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Three Essays on Chinese Outward Investment

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THREE ESSAYS ON CHINESE OUTWARD INVESTMENT

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THREE ESSAYS ON CHINESE OUTWARD INVESTMENT

By

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ABSTRACT

THREE ESSAYS ON CHINESE OUTWARD INVESTMENT

Empirical research and theory development have traditionally focused on Western MNEs. The rise of multinational firms from the emerging markets, particularly MNEs from China has attracted limited empirical research attention. In the current research, I attempt to fill this gap by exploring the entry modes strategies, motivation and government interference when Chinese MNEs go abroad. Early international business theories suggested that firms invest abroad on the basis of possessing certain-firm specific competitive advantages. By leveraging these existing firm-specific advantages overseas, firms are able to generate sufficient returns to overcome the “liability of foreignness”. These early FDI theories were largely based on the experiences of western multinationals. In contrast to this perspective, Chinese MNEs appear to invest in both developing countries and advanced industrialized nations where they typically lack of competitive advantages.

My first essay explores the location choice of Chinese outward investment from both asset-exploitation and asset-exploration perspectives. I find that Chinese MNEs with aggressive market-seeking motives tend to invest in advanced industrialized nations, while Chinese MNEs with defensive market-seeking motives tend to invest in developing nations or newly industrialized nations. The results also show that Chinese MNEs tend to invest in advanced industrialized nations to acquired advanced technology.

In the second essay I explore diversification mode choices from asset-exploitation/exploration and organizational learning perspectives. I find that Chinese MNEs with aggressive market-seeking motives are more likely to choose Greenfield overseas investments,

while those Chinese firms with defensive market-seeking motives are more likely to choose acquisitions. The results also show that Chinese MNEs with learning advanced management skills and acquiring advanced technology tend to enter foreign markets through acquiring existing overseas firms.

In the last essay I explore the impact of ownership type on the international performance of Chinese MNEs. China is characterized by three ownership types, SOEs, POEs and COEs. POEs are owned and operated by the central government. Because Chinese COEs possess both social network ties with the government while maintaining corporate entrepreneurial orientations, COEs typically have better international performance than either Chinese POEs or SOEs.

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THREE ESSAYS ON CHINESE OUTWARD INVESTMENT

INTRODUCTION

The purpose of this dissertation is to explore the influence of investment motives, location choice, diversification modes and ownership types on Chinese outward investment success. Early international business theories suggested that firms invest abroad on the basis of possessing certain-firm specific competitive advantages. By leveraging these existing firm-specific advantages overseas, firms are able to generate sufficient returns to overcome the “liability of foreignness”. These early FDI theories were largely based on the experiences of western multinationals. In contrast to this perspective, Chinese MNEs appear to invest in (1) developing countries where they have some type of competitive advantage over domestic firms, and (2) in advanced industrialized countries where they typically are less competitive in markets.

My first essay explores the location choice of Chinese outward investment from both asset-exploitation and asset-exploration perspectives. From assets-exploration perspective, I propose that Chinese MNEs with strategic assets-seeking motivations are more likely to invest advanced industrialized nations to acquire strategic assets, thereby compensating for a lack of competitive advantages. From assets-exploitation perspective, I propose that Chinese MNEs with market-seeking motivations are more likely to exploit their competitive advantages by investing in developing countries. I found that Chinese MNEs with aggressive market-seeking motive (seeking new markets) are more likely to invest in advanced industrialized nations, those Chinese MNEs with defensive market-seeking motives (avoiding saturated home markets and avoiding trade barriers) are more likely to invest in developing countries and newly industrialized markets. These results run counter to prior scholarship: the influence of defensive

and aggressive market-seeking motives on investment locations is different. Future research efforts should keep these differences in mind when examining the location decisions of Chinese MNEs' investment abroad.

In the second essay I explore diversification mode choices from asset-exploitation/exploration and organizational learning perspectives. The literature on the choice between acquisitions and Greenfield ventures has largely focused on transaction costs or firm/host country characteristics. Few studies explore diversification mode choice from a strategic motive perspective. Why a firm invests in a foreign market is considered to be a firm's strategic motive; it plays an important role in formulating a firm's diversification mode strategy. In this essay I propose that Chinese MNEs entering foreign markets for market-seeking motives tend to prefer Greenfield investments; Chinese MNEs entering foreign markets for strategic asset-seeking motives tend to prefer acquisitions. Consistent with the first essay, the influence of aggressive and defensive market-seeking motives on modes choices is different. Chinese MNEs with aggressive market-seeking motives are more likely to select Greenfield investments, while those firms with defensive market seeking motive are more likely to select acquisition. Chinese MNEs with strategic assets-seeking motive are more likely to choose acquisitions.

In the last essay I explore the impact of ownership type on the international performance of Chinese MNEs. Privately owned enterprises (POEs) dominate developed economies. However, ownership patterns are much different in transitional economies than they are in developed countries. For instance, China is characterized by three ownership types, SOEs, POEs and COEs. SOEs are owned and operated by the central government. POEs are owned and operated by individual entrepreneurs. COEs fall between SOEs and POEs. COEs are subordinate to local governments, but owned and operated by workers or private cooperative organizations.

In the last essay, I propose that because Chinese COEs possess both social network ties with the government while maintaining corporate entrepreneurial orientations, COEs typically have better international performance than either Chinese POEs or SOEs.

ESSAY#1

THE LOCATION CHOICE OF CHINESE OUTWARD INVESTMENT

ASSET-EXPLOITATION V. ASSET-EXPLORATION

INTRODUCTION

Early international business (IB) theories suggested that firms invest abroad on the basis of possessing certain firm-specific competitive advantages (Kindleberger, 1969; Hymer, 1976; Caves, 1971; Vernon, 1966; Buckley & Casson, 1976; Dunning, 1995). By leveraging these existing firm-specific advantages overseas, firms are able to generate sufficient returns to overcome what is called “liability of foreignness” (Buckley and Ghauri, 1999; Zaheer, 1995; Buckley & Casson, 1976; Caves, 1982; Dunning, 1977, Hennart, 1982), the additional costs and risks associated with doing business in a foreign marketplace (Hymer, 1976; Kindleberger, 1969; Zaheer, 1995).

Examples of early scholarship include the work of Stephen Hymer (1976) who studied the international operations of the U.S. firms. Hymer (1976) suggested that foreign investment is undertaken by firms that possess certain types of monopolistic competitive advantages. It also includes Raymond Vernon’s (1966) work which used USA investment in Western Europe to construct the product life cycle theory (PLC). The PLC proposed that Multinationals extend existing know-how to developing countries in order to produce/sell low priced standardized products *only* at the standardization stage of the product cycle. Similarly Buckley and Casson (1976) examined over four hundred large manufacturing firms, from the United States, United Kingdom, Japan and Western Europe. Buckley and Casson (1976) concluded that the international configuration of a MNE depends on its’ firm-specific advantages. Thus, these early

FDI theories all (1) appear to be based exclusively upon the experiences of western multinationals and (2) assume that in order to invest abroad firms need to possess specific competitive advantages.

Do these theories apply to emerging market firms, more specifically to Chinese MNEs? At first glance, it appears they may not. Early FDI theories were based on the experience of western MNEs, and for that reason may not apply to emerging market firms. For instance, in contrast to the assumption of that firms need to possess specific competitive advantages prior to investing abroad, Chinese MNEs appear to invest in (1) developing countries where they have some type of competitive advantage over domestic firms, and perhaps more surprising, (2) in advanced industrialized countries where they typically lack a basis for sustainable competitive advantage (Deng, 2007; Luo and Tung, 2007). These observations lead me to propose that, although traditional FDI theories developed based on western MNEs may explain Chinese outward investment in developing countries, they do not explain why Chinese firms invest in advanced industrialized countries.

The theoretical prism used in this paper to examine Chinese outward FDI is based on the theory of *exploitation/exploration* first developed by March (1991) but expanded to the notion of *asset exploitation/exploration* by Makino, Lau and Yeh (2002). Makino et al. (2002) used the concepts of *asset* exploitation/exploration to examine the location choices of Taiwanese FDI. They hypothesized and found that Taiwanese firms with market-seeking motivations were more likely to invest in developed countries than in developing countries (except China and India). In contrast to their findings, I propose that Chinese MNEs with market-seeking motivations are more likely to invest in developing countries than in advanced industrialized countries.

From an *asset exploitation* perspective, FDI is viewed as a means to transfer proprietary assets across borders (Makino et al., 2002; Yiu, Lau and Bruton, 2007). Market-seeking FDI is considered to be one type of asset-exploiting investment (Narula & Dunning, 2000); firms with market-seeking motivations invest in host countries to exploit existing firm-specific advantages (Makino, et al., 2002). For reasons discussed later in this paper, Chinese MNEs lack the ability to exploit their advantages in advanced industrialized countries (Makino et al., 2002; Buckeley et al., 2007; Johanson and Vahlne, 1977). Thus, I propose that Chinese MNEs with market-seeking motivations are more likely to exploit their competitive advantages by investing in developing countries than by investing in advanced industrialized countries; this prediction differs from the Makino, et al. (2002) hypotheses.

From an *asset exploration* perspective, FDI is viewed as a means to acquire strategic assets (i.e. technology, marketing and management expertise) available in a host country (Makino et al., 2002; Luo and Tung, 2007; Yiu et al., 2007). Thus, an asset-exploration perspective contrasts with early FDI theories (Hymer, 1976; Vernon, 1966; Buckley and Casson, 1976). Firms lacking firm-specific advantages may still invest abroad in order to obtain strategic assets that remedy current firm competitive disadvantages (Child and Rodrigues, 2005). Strategic asset-seeking investment is a type of asset-exploring or asset-augmenting investment (Narula & Dunning, 2000); firms with strategic asset-seeking motivations invest in host countries to acquire strategic assets, thereby compensating for a lack of competitive advantage (Luo and Tung, 2007; Yiu et al., 2007). Since strategic assets tend to be concentrated in developed countries (Makino et al, 2002), I propose that Chinese MNEs with strategic asset-seeking motivations attempt to obtain strategic assets such as advanced technology, marketing and management expertise by investing in advanced industrialized countries.

Thus, this research project attempts to make two contributions to the FDI literature: (1) it predicts Chinese outward FDI in advanced industrialized nations, which can not be explained using the conventional FDI theories and (2) shows that Chinese MNEs are unlike NIC's MNEs (newly industrialized country-Taiwan) which Makino et al (2002) show follows the traditional pattern of market-seeking FDI into advanced industrialized countries.

LITERATURE REVIEW

Developing Countries MNEs' Foreign Investment

Past literature has tended to focus almost exclusively on how MNEs from developed countries go international. In contrast, relatively little research has examined the motivations of developing country MNEs investing in other developing countries. The few studies that do exist tend to focus on how firms from developing countries invest in other developing countries or "downstream countries" primarily when production costs in their home country made their products non-competitive, e.g. for cost reduction motives (e.g., Wells, 1977, 1983; Kumar and McLeod, 1981; Lall, 1983).

Second, the possibility that developing country firms invest internationally in order to seek strategic assets or technology has not attracted much attention in the literature (Wesson, 1999). One of exceptions is Makino, Lau and Yeh (2002) who found that Taiwanese firms' outward investment motivation had a significant influence on location choice. Firms were found to more likely invest in developed countries to seek strategic assets or while firms are more likely invest in developing countries for low cost labor-seeking purposes. Similarly, LeCraw (1993) found that Indonesian multinationals go abroad not only to exploit their existing ownership advantages but also to access and develop new competitive strength. Tsang and Yip

(2007) examined the FDI's hazard rates of Singapore firms and suggested that MNEs are likely to invest countries that are more developed than their own home countries for the opportunity of resource exploration. These studies provide initial evidence that developing country firms may invest in advanced industrialized countries for assets exploration.

The international expansion strategies of Chinese MNEs differ from the early internationalization activities of multinationals from the newly industrialized economies (e.g. Hong Kong, Taiwan, South Korea, and Singapore), their outward investment driven primarily by “push factors” such as appreciating currencies, rising labor shortages or small and saturated domestic markets (Luo and Tung, 2007; Lecaw, 1993). Chinese outward investments are more aggressive and primarily driven by the “pull factors” to secure critical resources, advanced technology or managerial expertise (Luo and Tung, 2007). Chinese multinationals systematically use international expansion as a springboard to acquire critical resources to compete their global rivals in both home and world markets (Luo and Tung, 2007). Many Chinese multinationals have reorganized their home production base and /or rebranded their homemade products after learning foreign acquiree's technologies and brands. Thus, Chinese MNEs still heavily relied on their home base as the primary manufacturing center.

Investment Motivations of Chinese MNEs

Based on prior international business literature (Dunning, 1993, 1995, 1998; Brouthers, Gao and McNicol, 2008), three general motivations (objectives) for MNEs to invest abroad exist: market-seeking, strategic asset-seeking and resource-seeking. Market-seeking FDI involves investing in a host country market in order to directly serve that market with local production and distribution (Dunning, 1998; Nachum and Zaheer, 2005). Dunning (1993) suggested that firms seek market expansion for a variety of reasons: expanding existing buyer-supplier relationships

in host countries; producing products close to local markets in order to reduce transportation costs; and avoiding tariff and non-tariff barriers. Resource-seeking FDI involves investing in a host country market in order to achieve cost-minimization motives by obtaining resources either too costly to obtain or unavailable in the home market (Nachum and Zaheer, 2005). Finally, the purpose of strategic asset-seeking investment is to obtain key strategic assets, such as technology, branding and/or organizational capabilities; their purpose is to enhance long-run competitive advantage for the firm (Makino et al., 2002).

A Chinese company may have multiple objectives for a given investment project. For instance, Lenovo acquired IBM's PC unit not only to obtain strategic assets, but also helped Lenovo to get into the US markets (Deng, 2009). Alternatively, motivations for FDI might also change as an enterprise becomes a more experienced investor (Child and Rodrigues, 2005; Deng, 2004). Initially, some Chinese firms may have invested abroad to acquire natural resources or to gain access to markets. However, with increased international operational experience, they may use investment activities as a means to improve their global market position by acquiring new sources of competitive advantage (Deng, 2004).

We exclude resource-seeking investment (labor-seeking FDI and raw materials seeking FDI) from the current study for two reasons. First, because China is considered to be a global production center with cheap labor resources, labor-seeking FDI is not a major motive for Chinese firms (Child and Rodrigues, 2005). Second, raw materials availability and low country risk are the primary determinants of raw-materials seeking FDI (Brouthers, O'Donnell, and Hadjimarcou, 2007); hence there is considerably less managerial choice involved in these decisions. Thus resource-seeking FDI is not included in the current study.

Asset-Exploitation vs. Asset-Exploration

From an organizational learning perspective, March (1991) suggests that exploration focuses on gaining new information to improve future returns while exploitation uses existing information to improve present returns. Compared to exploitation, exploration is more risky, but involves gaining new information and offers greater potential gains over the long-run (March, 1991).

FDI theories have emphasized firm-specific advantages or ownership advantages derived from the ownership of intangible assets such as technology, management skills, and organizational capabilities (Caves, 1971). When exploiting existing firm-specific advantages in foreign countries, firms need to generate enough returns to offset the additional costs/risks associated with doing business in a host country (Hymer, 1976). The advantages here are not the absolute level of ownership advantages, but the strength of the firms over other countries' firms (Dunning, 1993).

In contrast, from an exploration perspective, firms invest in foreign countries to acquire new competitive advantages. Exploring foreign markets allows firms to acquire strategic assets (such as advanced technology, brand equity, marketing expertise etc.) unavailable in the home nation market. One of the key strategic assets many companies, especially developing multinationals lacking is brand equity. One foreign acquisition can help developing MNEs' brand awareness and reputation in the world market. For instance, TCL, a leading Chinese color TV and cell phone maker, began to aggressively promote their brand in the world market in 2000. Although TCL is a consumer electronics leader in China, the brand "TCL" is only limited to Southeast Asia. In 2003, TCL merged with Thomson's TV and DVD operations, obtaining Thomson brand in European market and RCA brand in the U.S.

HYPOTHESES DEVELOPMENT

Market-seeking FDI

Market-seeking FDI is primarily considered as one type of asset-exploiting investment (Narula & Dunning, 2000); the investing company's primary purpose is to generate economic rents through the use of existing firm-specific advantages. Therefore, I suggest that Chinese MNEs with market-seeking motives tend to invest in foreign countries where they have a competitive advantage over local firms (and perhaps over some other foreign competitors as well).

Chinese MNEs have developed specific advantages that allow them to compete in the world markets (Buckley et al., 2007). These advantages include low-cost production (Child and Rodrigues, 2005) and prior familiarity with operating in emerging markets (Buckley et al., 2007). Chinese MNEs gain the capabilities to cope with home country conditions (such as uncertain economic development, lack of well established regulatory environment, and weak market-enhancing institutions). These capabilities can be leveraged in the similar foreign markets and become competitive advantages of Chinese MNEs. In advanced industrialized countries, Chinese MNEs lack the ability to exploit cheap labor (Makino et al., 2002) and as relative newcomers to world markets, the typical Chinese MNE has less experience operating in advanced industrialized countries than in developing countries (Buckley et al., 2007). Finally, extant theory suggests that early international investments of firms tend to occur in countries with cultural/economic development levels similar to the home country (Johanson and Vahlne, 1977; Tsang and Yip, 2007). For these reasons, we hypothesize that Chinese MNEs with market-seeking motives is more likely to occur in developing countries than in advanced industrialized

nations where existing advantages (cheap labor costs and familiarity with the developing country) can be exploited:

Hypothesis 1: Chinese MNEs with market-seeking motivations are more likely to invest in developing countries than advanced industrialized countries.

Strategic asset-seeking Investment

Strategic asset-seeking investment is one type of asset-exploring or asset-augmenting investment (Narula & Dunning, 2000; Luo and Tung, 2007; Tsang and Yip, 2007); the investing firm's primary purpose is to gain access to technology, skill-related intangible resources and/or complementary assets through FDI (Dunning, 1998; Makino et al., 2002). It is logical for Chinese MNEs with strategic asset-seeking motives to invest in countries abundant in advanced strategic assets.

Since strategic assets tend to be concentrated in advanced industrialized countries (Makino et al, 2002; Tsang and Yip, 2007; Luo and Tung, 2007), Chinese MNEs with strategic asset-seeking motivations are more likely to invest in advanced industrialized countries in order to acquire established brand names, novel product technology, and/or extensive distributor networks; each of these strategies tend to enhance Chinese firms' non-price competitiveness (Makino et al., 2002; Deng, 2007). Based on this logic we hypothesize:

Hypothesis 2: Chinese MNEs with strategic asset-seeking motivations are more likely to invest in advanced industrialized countries than developing countries.

METHODOLOGY

Sample and Data Source

In 2006, the Asia Pacific Foundation of Canada and the China Council for the Promotion of International Trade jointly conducted a survey, exploring outward investment by Chinese companies under Chinese government's "going global" strategy. The data used in the current research comes from this study, the *China Goes Global* (2006) data set. The survey collected 164 valid responses used in this analysis.

Dependent Variable

Location

Dependent variable is measured as the probability of a certain location is chosen.

Advanced industrialized countries (AICs), *newly industrialized countries* (NICs), and *developing countries* (DCs) are used to identify the possibilities of location of Chinese overseas investment.

Countries like Australia, Canada, Germany, and the U.S. were classified as advanced industrialized economies; South Korea, Singapore, Hong Kong and Macao were classified as newly industrialized economies; while Vietnam and Thailand were classified as developing countries. The variable, *AICs* was calculated as the number of AIC locations divided by total overseas investment locations. For instance, a company has chosen Austria, Canada and Hong Kong as the targeted locations. In this case, the probability of investing AICs is 66.67 percent. *NICs* and *DCs* were measured in the same way.

Independent variables – Investment motives

I adopted my typology of internationalization motivation based on Dunning's (1981, 1994, 1998) three types of FDI: resource-seeking, market-seeking and strategic-seeking

investment. The current study will restrict its examination to market-seeking and strategic-seeking FDI motivation.

Market-seeking motives

Market-seeking investments aim at either penetrating new markets or maintaining existing ones (Dunning, 1993; Dunning, 1998). Market-seeking FDI can be aggressive, serving new foreign clients by locating in markets with a growing market potential (Sanchez-Peinado, Pla-Barber and Hebert, 2007); Market-seeking FDI may also be employed as a defensive strategy. When the domestic markets have reached the limits of effective demand, firms are often forced to seek markets abroad (Dunning, 1993; Phatak, Bhagat and Kashlak, 2005). When facing a variety of tariff and non-tariff trade barriers in host countries, firms often have to substitute local production for export, in order to maintain the continued access to the existing markets (Dunning, 1998; Moon and Roehl, 2001). Based on the above statements, market-seeking motives consist of three dimensions: *seeking new markets* (M1), *avoiding saturated home markets* (M2) and *avoiding trade barriers* (M3). In the current research, managers were asked to rate the importance of these three dimensions on seven-point scales.

Strategic asset-seeking motives

Strategic asset-seeking investments aim at obtaining key strategic assets, such as technology, branding and or other organizational capabilities (Dunning, 1998; Deng, 2007; Makino et al., 2002). In the current research, strategic asset-seeking motives consist of three dimensions: *acquiring advanced technology* (S1), *obtaining internationally recognized brands* (S2), and *learning advanced management skills* (S3). Again, managers were asked to rate the importance of three dimensions on seven-point scales.

Control variables

Three control variables were included in this study: international experience, firm size and industry classification. Following Brouthers et al. (1999) and Henisz and Macher (2004), I defined international experience as the number of years experience investing outside the home country. International experience variable is logged, because an additional year has greater impact on the lower levels of international experience than on higher levels of experience (Epple, Argote and Devadas, 1991; Henisz and Macher, 2004). Firm size was measured on a six-point ordinal scale, based on the level of total overseas investment by firms (0 = none, 1 = under US\$ 1 million, 2 = US\$ 1- 4 million, 3 = US\$ 5-9 million, 4 = US\$ 10-100 million and 5 = above US\$ 100 million). To control for possible industry effects, we asked respondents to identify whether they were in manufacturing or in services. As in Kogut and Singh (1988), the current research included a dichotomous industry sector variable which was given a value of 1 for manufacturing firms and a value of 0 for service firms.

RESULTS

Table 1-1 presents a correlation matrix and descriptive statistics for all variables used in the study. Table 1-2 shows three sets of hierarchical OLS models used to test hypotheses. Models 1a, 2a and 3a include only control variables. Model 1b, 2b and 3b add the independent variables.

Insert Table 1-1 here

Model 1b shows that *seeking new markets* has a statistically significant, positive coefficient ($\beta = 0.048$, $p < 0.05$, one-tailed test) i.e. *seeking new markets* was positively

associated with the probabilities of choosing AICs than other alternatives. This is contradictory to hypothesis 1, but consistent with Makino et al., (2002).

Insert Table 1-2 here

Model 1b also shows that *acquiring advanced technology* has a statistically significant positive coefficient ($\beta = 0.045$, $p < 0.05$, one-tailed test) i.e. *acquiring advanced technology* was positively associated with the probabilities of choosing AICs than other alternatives. This supports hypothesis 2; *Chinese MNEs with strategic asset-seeking motivations are more likely to invest in advanced industrialized countries.*

Model 2b shows that *avoiding saturated home markets* has a statistically significant positive coefficient ($\beta = 0.021$, $p < 0.10$, one-tailed test) i.e. *avoiding saturated home markets* was positively associated with the probabilities of choosing DCs other than alternatives. This supports hypothesis 1: *Chinese MNEs with market-seeking motivations are more likely to invest in developing countries.*

Model 2b shows that *avoiding trade barriers* has a statistically significant negative coefficient ($\beta = -0.051$, $p < 0.01$, one-tailed test) i.e. *avoiding trade barriers* was negatively associated with probabilities of choosing DCs other than alternatives. This is contradictory to hypothesis 1.

Unlike Makino et al. (2002), the current research separated newly industrialized markets from advanced industrialized markets and found that *avoiding trade barriers* was positively associated with probabilities of choosing NIC other than alternatives (Model 3b: $\beta = -0.029$, $p < 0.10$, one-tailed test).

Additional logistic regression analyses

In order to test the robustness of the results, I also conducted logistic regression analyses.

Variables, measurements and results are produced below:

Location

Three dependent variables, *advanced industrialized countries* (AICs), *newly industrialized countries* (NICs), and *developing countries* (DCs) are used to identify the location of Chinese overseas investment. Australia, Canada, Germany, and the U.S. were classified as advanced industrialized economies; South Korea, Singapore, Hong Kong and Macao were classified as newly industrialized economies; while Vietnam and Thailand were classified as developing countries. The variable, AICs was defined as a dummy categorical variable, coded “1” when a firm has at least one advanced industrialized country as the intended investment location and “0” when a firm does not intend to invest in any advanced industrialized countries. Similarly, NICs was defined as a dummy categorical variable, coded “1” when a firm has at least one newly industrialized country as the intended investment location and “0” when a firm does not intend to invest in any newly industrialized countries. DCs was defined as a dummy categorical variable, coded “1” when a firm has at least one developing country as the intended investment location and “0” when a firm does not intend to invest in any developing countries.

Results of logistic analyses

Model 1b shows that *seeking new markets* has a statistically significant, positive coefficient when comparing firms with at least one AIC investment to firms with no AIC investments ($\beta = 0.29$, $p < 0.05$, one-tailed test). Model 1b also shows that *avoiding saturated home markets* has a statistically significant, positive coefficient when comparing firms with at least one AIC investment to firms with no AIC investments ($\beta = 0.24$, $p < 0.05$, one-tailed test).

Model 1b also shows that *acquiring advanced technology* has a statistically significant positive coefficient when comparing firms with at least one AIC investment to firms with no AIC investments ($\beta = 0.22$, $p < 0.05$, one-tailed test).

Insert Table 1-3 here

Model 2b shows that *seeking new markets* has a statistically significant, negative coefficient when comparing firms with at least one NIC and firms with none of NICs ($\beta = -0.24$, $p < 0.05$, one-tailed test). Model 2b also shows that *avoiding trade barriers* has a statistically significant, positive coefficient when comparing with firms with at least one NICs and firms with none of NICs ($\beta = 0.23$, $p < 0.05$, one-tailed test).

Model 3b shows that *avoiding saturated home markets* has a statistically significant, positive coefficient when comparing firms with at least one DC and firms with none of DCs ($\beta = 0.23$, $p < 0.05$, one-tailed test).

Both OLS and logistic analyses produce similar results. Chinese MNEs with a seeking-new-markets motive are more likely to invest in advanced industrialized markets; firms with an avoiding-saturated-home-markets motive are more likely to invest in developing markets; firms with an avoiding-trade-barriers motive are more likely to invest in newly industrialized markets. Chinese MNEs with acquiring-advanced-technology motives are more likely to invest in advanced industrialized markets.

CONCLUSION

The primary contribution of this research comes from examining the impact of investment motives on the location choices of Chinese outward FDI. This contribution is derived from two sets of theoretical arguments and related empirical findings. First, from assets-exploration view, I propose that Chinese MNEs with strategic assets-seeking motivations are more likely to explore their competitive advantages by investing in advanced industrialized nations. The results suggest that Chinese MNEs tend to invest in advanced industrialized nations to acquired advanced technology.

Second, from assets-exploitation view, I propose that Chinese MNEs with market-seeking motivations are more likely to exploit their competitive advantages by investing in developing countries than investing in advanced industrialized countries; this prediction differs from the Makino, et al. (2002) hypotheses. The results suggest that firms with aggressive market-seeking motives (seeking new markets) tend to invest in advanced industrialized nations, consistent with the conventional wisdom, while Chinese MNEs with defensive market-seeking motives (avoiding saturated home markets, avoiding trade barriers) tend to invest in developing nations or newly industrialized nations. This finding, though inconsistent with the conventional wisdom, is interesting. It should be noted that the influence of market-seeking motives on investment locations is different; future research efforts may benefit from keeping these differences in mind when examining the location decisions of MNEs' investment abroad.

Limitation and Future Research

The current study has a few limitations. First, multinational firms often proceed by gradualism in market entry (Buckley, Cross, Tan, Xin, and Voss, 2008). Particularly, emerging market firms often first enter markets that are culturally, physically, and economically similar to

their home countries (Buckley et al., 2008; Tsang and Yip, 2007). Then as firms' international experience grow and become more competitive in markets, firms start to enter more psychic distant countries. However, it seems that Chinese ODI does not conform to this general model. Early Chinese ODI was directed mostly to developed countries rather than developing countries that have similar economic development levels (Buckley et al., 2008). In order to test this theory, time series data are required. Subject to data availability, future studies should explore the location sequence of Chinese ODI using time series data.

Second, the current research used the results of a survey designed and conducted by the third party (Asia Pacific Foundation of Canada and China Council for the Promotion of International Trade). For this reason some of the items were not the ideal way to measure a variable. For instance, a company selected multiple investment locations, instead just one single country, which makes the study harder to explore the location decision at each transaction level.

Third, the use of a single item to measure investment motivations may create internal validity and reliability problems. However, collecting survey data in developing countries like China commonly represents a great challenge. Many managers in China often decline to participate in survey research because they tend to be suspicious about its motives and intended purpose (Brouthers et al., 2005). Chinese managers often refuse to expose firms' business information to a third party, because divulging business information is considered to be a dangerous practice (Brouthers, et al., 2005). Thus, researchers often make questionnaires shorter to facilitate survey completion (Brouthers and Xu, 2002). Such shorter questionnaires can result in variables being measure by a single item. Thus it is not unusual for surveys in developing countries like China to include single-item measures.

Fourth, this research requires asking about strategic motivations and location choice of foreign investments. Not all managers are familiar with these types of firm decisions. Thus, in survey research, some managers might not provide accurate responses.

Lastly, firms with aggressive market-seeking motives tend to select advanced industrialized nations rather than developing markets. This result contradicts my theory that firms with market-seeking motives more likely to enter developing nations where firms have competitive edge over local firms. However, this finding suggests that future research should consider defensive market-seeking investment and aggressive market-seeking investment differently.

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ESSAY #2
THE DIVERSIFICATION MODE CHOICE OF CHINESE OUT
INVESTMENT: ACQUISITION VS. GREENFIELD STARTUP

INTRODUCTION

Once a firm has decided to invest in a foreign market, it needs to make one or two more decisions (Brouthers and Brouthers, 2000). One decision is that a firm has to choose the level of equity investment, wholly-owned subsidiaries versus joint ventures (Brouthers and Brouthers, 2000; Ruiz-Moreno, Mas-Ruiz and Nicolau-Gonzálbez, 2007). If a firm decides on a wholly-owned subsidiary it also must decide whether to create a new venture from scratch (i.e., Greenfield venture) or acquire an existing venture (Brouthers and Brouthers, 2000; Ruiz-Moreno et al., 2007; Barkema and Vermeulen, 1998; Hennart and Park, 1993). The later decision (Greenfield investment vs. acquisition) has been referred to as diversification mode choice (Ruiz-Moreno et al., 2007; Brouthers and Brouthers, 2000). Various scholars have mentioned that diversification mode choice is under-researched (Chang; 1995; Melin, 1992; Barkema and Vermeulen, 1998). As Hennart and Park (1993: 1055) state, “there is no well-developed theory of the determinants of the choice between Greenfield investment and acquisitions”.

Previous studies that investigate factors that might influence the choice between acquisitions and Greenfield ventures use either transaction cost theory or Dunning’s OLI (Ownership-Location-Internalization) eclectic model as their theoretical prisms. For instance, Brouthers and Brouthers state, “[g]reenfield ventures offer lower transaction costs” (2000:91), since the firm can avoid the additional costs of “[r]etraining the work force and injecting the resident management with a new philosophy” (Dunning, 1993:432). Moreover, in order to reduce the chances of knowledge dissemination, firms with greater firm-specific advantages

prefer to choose a Greenfield mode (Brouthers and Brouthers, 2000). Diversification mode choice is also driven by the relative technological advantages of home and host countries (Anand and Delios, 2002). The higher relative technology advantages of the host country, the more likely an acquisition mode is chosen (Anand and Delios, 2002). Thus, the literature on the choice between acquisitions and Greenfield ventures has largely focused on transaction costs and firm/host country characteristics.

However, few studies explore diversification mode choice from a strategic motive perspective (e.g. Harzing, 2002). Why a firm invests in a foreign market is considered to be the firm's strategic motive; it plays an important role in formulating a firm's entry mode strategy (Randøy and Clay, 2006; Anand and Delios, 2002; Chang and Rosenzweig, 2001). The present study explores how firms' strategic motives influence their diversification mode decisions, whether to expand abroad through Greenfield ventures or acquisitions using an organizational learning perspective.

LITERATURE REVIEW

The literature on diversification mode choice has been largely based on transaction cost economics or Dunning's OLI framework. The underlying assumption of these theories is that firms possess certain competitive advantages and by leveraging their advantages overseas, firms can generate enough returns to overcome the additional costs/risks associated with doing business abroad. When a firm has a strong competitive advantage, a Greenfield diversification mode is often chosen (Chang and Rosenzweig, 2001) for three reasons. First, unlike acquisitions, Greenfield investments minimize costs in transferring firm-specific advantages to a foreign company (Chang and Rosenzweig, 2001). Second, Greenfield investments can reduce the

chances of dissemination of firm-specific advantages (Brouthers and Brouthers, 2000). Lastly, it is very difficult or impossible to infuse a firm's technology, management skills or corporate culture in the acquired company because of organizational inertia (Barkeman and Vermeulen, 1998). Thus, Greenfield ventures may be the most efficient mode of entry when firms invest in foreign countries to exploit existing firm-specific advantages.

However, unlike western multinationals, Buckley, Clegg, Cross, Liu, Voss & Zheng (2007) suggest that Chinese MNEs may invest in developed countries to obtain advanced strategic assets (advanced technology, brand equity assets, and management skills) rather than to exploit existing advantages, compensating for a lack of internal firm-specific advantages. As Barkema and Vermeulen (1998) state, “[t]he acquisition allows the firm to acquire the new technological resources...which substitute for the internal development of technological skills” (1998:9). Through acquisition, the acquiring Chinese firm can rapidly access advanced strategic assets because such assets tend to be found primarily in western economies (Belderbos, 2003). Moreover, it takes much longer to develop technology and build a subsidiary from scratch than to acquire an existing company (Hennart and Reddy, 1997). The acquired affiliate often has an existing knowledge or technology base that allows the acquiring company to forego the time-consuming process of incrementally building up its knowledge base and organizational capabilities (Belderbos, 2003).

In addition, it is very difficult to access/develop advanced strategic assets through internal development (Anand and Delios, 2002); the rigidity of organizational routines constraints a firm in developing new capabilities in business activities that vary substantially from existing activities (Nelson and Winter, 1982; Teece, 1987). When internal development is difficult, a firm often obtains advanced knowledge by acquiring an existing company possessing

the required capabilities/factors (Anand and Delios, 2002). Thus, firms can efficiently and quickly obtain required strategic assets by acquiring an existing company.

HYPOTHESES DEVELOPMENT

Market-seeking Motives

Market-seeking FDI is primarily considered as one type of asset-exploiting investment (Narula & Dunning, 2000); the investing firm's primary purpose is to generate economic rents through the exploitation of existing firm-specific advantages. Therefore, we suggest that Chinese MNEs with market-seeking motives tend to invest in countries where they have a competitive advantage over local firms (and perhaps over some other foreign competitors as well).

Companies often use Greenfield investments to exploit firm-specific advantages that are difficult to separate from their organization (Hennart and Park, 1993); it may be easier to set up a new venture rather than attempting to transfer existing capabilities into acquired companies. Moreover, firms with strong capabilities typically prefer Greenfield ventures in order to reduce the risk of dissemination of firm-specific advantages (Brouthers and Brouthers, 2000).

Thus, we conclude that Chinese MNEs with market-seeking motives invest in developing countries to exploit firm-specific advantages; setting up a new venture is considered as an efficient way of exploiting superior strategic assets in foreign markets (Chang and Rosenzweig, 2001; Brouthers and Brouthers, 2000; Barkeman and Vermeulen, 1998). Based on the above discussion we hypothesize:

H3: Chinese MNEs entering foreign markets with market-seeking motives prefer Greenfield investments.

Strategic Asset-seeking Motives

Strategic asset-seeking investment is one type of asset-exploring or asset-augmenting investment (Narula & Dunning, 2000); the investing firm's primary purpose is to gain access to technology, skill-related intangible resources and/or complementary assets through FDI (Makino et al., 2002). Since superior strategic assets tend to be concentrated in developed countries (Makino et al., 2002), it is logical for Chinese MNEs with strategic asset-seeking motives to invest in developed countries to acquire advanced strategic assets.

Because these strategic assets tend to be concentrated in developed countries (Makino et al., 2002), Chinese MNEs need to enter such locations in order to obtain these assets. Moreover, many country-specific advantages are likely to be embodied in "high-technology firms" (Shan and Hamilton, 1991). Since Chinese MNEs do not possess these advantages, they have to obtain location-specific and/or firm-embodied technologies through either Greenfield investments or acquisitions.

However, setting up a competitive overseas subsidiary in a technologically advanced country requires a long incubation period and a large amount of investment before the new venture begins to work effectively (Hennart and Reddy, 1997). Moreover, Anand and Delios (2002) suggest that it is very difficult to internally develop required capabilities through Greenfield investments. Unlike Greenfield ventures, access to technological resources embedded in foreign firms can be obtained through acquisitions (Belderbos, 2003; Anand and Delios, 2002).

Perhaps for these reasons, acquisition of overseas firms has become the preferred mode for Chinese MNE investment in the EU/USA for Chinese firms interested in acquiring strategic resources (Deng, 2007; Buckley et al., 2007). A Chinese MNE with a strategic asset-seeking

motive tends to invest in developed countries to acquire knowledge and learn new skills and capabilities, enhancing their competitive advantages (Buckley et al., 2007). FDI in the form of acquisition is considered to be a rapid and reliable method of obtaining superior strategic assets found in developed countries (Anand and Delios, 2002; Belderbos, 2003). Thus, we hypothesize:

H4: Chinese MNEs entering markets with strategic asset-seeking motives prefer acquisitions.

Strategic Fit and Performance

Strategic contingency theorists maintain that an appropriate fit between the firm's strategy and its context results in superior performance (Venkatraman, 1989); this is commonly referred to as "strategic fit". In this paper, the firm's strategy refers to diversification mode choice (Greenfield investment versus. Acquisition) and the context in which the firm operates is conceptualized as the investment motives (Market-seeking versus Strategic asset-seeking). Based on the concept of strategic fit, firms enhance their international performance by achieving fit between their entry modes choice and investment motives.

In this paper I hypothesized that Chinese MNEs entering foreign markets with market-seeking motives prefer Greenfield investment while firms entering markets with strategic asset-seeking motives prefer acquisitions. Here I hypothesize that these relationships are not just predictive, they are normative as well. Based on the concept of strategic fit I hypothesize that Chinese firms that pursue the hypothesized diversification mode strategy will typically outperform Chinese firms not pursuing the hypothesized diversification mode strategy:

H5: Chinese firms that pursue the suggested diversification mode strategies (H3 and H4) will, on average, have better performance than Chinese firms pursuing other strategies.

METHODOLOGY

Sample and Data Source

In 2006, the Asia Pacific Foundation of Canada and the China Council for Promotion of International Trade jointly conducted a survey, exploring the overseas investment intentions of Chinese companies. The data used in the current research comes from this study, the China Goes Global (2006) data set. The survey collected 164 valid responses used in this analysis.

Dependent variable

Entry mode

The variable, *diversification mode* choice was measured with a dummy variable. It was coded “1” when the firm chose a Greenfield investment or “0” when the firm acquired an existing company.

Independent variables – Investment motives

I adopted my typology of internationalization motivation based on Dunning’s (1981, 1994, 1998) three types of FDI: resource-seeking, market-seeking and strategic asset-seeking investment. The current study will restrict itself to examining only market-seeking and strategic asset-seeking FDI motivations.

Market-seeking motives

Market-seeking investments aim at either penetrating new markets or maintaining existing ones (Dunning, 1993; Dunning, 1998). Market-seeking FDI can be aggressive, serving new market clients by locating in countries with a growing market potential (Sanchez-Peinado, Pla-Barber and Hebert, 2007); Market-seeking FDI may also be employed as a defensive strategy. When the domestic markets have reached the limits of effective demand, firms are often forced to seek markets abroad (Dunning, 1993; Phatak, Bhagat and Kashlak, 2005). When facing

a variety of tariff and non-tariff trade barriers in host countries, firms often have to substitute local production for export, in order to maintain the continued access to the existing markets (Dunning, 1998; Moon and Roehl, 2001). Based on the above statements, three different motivations appear to underlie market-seeking investment: *seeking- new- markets* (M1), *avoiding- saturated- home- markets* (M2) and *avoiding- trade- barriers* (M3). In the current research, managers were asked to rate the importance of each of these three motives on seven-point scales.

Strategic asset-seeking motives

Strategic asset-seeking investments aim at obtaining key strategic assets, such as technology, branding and/or other organizational capabilities (Dunning, 1998; Deng, 2007; Makino et al., 2002). In the current research, three different motivations appear to underlie strategic asset-seeking investment: *acquiring- advanced- technology* (S1), *obtaining- internationally- recognized- brands* (S2), and *learning- advanced- managerial- skills* (S3). Again, managers were asked to rate the importance of each of these three motives on seven-point scales.

Control variables

Three control variables were included in this study: international experience, firm size and industry classification. MNEs with extensive international experience are more likely to enter foreign markets through a Greenfield investment, rather than through an acquisition (Barkema & Vermeulen, 1998; Slangen and Hennart, 2008). Following Brouthers et al. (1999) and Henisz & Macher (2004), I defined international experience as being the number of years experience a firm has investing outside the home country. Firm size was measured on a five-point ordinal scale, based on the level of annual gross revenue in 2005 (1=under RMB 1 million,

2=RMB 1-9 million, 3=RMB 10-49 million, 4=50-100 million and 5= Over RMB 100 million). In addition, I also controlled for the possible influence of industry effects on firms' entry modes choices (Kogut and Singh, 1988; Slangen and Hennart, 2008). We coded 1 for manufacturing firms and 0 for services firms.

RESULTS

Table 1-1 presents a correlation matrix and descriptive statics for all variables used in the study.

Insert Table 1-1 here

Table 2-2 shows the results of the binary logistic regression analyses we used to test the modes choices. I also include odds ratios in Table 2-2 to indicate effect sizes. Model 1a only includes three control variables, *international experience*, *firm size* and *manufacturing*. Model 1b adds the independent variables to Model 1a.

Insert Table 2-2 here

Model 1b shows that the overall model is statistically significant (chi-square=39.37, $p < 0.01$). The independent variable, *seeking- new -markets* (M1) has a significantly positive impact on the likelihood of Greenfield entry ($p < 0.05$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *seeking- new- markets* motives tend to choose Greenfield investments rather than acquisitions, supporting H3.

Avoiding- saturated- home- markets (M2) has a significantly negative impact on the likelihood of Greenfield entry ($p < 0.05$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *avoiding-saturated-home-markets* motives tend to choose acquisition rather than Greenfield investments, not supporting H3. *Avoiding- trade- barriers* (M3) has a marginally negative impact on the likelihood of Greenfield entry ($p < 0.10$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *avoiding-trade-barriers* motives tend to choose acquisition rather than greenfield investments, not supporting H3.

The variable, *acquiring- advanced- technology* (S1) has a marginally negative impact on the likelihood of Greenfield venture ($p < 0.10$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *acquiring-advanced-technology* motives tend to choose acquisitions rather than greenfield investments, supporting H4.

Learning- advanced- management- skills, has a significantly negative impact on the likelihood of Greenfield venture ($p < 0.01$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *learning-advanced-management-skills* motives tend to choose acquisitions rather Greenfield investments, supporting H4.

Obtaining- internationally- recognized- brands (S2) has a significantly positive impact on the likelihood of Greenfield venture ($p < 0.01$, one-tailed); this result shows that Chinese MNEs entering foreign markets with *obtaining-internationally-recognized-brands* motives tend to choose Greenfield rather than acquisitions, not supporting H4.

Thus, the above finding suggested that Chinese MNEs with aggressive market seeking motives are more likely to select Greenfield investments, while Chinese MNEs with defensive market seeking motive are more likely to select acquisition. Chinese MNEs with strategic assets-

seeking motive (learning advanced management skills and obtaining international recognized brands) are more likely to choose acquisitions.

CONCLUSION

Contributions

The primary contribution of this research comes from examining the impact of investment motives on the entry mode choices of Chinese outward FDI. This contribution is derived from three sets of theoretical arguments and related empirical findings. First, from an asset-exploration view, I propose that Chinese MNEs with strategic asset-seeking motives are more likely to choose acquisitions rather than Greenfield investment. The results suggest that Chinese MNEs want to learn advanced management skills and acquire advanced technology through acquiring existing overseas firms.

Second, from an asset-exploitation view, I propose that Chinese MNEs with market-seeking motives are more likely to choose Greenfield investments. The results suggest that Chinese MNEs with aggressive market-seeking motives are more likely to choose Greenfield overseas investments, while those Chinese firms with defensive market-seeking motives are more likely to choose acquisitions.

Last, previous work on the internationalization of MNEs has ignored the differences between defensive market-seeking investment and aggressive market-seeking investment. The current research explored the impact of various market-seeking motives and strategic asset-seeking motives. We found that firms with defensive market-seeking motives and aggressive market-seeking motives tend to choose different entry modes. Future research efforts may

benefit from keeping these differences in mind when examining the entry modes decisions of not only Chinese MNEs, but perhaps Western MNEs as well.

Limitations and Future Research

The current study has a few limitations. First, MNEs select appropriate overseas strategies in order to gain competitive strength in the world market and further to improve firm performance. Due to data availability, the current research is unable to link entry modes decision to international performance of each subsidiary (*H5*-untested). Future research might develop a normative model to explore whether firms that pursue the suggested strategies will have better international performance than firms pursuing other strategies.

Second, the use of a single item to measure investment motivations may create internal validity and reliability problems. However, collecting survey data in developing countries like China commonly represents a great challenge. Many managers in China often decline to participate in survey research because they tend to be suspicious about its motives and intended purpose (Brouthers et al., 2005). Chinese managers often refuse to expose firms' business information to a third party, because divulging business information is considered to be a dangerous practice (Brouthers, et al., 2005). Thus, researchers often make questionnaires shorter to facilitate survey completion (Brouthers and Xu, 2002). Such shorter questionnaires can result in variables being measure by a single item. Thus it is not unusual for surveys in developing countries like China to include single-item measures.

Third, this research requires asking about strategic motivations and entry mode choice of foreign investments. It is possible that the managers may not be familiar with these types of firm decisions. Thus, in the survey used in this study, some managers might not have provided knowledgeable responses.

Lastly, firms with defensive market-seeking motives tend to select acquisitions rather than Greenfield investments. This result contradicts my theory that firms with market-seeking motives tend to choose Greenfield investments. One of explanations could be that firms' entry modes choices are interfered by location decisions. Future research may be benefit to integrate both together. In addition, as the first essay, defensive market-seeking investment and aggressive market-seeking investment are different, future studies should keep this difference in mind when examining overseas investment of MNEs.

ESSAY #3

IMPACT OF THREE OWNERSHIP TYPES ON THE INTERNATIONAL PERFORMANCE OF CHINESE FIRMS

INTRODUCTION

As China transitions from a centrally planned to a market-driven economy (Xu, Pan, Wu and Yim, 2006) different types of Chinese firm ownership structures emerge to compete in domestic and international markets (Jefferson and Rawski, 2000; Peng, 2003; Tan, 2002). Recently the strategic management literature has begun to examine transitional economies; These differences in ownership have become an increasingly important issue, generating a growing literature which examines the impacts of different types of ownership from strategic and organizational perspectives (Hoskisson, Lorraine, Lau & Wright, 2000; Peng, 2004; Peng et al., 2004; Tan, 2002; Peng and Luo, 2000; Xu et al., 2006; Li and Zhang, 2007). In this study, we explore the potential influence of various ownership types on Chinese MNEs' international performance by assessing differences in government ties and corporate entrepreneurship among varying types of Chinese MNEs.

Ownership patterns are quite different in transitional economies than in developed countries (Tan, 2002). For instance, China is characterized by three ownership types, the state-owned enterprise (SOE), the collective-owned enterprise (COE) and the privately-owned enterprise (POE) (Tan, 2002; Peng et al., 2004, Xu et al., 2006; Shenkar and Von Glinow, 1994; Nee, 1992; Li, 1996).

Of the three ownership types, SOEs and POEs are common to other transitional or emerging economies, such as Hungary (Steensma, Tihanyi, Lyles, & Dhanaraj, 2005), Eastern

Europe (Brouthers & Bamossy, 1997), Chile and Poland (Vickers and Yarrow, 1991). State-owned enterprises (SOEs) are owned by the central government or state agencies. SOEs bear a large bureaucratic burden; traditionally they have been utilized by governments to maximize employment and social wealth (Lin, Qian, Lam and Wang, 2000). This commonly results in low efficiency and profits (Xu et al., 2006).

In China, most POEs are family owned, making them distinctive from SOEs (Peng et al., 2004). POEs are typically newer and smaller (Peng, et al., 2004) and restricted to specific industries (Tan, 2002; Boisot and Child, 1996). POEs have no formal ties to the government, but retain a large degree of autonomy (Tan, 2002). In China POEs typically function as the entrepreneurial sector, being flexible, identifying new opportunities, responding quickly to environment changes, and attempting to achieve high performance targets (Tan, 2002; Peng et al., 2004).

The collective-owned enterprise (COE) represents a hybrid form of ownership, incorporating elements of both the SOE and the POE (Nee, 1992; Boisot and Child, 1996). Like the SOE, a COE has an element government-ownership; as such they are subordinate to local governments, but owned and operated by the workers or private cooperative organizations (Tan, 2002). Specifically, individual “entrepreneurs can bid for long-term leases to control...” COEs (Peng et al., 2004). Like an SOE a COE typically receives support and/or protection from a local government, but like a POE a COE still maintains a high degree of managerial autonomy (Peng et al. 2004). Thus, collective-owned enterprises (COEs) represent a unique type of Chinese ownership falling between the POE and the SOE.

In this paper using both corporate entrepreneurial and resource based views, we suggest that international success appears to depend on two factors: (1) social network ties with the

government or state agencies (Yiu et al., 2007); and (2) corporate entrepreneurial orientation (Ireland, Hitt, Camp and Sexton, 2001; Dess, Ireland, Zahra, Floyd, Janney and Lane, 2003). More specifically, in order to internationalize successfully, Chinese firms must find ways to obtain material support from the state, while maintaining a sufficient degree of corporate entrepreneurship freedom (Child and Rodrigues, 2005). Since the COE combines both factors we propose that the Chinese COE will typically have better international performance than either Chinese POEs or SOEs.

THEORETICAL FRAMEWORK AND HYPOTHESES

Previous studies found that ownership appears to exert a direct influence on firm performance (Von Nordenflycht, 2007; Xu et al., 2006; Daily, Dalton and Rajagopalan, 2003; Tam and Tan, 2007). However, early research examining the ownership-performance link has largely focused on ownership concentration and firm performance from an agency theory perspective (Daily et al., 2003). Few studies explore the influence of various ownership types on firm performance (e.g. Xu et al., 2006); none of these studies explore the link between ownership type and international performance.

Typically, ownership type is considered to be a strategic variable (Gedajlovic, 1993) which has an influence on firm strategy formulation and performance. For emerging/transitional economy firms various types of ownership often have different governance structures, organizational culture and resources, resulting in different strategies and performances. Here we examine type of ownership's (SOE, COE and POE) influence on the international performance of Chinese firms examining the roles of government ties and corporate entrepreneurship.

Ownership Types

State-owned enterprises (SOEs)

In China SOEs are controlled by the central government or state agencies (Peng et al., 2004; Tan, 2002). A large portion of purchasing, production, and market activities is controlled by the government (Perkins, 1994). Senior level managers in Chinese SOEs are typically appointed by the government (Li and Zhang, 2007). As a result of Government and Communist Party involvement, Chinese SOEs receive support or even protection from the government or state agencies (Peng et al., 2004). Most Chinese SOEs rely on the state to be their primary banker, supplier, and distributor (Steinfeld, 1998; Child, 1994; Lu, 1996; Tan and Peng, 2003).

Typically, managers of Chinese SOEs are less innovative and take fewer risks than POE managers (Tan, 2002; De Mente, 1989). This is because in SOEs, state agencies control the firms' purchasing, production and marketing activities (Perkins, 1994). Moreover, in specific industries (e.g., petroleum, chemicals, power, iron and steel), the state, rather than the marketplace, sets prices. Thus, managers of Chinese SOEs particularly in these industries, pay little attention to competitive issues since there is no need to do so (Peng et al., 2004). Because of this, they lack the experience associated with making proactive and risk-taking decisions when faced with uncertain environments (Tan, 2002).

Private-owned enterprises (POEs)

Relative to SOEs, POEs “represent the opposite being usually small but nimble, poor in R&D but good at market orientation” (Peng et al., 2004: p1111). Most Chinese POEs are family owned; this clearly differentiates them from SOEs (Ralston, Terpstra-Tong, Terpstra, Wang & Egri, 2006; Tan, 2002). POEs typically receive little support from the government or state agencies. For instance State-owned Chinese banks commonly offer preferential loan treatment to

the SOE and COE but not to the POE (Tan, 2002); the typical POE operates under hard budget constraints and has to be self-reliant (Peng et al, 2004). As a result, the POE remains small and undercapitalized. Thus, a Chinese POE's access to critical resources including raw materials, marketing channels, capital and human resources is limited because they rank last with respect to governmental priorities.

However, the owners or managers of Chinese POEs tend to be entrepreneurs or families (Tan, 2002). In general, entrepreneurs commonly seek to identify new opportunities, are very flexible, rapidly respond to environment changes, and take appropriate actions to achieve performance (Tan, 1996). Their flexibility and small size enable them to react quickly to new opportunities in the environment. Moreover, owner-operated entrepreneurial firm tend to have fewer principal-agent conflicts and greater strategic flexibility (Tan, 1996; 2001). Thus, A POE typically operates more efficiently than an SOE, making quicker decisions, and less constrained by government.

Collectively-owned enterprises (COEs)

Collectively-owned firms are subordinate to local governments, but owned and operated by a collective group, either the workers or private cooperative organizations (Tan, 2002). Nee (1992) suggests, like hybrids in developed economies, COEs display organizational attributes that fall somewhere between SOEs and POEs. Because COEs often constitute a primary source of revenues for local governments, COEs receive enormous aid from local governments; such aid may include financing, access to resources, and raw materials as well as working capital (Tan, 2002; Peng et al., 2004; Boisot and Child, 1996). Thus, a COE maintains a close relationship with a local government and in turn gains greater institutional support than a POE.

In addition, because resources at the local level are usually less abundant than at the central level (Peng, 2004), COEs exert much less influence on senior management. Finally, a COE is more market-oriented than a SOE, because a COE operates outside of the Central government's economic plan (Peng et al., 2004). The combination of all these factors allows a COE to have more managerial autonomy than an SOE. Thus, the dual influences of the state and the private sector are embedded in COEs.

Government Ties and International Performance

From a resource-based perspective, success in international venturing is largely determined by resources and capabilities that firms possess (Cuervo-Cazurra, Maloney and Manrakhan, 2007). These resources could be physical capital resources, human capital resources and organizational capital resources (Barney, 1991). Firms with valuable, rare, imperfectly imitable and non-substitutable resources can develop sustainable competitive advantage and generate supernormal returns (Olive, 1997; Barney, 1991, 1992). However, resources are context-based and firms have to manage the institutional context of their resource decisions (Olive, 1997; Hoskisson et al., 2000). Thus, firms with the ability to develop or create institutional capital often acquire/create greater firm resources (Hoskisson et al., 2000). Thus, both resource capital and institutional capital are indispensable to create and sustain competitive advantage (Olive, 1997).

Specifically, in emerging economies, the lack of an adequate legal framework and stable political structures result in the underdevelopment of strategic factors markets, which leads to difficulties in creating the competitive advantages necessary for international expansion (Yiu, et al., 2007). Thus, maintaining a good relationship with state governments helps firms to access resources (Hoskisson et al., 2000). In a transitional economy, having close connections with the

governmental social network represents one type of key strategic asset or resource (Luo and Tung, 2007; Buckley et al, 2007).

For instance, in China, firms have to seek for government approval when they plan to establish foreign ventures. Thus, institutional links are especially critical in China, where central and local governments remain heavily involved in directing outward FDI. Access to such networks provides opportunities for mutual support and reciprocal favors between firms and government (Child and Yuan, 1996), helping firms to build long-term competitive advantages. In addition, by having the state as a partial owner, firms may more easily gain the state's sponsorship or bank loans to fund overseas investment (Child and Rodrigues, 2005). It also becomes easier for firms to create official network ties with the government (Peng & Luo, 2000).

Corporate Entrepreneurship and Internationalization

A second way for Chinese firms to develop strategic assets/resources is to engage in corporate entrepreneurial activities; by doing so they can accumulate intangible resources like: venturing capabilities, knowledge, and experience. These intangible resources, according to Yiu et al. (2007), can provide a basis for successful international venturing.

Entrepreneurial actions are a “fundamental behavior of firms by which they move into new markets, seize new customers and/or combine (existing) resources in new ways.” (Ireland et al, 2001). Entrepreneurial and strategic actions are often intended to find new markets or competitive spaces in which firms create wealth (Ireland, et al., 2001). Zahra and Garvis (2000) theorized and empirically found that corporate entrepreneurship moderates the relationship between a firm's internationalization and its financial performance. Specially, their findings show that companies with higher levels of corporate entrepreneurship were able to achieve

higher performance through international expansion than those firms with lower corporate entrepreneurship scores.

Managerial autonomy is considered as one of the key components of corporate entrepreneurship (Lumpkin and Dess, 1996). Autonomy refers to the independent actions of managers in bringing forth new ideas or visions and carrying them through the strategy-making process. In China, SOEs enjoy government support for internationalization at the expense of strategic autonomy. SOEs remain beholden to administrative approval and bear a legacy of institutional dependency. This legacy can inhibit strategic action either through promoting a conservative attitude or through direct constraints (Child and Rodrigues, 2005).

HYPOTHESES

Of the three types of Chinese organizations, SOEs have the most direct ties with the central government. For this reason they are abundant with resources provided by the state or state agencies. However, because an SOE is fully owned by the state it functions more like a government agency than a private business (Tan, 2002). SOE managers tend to have less managerial autonomy than managers of other ownership types due to external rules, such as rigid, hierarchical reporting requirements to government controllers (Boisot and Child, 1996). As a result, (1) state enterprises exhibit low operating efficiency and (2) SOE managers tend to be more plutocratic and less entrepreneurial (Tan, 2002).

The owner of a POE is typically an entrepreneur who seeks to identify new opportunities, respond to environment changes, and take appropriate actions to achieve performance (Tan, 2002). The typical Chinese POE receives little support and/or resources from the government (Peng et al., 2004). Although the typical Chinese POE is entrepreneurial, quickly responding to

market changes, identifying new opportunities, its' scope of activity is restricted by its limited resources (cites). Because international expansion commonly requires extensive resources, Chinese POE opportunities are limited.

The COE is a hybrid, combining traits of the POE and the SOE (Nee, 1992). The typical COE has a close relationship with local governments, resulting in more institutional support for a COE compared to a POE while also being more responsive to the market than an SOE (Peng et al., 2004). This dual orientation results in two benefits. First, a COE gains assistance from the local government which helps (1) to create a more favorable task environment and (2) to bring more resources (such as financial capital, working capital etc.) to the COE. Second, COE managers are less restricted by central governmental policies than an SOE. This allows them to be entrepreneurial and market-oriented. Such advantages increase operational flexibility and organizational capability. We propose that both of these factors create firm specific advantages when engaging in international investment. Thus, based on the above discussion we hypothesize that COE firms, because they have both government social network resource advantages and intangible corporate entrepreneurial resource-based advantages will, on average, have better returns on international investment than the typical Chinese POE or SOE.

H6: A typical Chinese COE has better returns on international investment than the typical Chinese POE or SOE.

METHODOLOGY

Sample and data source

In 2006, the Asia Pacific Foundation of Canada and the China Council for Promotion of International Trade jointly conducted a survey, exploring the overseas investment of Chinese

companies. The data used in the current research comes from this study. The China Goes Global (2006) dataset. The survey collected 164 valid responses used in this analysis.

Dependent variable

International performance

International performance was defined by two measures, subjective performance and objective performance. Based on the previous scholarship (Bird and Beechler, 1995; Brouthers and Xu, 2002), the subjective international performance is measured as the manager's overall satisfaction with international activities. Managers were asked to rate the satisfaction levels on a four-point scale, ranging from "very dissatisfied" to "very satisfied). The objective international performance is measured as *total overseas revenue divided by total overseas investments*, an international aspect of revenue on investment. The ratio of revenues by investment has been used in the previous studies to measure firms' overall performance (Anderson and Zeithaml, 1984; Bruton, Oviatt and White, 1994), but this measurement mixes up both domestic performance and international performance. Unlike previous research, international performance is measured as *total overseas revenues divided by total overseas investments* extracted from firms' overall performance, ROI. As in previous studies (Osland and Cavusgil, 1996; Brouthers and Xu, 2002), Chinese managers were unwilling to give actual data on firms' profitability, but were willing to answer questions on certain scales. Thus, in the current research, *total overseas revenues divided by total overseas investments* is calculated as,

$$\begin{aligned}
 & \frac{\textit{Total Overseas Revenues}}{\textit{Total Overseas Investments}} \\
 &= \frac{\textit{Total Overseas Revenues}}{\textit{Total Revenues}} \times \textit{Total Revenues} \\
 & \div \textit{Total Overseas Investments}
 \end{aligned}$$

Independent variables

Ownership types

Ownership types include state-owned enterprise (SOE), collectively-owned (COE) and publicly-owned enterprises and privately-owned enterprise (POE) (Tan, 2002 & 2007; Peng et al., 2004). *Ownership* is coded “1” when a firm is a SOE, “2” when it is a COE or a publicly-owned enterprise and “3” when it is a POE.

Control variables

Three control variables are included in this study: *international experience*, *firm size* and *industry classification*. MNEs with extensive international experience perform better than firms with less experience (Brouthers and Brouthers, 2000). Following Brouthers et al. (1999) and Henisz & Macher (2004), *international experience* is measured as the number of years experience in investing outside the home country. *Firm size* is measured on a five-point ordinal scale, based on the level of annual gross revenue in 2005 (1= under RMB 1 million, 2=RMB 1-9 million, 3=RMB 10-49 million, 4=50-100 million and 5=Over RMB 100 million). In addition, I also control for possible industry effects on firms’ international performance (Brouthers and Brouthers, 2000), I coded 1 for manufacturing firms and 0 for service firms.

RESULTS

Table 3-1 presents a correlation matrix and descriptive statistics for all variables used in the study.

Insert Table 3-1 here

Table 3-2 shows the results of mean comparison analyses used to test the subjective performance differences. The results show that collectively-owned/publicly-owned enterprises (3.17) have better subjective performance than state-owned enterprises (3.00) or privately-owned enterprises (3.13), consistent with hypotheses. However, due to small sample size, a linear regression analysis is not further conducted to test subjective performance.

Insert Table 3-2 here

Table 3-3 shows the results of ordinal linear regressions (OLS) used to test the objective performance differences. Model 1a and Model 1b show the results when comparing COEs and SOEs. Model 1a only includes three control variables, *international experience*, *firm size* and *manufacturing*. Model 1b adds the independent variable, *ownership* on Model 1a. Model 1b shows that overall model is statistically significant (R-square=0.39, $p < 0.01$). The independent variable, *ownership* has a significantly positive impact on the objective performance. In the current analysis, COE is coded as “2” while SOE is coded as “1”; this result shows that COEs have better performance than SOEs, supporting H6.

Insert Table 3-3 here

Model 2a and Model 2b show the results when comparing COEs and POEs. Model 2a only includes three control variables, *international experience*, *firm size* and *manufacturing*. Model 2b adds the independent variable, *ownership* on Model 2a. Model 2b shows that overall model is statistically significant (R-square=0.46, $p < 0.01$). The independent variable, *ownership* has a significantly negative impact on the objective performance. In the current analysis, COE is

coded as “2” while POE is coded as “3”; this result shows that COEs have better performance than POEs, supporting H6.

CONCLUSION

The current study has a few limitations. First, multinational firms often proceed gradually in overseas investments (Buckley, Cross, Tan, Xin, and Voss, 2008). Particularly, emerging market firms often first enter markets that are culturally, physically, and economically similar to their home countries (Buckley et al., 2008; Tsang and Yip, 2007). Then as the firm’s international experience grows and the firm becomes more competitive in foreign markets, it starts to enter more psychically distant countries. Thus performance expectations vary at different stages. In order to test the current theory, time series data might be required. Second, the current project focuses on exploring the international performance of three types of firms, POEs, COEs and SOEs. Other type firms or other ways of classifying Chinese MNEs’ ownership may exist (Delios, Zhou, & Xu, 2009). Future research may wish to extend this research project to other ownership types of firms.

The primary contribution of this research comes from examining the impact of ownership on the international performance of Chinese firms. By assessing differences in government ties and corporate entrepreneurship among varying types of Chinese MNEs, I propose and that COEs have both government social network resource advantages and intangible corporate entrepreneurial-based strategic assets, on average, will outperform both SOEs and POEs. The results suggest that COEs have better international performance from both subjective and objective views.

The current research suggests that COEs gain financial or policy supports from local governments while maintaining managerial autonomy. For those reasons, on average COEs have better international performance than SOEs and POEs. Since COE is an unique type of firms in transition economies, our model might be restrict in the certain nations. However, future research might extend the current model to other nations by directly examining levels of government supports and corporate entrepreneurship each firm has.

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Figure 1 Tested Model

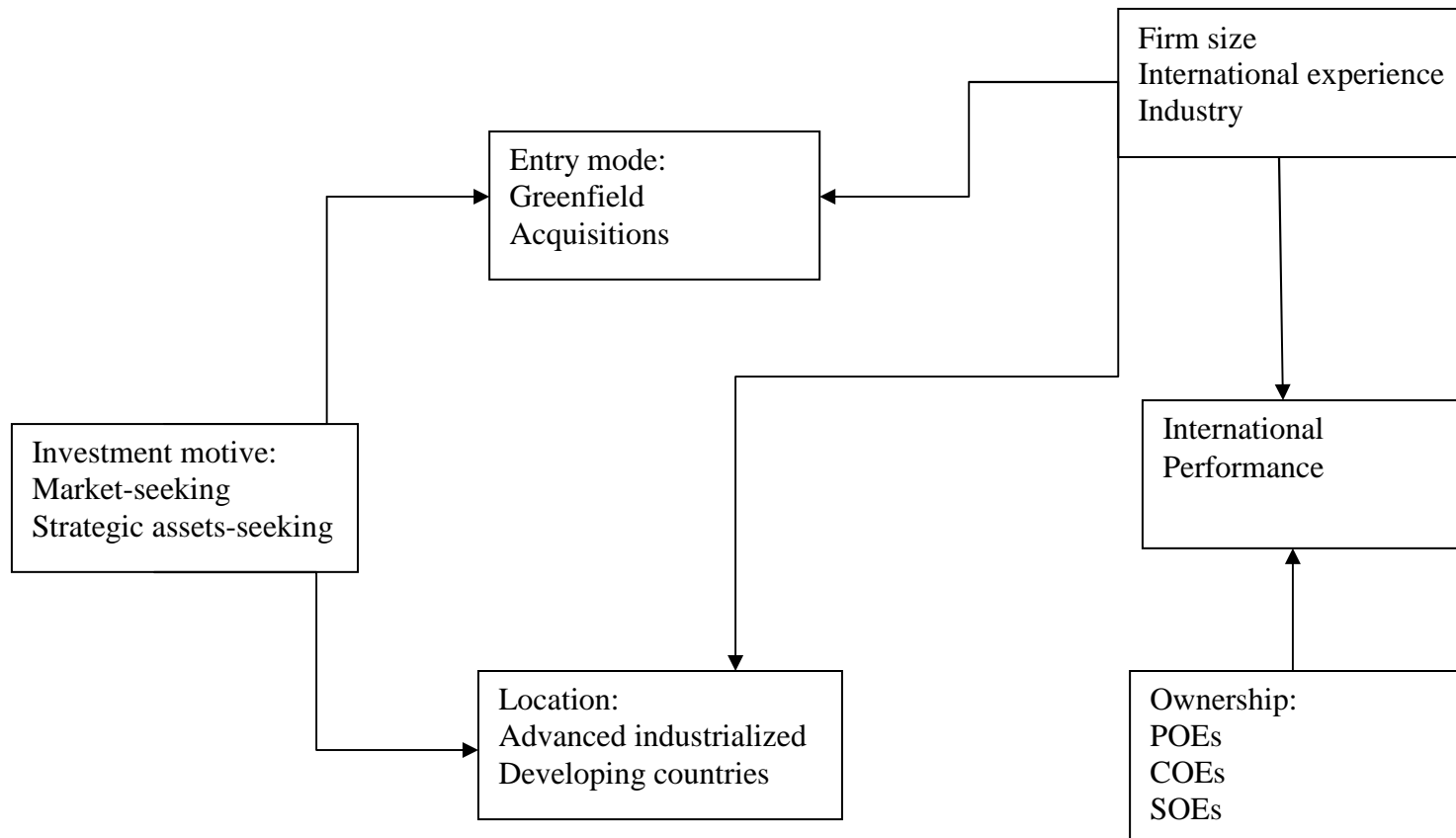


Figure 2: Full Model

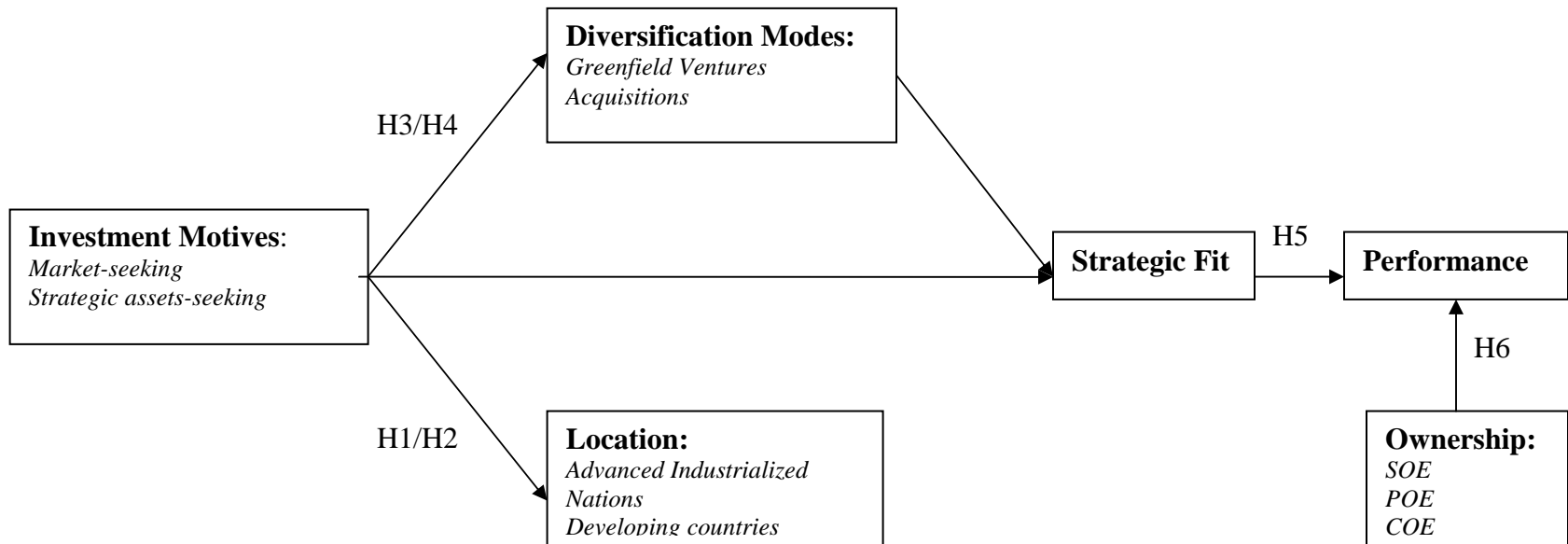


Table 1-1
Correlation Matrix

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Advanced Industrialized Countries (AICs)	0.56	0.50									
2. Newly Industrialized Countries (NICs)	0.52	0.50	-0.523 **								
3. Developing Countries (DCs)	0.23	0.42	-0.140 †	-0.070							
4. Seeking new markets (M1)	5.11	1.61	0.397 **	-0.193 *	0.136 †						
5. Avoiding saturated home markets (M2)	4.84	1.74	0.348 **	-0.069	0.169 *	0.493 **					
6. Avoiding trade barriers (M3)	4.84	1.67	0.271 **	0.115	-0.063	0.230 **	0.306 **				
7. Acquiring advanced technology (S1)	4.41	1.75	0.352 **	-0.159 *	0.081	0.556 **	0.353 **	0.269 **			
8. Obtaining internationally recognized brands (S2)	5.03	1.49	0.134 †	0.069	-0.060	0.139 †	0.082	0.245 **	0.274 **		
9. Learning advanced management methods (S3)	5.20	1.38	0.161	0.046	-0.045	0.106	0.235 **	0.357 **	0.355 **	0.441 **	
10. International experience	0.00	0.80	0.091	0.038	-0.130 †	0.037	-0.069	0.049	-0.139 †	-0.051	-0.128
11. Firm size	1.01	1.29	0.190 *	0.009	-0.142 †	0.118	0.102	0.224 **	0.066	-0.096	-0.025
12. Manufacturing	0.57	0.50	-0.093	0.116	0.171 *	-0.079	-0.053	-0.023	-0.099	0.093	-0.057
Variable	10	11									
10. International experience											
11. Firm size	0.685 **										
12. Manufacturing	0.023	0.037									

† p< .10; * p< .05; ** p< .01 (two-tailed t-test)

Table 1-2
Results of OLS Analyses

Variables	AICs		DCs		NICs	
	Model 1a	Model 1b	Model 2a	Model 2b	Model 3a	Model 3b
	B	B	B	B	B	B
Control						
International experience	-0.001	-0.011	0.007	0.006	-0.006	0.005
Firm size	0.045	0.048	-0.049 *	-0.038	0.003	-0.010
Manufacturing	-0.136 †	-0.108	0.059	0.006	0.077	0.039
Independent						
Seeking new markets (M1)		0.048 *		0.005		-0.053 *
Avoiding saturated home markets (M2)		0.023		0.021 †		-0.031 †
Avoiding trade barriers (M3)		0.022		-0.051 ***		0.029 †
Acquiring advanced technology (S1)		0.045 *		0.013		-0.058 *
Obtaining internationally recognized brands (S2)		-0.004		-0.016		0.020
Learning advanced management methods (S3)		-0.022		0.002		0.021
Intercept	0.510 ***	0.059	0.120 **	0.240 *	0.370 ***	0.701 ***
n	166	166	166	166	166	166
R-square	0.035	0.141 **	0.035	0.134 **	0.010	0.173 ***
Adjusted R-square	0.017	0.091 **	0.017	0.084 **	n.a	0.125 ***

one-tailed test for hypothesized variables.

† $p < .10$

* $p < .05$

** $p < .01$

Table 1-3
Results of Binary Logistic Regression Analyses

Variables	AICs				NICs				DCs			
	Model 1a		Model 1b		Model 2a		Model 2b		Model 3a		Model 3	
	B	Odds	B	Odds	B	Odds	B	Odds	B	Odds	B	Odds
Control		Ratio		Ratio		Ratio		Ratio		Ratio		Ratio
International experience	-0.201	0.818	0.190	1.210	0.152	1.164	0.145	1.156	-0.203	0.817	0.046	1.047
Firm size	0.415 *	1.515	0.204	1.227	-0.057	0.944	-0.065	0.937	-0.223	0.800	-0.390	0.677
Manufacturing	-0.419	0.658	-0.323	0.724	0.473	1.604	0.404	1.498	0.920 *	2.508	1.125 **	3.081
Independent												
Seeking new markets (M1)			0.289 *	1.335			-0.240 *	0.787			0.137	1.147
Avoiding saturated home markets (M2)			0.236 *	1.267			0.003	1.003			0.278 *	1.321
Avoiding trade barriers (M3)			0.149	1.160			0.225 *	1.252			-0.104	0.901
Acquiring advanced technology (S1)			0.220 *	1.246			-0.165	0.848			0.131	1.14
Obtaining internationally recognized brands (S2)			0.092	1.097			0.104	1.110			-0.202	0.817
Learning advanced management methods (S3)			0.943	1.011			0.050	1.052			-0.079	0.924
Intercept	0.084		-4.529 **	0.011	-0.114	0.892	0.017	1.018	-1.632 **	0.196	-2.403 *	0.090
n	164		164		164		164		164		164	
-2Log-likelihood	216.544		180.112		224.427		211.448		165.950		154.350	
Chi-square	8.363 *		44.795 **		2.535		15.513 †		9.174 *		20.775 *	
Nagelkerke R-square	0.067 *		0.320 **		0.020		0.120 †		0.083 *		0.181 *	
one-tailed test for hypothesized variables.												
† $p < .10$												
* $p < .05$												
** $p < .01$												

Table 2-2

Results of Binary Logistic Regression Analyses

Variables	Greenfield Vs. Acquisition			
	Model 1a		Model 1b	
	B		B	
Control				
International experience	0.02		0.06	
Firm size	-0.51 **		-0.62 *	
Manufacturing	1.07 *		0.96	
Independent				
Seeking new markets (M1)			0.44 *	
Avoiding saturated home markets (M2)			-0.40 *	
Avoiding trade barriers (M3)			-0.25 †	
Acquiring advanced technology (S1)			-0.420 †	
Obtaining internationally recognized brands (S2)			0.84 **	
Learning advanced management methods (S3)			-0.64 **	
Intercept	2.00 **		4.49 **	
n	107		107	
-2Log-likelihood	109.92		79.30	
Chi-square	8.75 *		39.37 **	
Nagelkerke R-square	0.12 *		0.46 **	
one-tailed test for hypothesized variables.				
† $p < .10$				
* $p < .05$				
** $p < .01$				

Table 3-1
Correlation Matrix

Variable	Mean	S.D.	1	2	3	4	5
1. Objective performance	5.18	3.95					
2. Subjective performance	3.10	0.46	0.06				
3. Ownership types	2.31	0.83	-0.09	0.11			
4. International experience	2.66	3.90	-0.25 **	0.08	-0.25 **		
5. Firm size	3.10	1.38	0.49 **	0.06	-0.33 **	0.23 **	
6. Manufacturing	0.71	0.46	0.13 *	-0.19	-0.13 *	-0.03	0.25 **

† p< .10; * p< .05; ** p< .01 (two-tailed t-test)

Table 3-2			
Subjective performance			
	Mean	Std. Deviation	N
State-owned enterprises	3.00	0.55	27
Collectively-owned or Publicly-owned enterprises	3.17	0.38	18
Privately-owned enterprises	3.13	0.40	40

Table 3-3
Results of OLS on Objective Performance

Variables	COEs vs. SOEs		COEs vs. POEs	
	Model 1a	Model 1b	Model 2a	Model 2b
	B	B	B	B
Control				
International experience	-0.41 **	-0.36 **	-0.54 **	-0.54 **
Firm size	1.56 **	1.65 **	1.87 **	1.75 **
Manufacturing	-0.26	-0.11	-0.01	-0.10
Independent Ownership		2.19 **		-1.70 **
Intercept	2.01 †	-1.85	-0.54 **	5.98 **
R-square	0.33 **	0.39 **	0.43 **	0.46 **
Adjusted R-square	0.30 **	0.36 **	0.42 **	0.44 **
F value	15.28 **	14.87 **	39.79 **	33.72 **
n	98	98	165	165
† $p < .10$				
* $p < .05$				
** $p < .01$				

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Yan Gao earned her Bachelor of Business Administration degree in Finance from Shanghai University of in 2001. In 2004, she joined the International Business Doctoral Program at the University of Texas at El Paso.

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