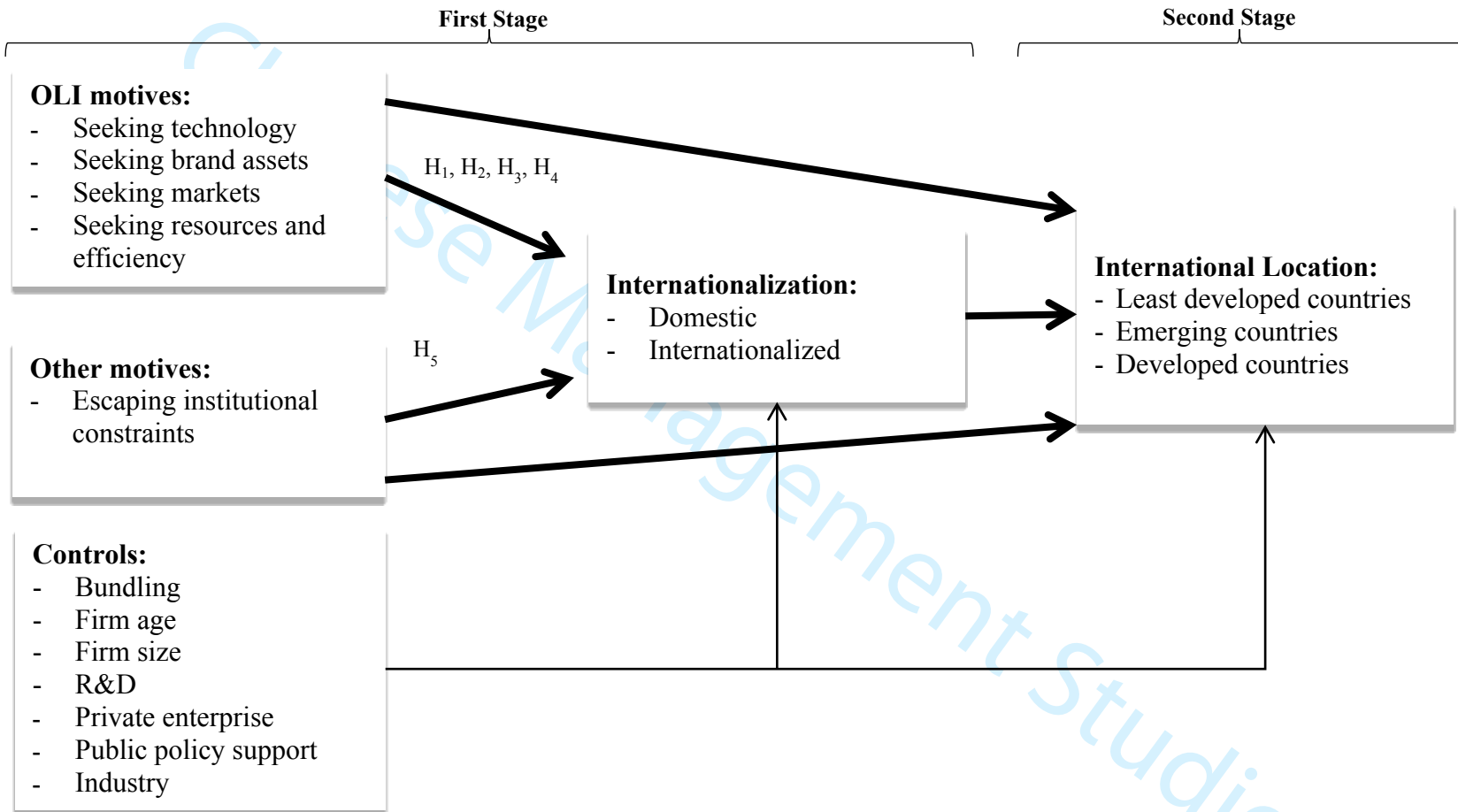| Independent Variable	Model 1 Second-stage dependent variable: International location in least developed countries		Model 2 Second-stage dependent variable: International location in emerging countries		Model 3 Second-stage dependent variable: International location in developed countries	
	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value
Seeking technology	-0.177	0.032	-0.137	0.090	0.175	0.005
Seeking brand assets	-0.203	0.040	0.013	0.896	0.087	0.212
Seeking markets	0.150	0.170	-0.007	0.921	-0.054	0.441
Seeking resources and efficiency	0.210	0.011	0.096	0.160	-0.163	0.012
Escaping institutional constraints	-0.206	0.035	-0.046	0.529	0.127	0.047
Firm age	0.003	0.669	0.003	0.682	-0.005	0.366
Firm size	-0.159	0.121	-0.216	0.015	0.229	0.000
R&D	-0.074	0.496	0.094	0.180	-0.028	0.665
Private enterprise	0.551	0.025	-0.209	0.371	-0.087	0.612
Electric, gas, and sanitary services	0.555	0.201	0.371	0.357	-0.557	0.149
Construction	0.870	0.034	-0.643	0.047	-0.085	0.779
Wholesale and retail trade	0.025	0.930	0.144	0.575	-0.091	0.689
Transportation, warehouse, and telecommunications	-4.436	0.014	-4.307	0.037	4.314	0.032
IT	-5.078	0.002	-0.603	0.278	0.591	0.252
Real estate, and leasing and business services	0.426	0.318	-1.065	0.024	0.391	0.259
Other services	-4.795	0.006	-0.035	0.931	0.120	0.728
Constant	-0.511	0.476	0.591	0.344	-0.864	0.025
Lambda (selection parameter)	-0.88	0.085	-0.763	0.292	1.07	0.057
Selected n	306		306		306	
Wald X^2	55.71	0.000	64.80	0.000	63.46	0.000
Log pseudolikelihood	-473.105		-572.559		-583.298	
Rho	-0.707		-0.643		0.789	
Wald test of independent equations X^2	2.96	0.085	1.11	0.292	3.62	0.057

Note: Method used: heckprobit regression with robust standard errors in stata.

Table 7. Summary of hypotheses and results

Hypotheses	Results	Support
H1a: Seeking technology is positively related to the internationalization EM MNEs	+	Supported
H1b: Seeking technology is positively related to the international location of EM MNEs in developed countries and it is negatively related to the international location of EM MNEs in least developed or other emerging countries	+, -, -	Supported
H2a: Seeking brand assets is positively related to the internationalization EM MNEs	+	Supported
H2b: Seeking brand assets is positively related to the international location of EM MNEs in developed countries and it is negatively related to the international location of EM MNEs in least developed or other emerging countries	n.s., -, n.s.	Partially supported
H3a: Seeking markets is positively related to the internationalization of EM MNEs	n.s.	Not supported
H3b: Seeking markets is positively related to the international location of EM MNEs into least developed or other emerging countries and it is negatively related to the international location of EM MNEs in developed countries	+, n.s., n.s.	Partially supported
H4a: Seeking resources and efficiency is positively related to the internationalization of EM MNEs	-	Not supported
H4b: Seeking resources and efficiency is positively related to the international location of EM MNEs into least developed or other emerging countries, and it is negatively related to the international location of EM MNEs in developed countries	+, +, -	Supported
H5a: Escaping institutional constraints is positively related to the internationalization of EM MNEs	+	Supported
H5b: Escaping institutional constraints is positively related to the international location of EM MNEs into developed countries, and it is negatively related to the international location of EM MNEs in least developed or other emerging countries	+, -, n.s.	Supported

Notes: n.s. is the acronym for not significant.

Figure 1. Motivations of EM MNEs to internationalize into least developed, emerging, and developed countries

First Stage | Second Stage

OLI motives:
- Seeking technology
- Seeking brand assets
- Seeking markets
- Seeking resources and efficiency

H_1, H_2, H_3, H_4

Internationalization:
- Domestic
- Internationalized

H_5

International Location:
- Least developed countries
- Emerging countries
- Developed countries

Other motives:
- Escaping institutional constraints

Controls:
- Bundling
- Firm age
- Firm size
- R&D
- Private enterprise
- Public policy support
- Industry

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Appendix 1. List of countries entered by EM MNEs in the sample

Least developed countries	Emerging countries	Developed countries
Angola, Bangladesh, Cambodia, Congo, Equatorial Guinea, Ethiopia, Guinea, Lao, Liberia, Madagascar, Mozambique, Myanmar, Sierra Leone, South Sudan, Sudan, Tanzania, Togo, Yemen	Algeria, Argentina, Belarus, Bolivia, Botswana, Brazil, British Virgin Islands, Brunei, Bulgaria, Chile, Colombia, Cote d'Ivoire, Ecuador, Egypt, Georgia, Ghana, India, Indonesia, Jordan, Kazakhstan, Kenya, Kirghizstan, Kuwait, Macao, Malaysia, Mauritius, Mexico, Mongolia, Nigeria, North Korea, Pakistan, Poland, Qatar, Russia, Saudi Arabia, Serbia, South Africa, Sri Lanka, Tajikistan, Thailand, Turkey, United Arab Emirates, Uzbekistan, Vietnam, Zimbabwe	Australia, Belgium, Canada, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Italy, Japan, Netherlands, New Zealand, Singapore, South Korea, Spain, Sweden, Switzerland, UK, US