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INTERNATIONALIZATION OF EMERGING MARKET FIRMS: IMPACTS OF BUSINESS GROUP AFFILIATION AND OWNERSHIP CONCENTRATION IN TURKEY CONTEXT[1]

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ABSTRACT

Emerging market firms are known for their lack of ownership advantages for internationalization. For this reason, most of them should search for these advantages in foreign markets. On the other hand, emerging market firms have specific governance structures which can facilitate some ownership advantages to internationalize. This study proposes that emerging market firms could also have ownership advantages at a threshold level that enhances their internationalization level. Moreover, business group affiliation and ownership concentration would have moderating roles in this positive relationship. Accordingly, the World Bank Enterprise Surveys database is used for sample formation. Hypotheses of the study are tested with a sample of Turkish firms that cover 4159 firm-year observations between 2008-2019. According to statistical findings, a negative relationship between ownership advantages and internationalization level is found for emerging market firms. However, there are no significant moderating effects of business group affiliation and ownership concentration.

Keywords: *Emerging Market Firms, Internationalization, Ownership Advantages, Business Group, Ownership Concentration.*

Jel Codes*: M16, M00, M10.*

1. INTRODUCTION

The actions of rational individuals are an effort in order to meet needs and wants under external constraints. Regardless of the market, they act with the motive created by the limited supply of tools or resources. The things that are individually available and obtainable depend on the way that society defines property rights as property allows for division among members of society. From this point of view, the individual behaves by choosing the most efficient choice that satisfies his wishes at an optimum level. The efficient distribution of resources in the markets and the existence of the mechanism that provides the most benefits for individuals reveal the concept of market mechanism and market society. It is assumed that individuals know the tools they will use to achieve their goals based on their limited rational preferences.

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[1] This study is a revised and extended version of the proceeding which is presented at 48th Academy of International Business UK & Ireland Chapter Conference.

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Political markets can be explained by the tools of economic markets. Voters choose their behavior in this direction in order to maximize their own benefits, and therefore, they always find an optimal choice point because they have rational preferences. This situation parallels the rational expectations theorem. According to the rational expectations point of view, the expectations of the voters are rational rather than adaptive, so the voter/individual does not make systematic mistakes. They can make mistakes, but this will never be in a systematic way.

The government will always have real and complete information, while the electorate will try to make their rational choice under the limited information. Besides information asymmetry, voters consider whether the government has the ability to manage the economy. Politicians, on the other hand, try to get the votes of the voters by applying populist economic policies to prove that they have the necessary talent before the election. On the other hand, monopoly effects, externalities, oligopoly, cartel effect, asymmetric information are the types of failures that occur in political markets. As it is clear, there is a failure in the political markets as well as in the economic markets. Therefore, the concept of the political market can be explained through the economic analysis of political processes. Political markets, which are explained on the basis of the theory of market failures, can be regulated by the endless game strategy and rules, that is, by constitutional regulations.

Emerging market firms (EMFs) have become a new phenomenon in the international business (IB) field for the past years due to their increased presence in global foreign direct investment (FDI) and trade (Aharoni and Ramamurti, 2011; UNCTAD, 2018). Though they lack valuable resources, bigger scales, and competitive advantages for international competition, they have played a significant role in the industrial development of their home countries and the macroeconomy (Colpan and Hikino, 2010). As low-cost facilitators and adoptive innovators, they have shown that EMFs could also use ownership-related advantages for international competition (Bilgili, Kedia, and Bilgili, 2016; Gubbi, Ray, and Aulakh, 2015; Ramamurti, 2012).

In a related manner, business groups (BGs) are significant economic actors in the global economy and play a major role in many emerging markets (EMs) (The Economist, 2011, 2014). Despite their significant contribution to the outward foreign direct investment (OFDI) of their countries, empirical studies about EM BGs' internationalization are still inadequate (Yiu, Ng, and Ma, 2013). There have been mixed results on the effect of BG affiliation on internationalization whether BG affiliation accumulates (Chari, 2013) or dissipates (Gaur and Delios, 2015; Gubbi et al., 2015) internationalization of EMFs. By doing so, this study tries to respond to the call for research about how BG affiliation affects the association between internal capabilities and the internationalization level of EMFs (Aguilera, Crespí-Cladera, Infantes, and Pascual-Fuster, 2020). Moreover, recent evidence about the presence and resilience of BGs in diverse capitalist systems around the world has made them still a prominent research field for IB studies (Colpan and Hikino, 2018; Schneider, Colpan, and Wong, 2018).

BGs are hybrid organizational forms that consolidate different resources, institutions, and industries through complex relations and a multi-theoretical perspective should be implemented to understand their internationalization (Gaur, Kumar, and Singh, 2014; Purkayastha, Manolova, and Edelman, 2018). Moreover, most EMFs can show traits of BGs and concentrated ownership structure simultaneously (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 2000). Even if BGs represent the general firm structure of EMs, the institutional changes in these markets and increased globalization have supported the internationalization of stand-alone firms (Chittoor, Aulakh, and Ray, 2015). Consequently, understanding the role of micro-institutional environments on the internationalization-capability relationship of EMFs could open new avenues for both IB and BGs studies. Based on ownership advantages of the eclectic paradigm and institutional voids perspective (Dunning, 1988; Khanna and Yafeh, 2007), this study tries to explain the internationalization of EMFs related to their asset base strength and ownership status.

Similar to other firms of EMs, the majority of the Turkish firms possess a high level of concentrated ownership structure that manifests itself as generally pyramidal family business groups (Yurtoglu, 2000). Besides, 1980s neo-liberal economic policies served as export incentives for most Turkish firms which increased their competitive position in both domestic and international markets (Buğra, 1995; Yamak and Üsdiken, 2006). Thus, Turkey could serve as an interesting research context for examining how firm capabilities could be exploited during internationalization under context-related governance structures and traits. Furthermore, the study has used a longitudinal sample of Turkish firms with a diverse set of traits related to their size, industry, and geographic location between 2008-2019. This allows an understanding of how a change in country settings and macro environment within time would affect firm behavior and internationalization of EMFs.

In the following parts of the paper, the theoretical background of the study would be explained first. Additionally, the sample properties and variable construction would be mentioned. Lastly, the findings of econometric analysis and their implications would be summarized.

2.CONCEPTUAL BACKGROUND AND HYPOTHESES

Internationalization has been defined as ‘the process of increasing involvement in international operations’ (Welch and Luostarinen, 1988, p. 36), and exporting constitutes the first step of these foreign operations (Johanson and Wiedersheim-Paul, 1975). Although there has been a considerable increase in OFDI from EMs for two decades, exporting still holds a big portion of internationalization for EMFs (Gaur et al., 2014; UNCTAD, 2018). Moreover, the accelerated internationalization of EMFs has been explained through their country-specific advantages (CSAs) rather than their firm-specific advantages (FSAs) for FDI (Rugman and Verbeke, 2003). Accordingly, EMFs still have to face with “liability of foreignness” (Zaheer, 1995) and may prefer a low level of involvement in international investments. Since the rise of EMFs in global FDI has attracted scholarly interest in recent years (Cuervo-Cazurra, 2012; Hennart, 2012; Ramamurti, 2012), new theories like the Linkage-Leverage-Learning paradigm and springboard perspective have been developed to examine accelerated OFDI of these firms (Luo and Tung, 2007; Mathews, 2006). Linkage-Leverage-Learning (LLL) paradigm is based on acquiring valuable assets in the firm environment with a dynamic strategy. The dynamic nature of the LLL paradigm also includes Schumpeterian entrepreneurship, innovativeness, and network establishment skills. EMFs form linkages with other firms in international markets to minimize risks, exploit their existing competencies and resources (leverage), and repeat linkage and leverage processes to improve their international competitiveness (Mathews, 2006). The LLL paradigm proposes an asset exploration motivation for internationalization, especially FDI, of EMFs rather than asset exploitation (Şahin and Mert, 2014). Although the LLL paradigm proposes a new perspective to understand the internationalization of EMFs, acquiring and using valuable assets for internationalization is still significant for EMFs in this perspective. Similarly, the springboard perspective explains the internationalization of EMFs through asset exploration motivation in foreign markets (Luo and Tung, 2007). However, the LLL paradigm and springboard perspective tries to explain the accelerated FDI of EMFs rather than lower-level foreign investment modes. Since most EMFs still internationalize via exporting, internationalization theories that are developed to explain accelerated FDI of EMFs would be insufficient to understand the internationalization of EMFs (Gaur et al., 2014; UNCTAD, 2018). On the other hand, recent debates about the OLI paradigm indicate that OLI paradigm does not only explain the level and composition of international production for a particular time but also has the power to clarify "the process of international production" (Dunning, 2000, p. 184; Narula, 2006). Since exporting is the first step for international operations (Johanson and Vahlne, 1977), the OLI paradigm can also explain the primary internationalization activities of EMFs. Moreover, the OLI paradigm has more global propositions than the LLL paradigm and springboard perspective (Narula, 2006). EMFs can comprise some idiosyncratic resources like technological capability, international alliance experience, business group membership, or state ownership (Yiu, 2011). As Dunning (2006) indicates, EMFs should still have some initial competitive assets to explore new resources or assets in foreign markets. Accordingly, ownership advantages in the OLI paradigm would be relevant for determining the export performance of EMFs. Because of the extreme "liability of foreignness" to deal with, EMFs should also possess strategic assets to add value to their products or services, especially for internationalization attempts. Thus, the OLI paradigm's ownership advantages could be related while examining the initial internationalization of EMFs.

Most EMFs also lack advanced governance structures and competitive advantages to compete in global markets (La Porta, Lopez-De-Silanes, and Shleifer, 1999; Madhok and Keyhani, 2012). EMFs are generally organized through network-based or pyramidal business groups in many EMs (Aguilera, et al., 2012). These organizational structures are common in these countries due to the high level of institutional voids in product and factor markets (Khanna and Yafeh, 2007). However, business groups can form a micro-institutional environment for EMFs to develop their ownership, location, and internalization advantages (Yiu, 2011). For this reason, a multi-theoretical approach should be adopted to understand firm internationalization in EMs due to its more complex nature in underdeveloped institutional environments (Yamakawa, Peng, and Deeds, 2008). Accordingly, the institutional voids perspective can also be adopted to examine EMFs internationalization.

2.1.Ownership advantages of EMFs

OLI paradigm has been the most studied approach with its broadest scope in IB literature for over 40 years (Eden and Dai, 2010). According to the OLI paradigm, firms should possess ownership (O), location (L), and internalization (I) advantages to practice international production and become MNCs. Firms would be ready to become MNCs when they are endowed with competitive advantages that are developed in their home countries (O), can exploit these advantages in host regions likewise in home countries (L), and have the efficiency in the use of O advantages in different locations (I) (Dunning, 1998). The MNC activity since the mid-1970s has accelerated in a diversified way with the participation of EM firms in global FDI due to increased neo-liberal economic policies of EM states and developments in information technologies (Child and Rodrigues, 2005; Verma et al., 2011). Despite their accelerated OFDI for two decades and success in to respond customer needs and uncertainties in many EMs effortlessly, EMFs have been defined by their lack of ownership advantages (OAs) (e.g. advanced technology, reputable brands, managerial knowledge) by IB scholars in general (Hennart, 2012; Peng, 2012; Ramamurti, 2012). Even though MNCs have increased the competition in EMs, they also have shaped the asset base of EMFs by transferring knowledge to their strategic partners in these markets (Dunning and Lundan, 2010). Besides, export-led growth policies of states in EMs have led EMFs to become more internationalized to overcome competitive forces in both domestic and international markets (Amsden, 2009; Schneider, 2009). Although most EMFs can be seen as utilizers of lower labor and production costs when internationalizing, they can also benefit from other capabilities such as frugal innovation, privileged relations with the state, and being original equipment manufacturers of advanced MNCs (Ramamurti, 2012; Yaprak, Yosun, and Cetindamar, 2018). Most EMFs have used inward FDI or foreign alliances for developing their innovative capacity. For example, being licensees of advanced MNCs has formed the initial attempts of the OFDI journey of EMFs (Bonaglia, Goldstein, and Mathews, 2007). Relatedly, EMFs' initial internationalization can be nourished these first-level competitive assets by increasing the quality image of their products or services in international markets. Consequently, the first hypothesis of the study is as followed:

H1: There will be a positive impact of ownership advantages of EMFs on their internationalization level.

2.2.Business groups in emerging markets

Different varieties of capitalism have manifested themselves as national business systems, especially in EMs, and paved the way for BGs as a consequence of close relations between the state and businesses (Khanna and Yafeh, 2007; Whitley, 1998). Diverse policies and political motivations of states have encouraged or limited BGs' growth in many EMs (Schneider, 2009). BGs can be defined as legally independent firms connected by formal and informal bonds and can operate across unrelated industries with a controlling headquarters or parent company (Colpan, 2010; Khanna and Yafeh, 2007). Internationalization decisions, strategy, and performance of affiliate firms are also determined by the parent company since BGs' long-term sustainable growth depends on their affiliates' status (Chang and Hong, 2000; Kumar, Gaur, and Pattnaik, 2012; Purkayastha, Kumar, and Lu, 2017). Due to the high level of institutional voids in EMs, the formation of BGs has become inevitable to reduce high transaction costs and create internal markets that provide complementarities in financial, technological, and human resources for affiliates (Chang and Hong, 2000; Khanna and Yafeh, 2007; Williamson, 1979). Moreover, BGs may serve as a protective umbrella for knowledge-intensive assets of affiliates in most EMs (Khanna and Palepu, 1997). The reputation of BGs rests on the strength of internal connections among affiliates and makes them more attractive to external stakeholders as well as supports affiliates' internationalization efforts (Mukherjee, Makarius, and Stevens, 2018). Since the underdeveloped institutional environment in EMs has made it difficult to gain competitive advantages for stand-alone firms, BGs contribute to their affiliates' asset base by operating in diverse industries, bringing together accumulated knowledge and re-distribute it and attracting foreign technology providers as reliable partners (Guillen, 2000; Hobday and Colpan, 2010). BGs can exploit foreign alliances by acquiring strategic assets via internalizing advantages and can, therefore, eliminate the "liability of foreignness" while internationalizing (Singla and George, 2013; Yiu et al., 2013; Zaheer, 1995). Hence, EMFs could better use their capabilities for internationalization when they are affiliated with a BG.

H2: The impact of ownership advantages on internationalization will be stronger for BG affiliates when compared to stand-alone firms.

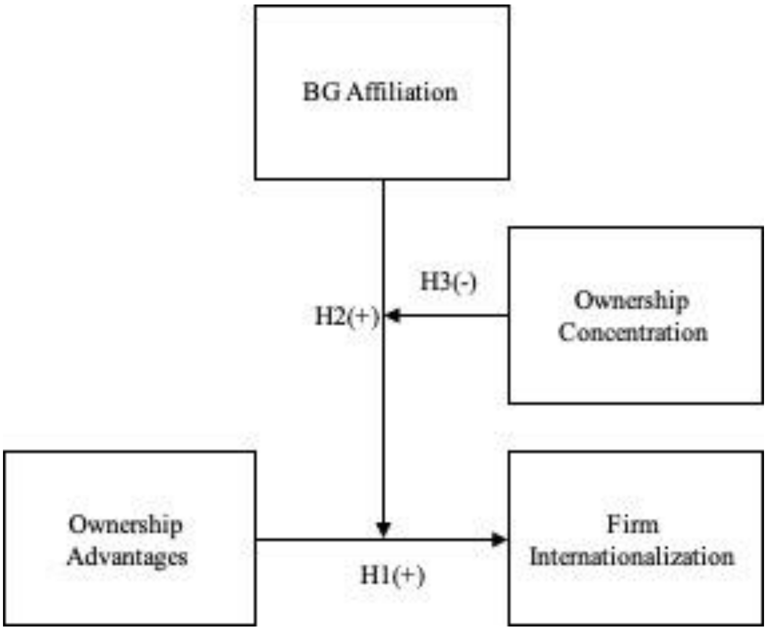
2.3. The mitigating role of ownership concentration

Most of the firms from EMs are more likely to have concentrated ownership structure (as affiliation to BGs, family ownership, and state ownership) than advanced economy counterparts (Filatotchev, Strange, Piesse, and Lien, 2007; Khanna and Yafeh, 2007; La Porta et al., 1999). When the protection for minority shareholders in the current institutional environment is low, it is expected that majority shareholders would dominate EMFs' strategy (Filatotchev and Wright, 2010). Ownership concentration has both positive (such as internal market development, resource sharing, and reducing institutional voids) and negative (such as tunneling, lack of transparency, and principal-principal conflicts) attributions for firms in EMs (Chen and Young, 2010; Guillen, 2000; Morck and Yeung, 2003; Pattnaik, Chang, and Shin, 2013). For instance, ownership concentration harms family BG internationalization in India (Subramanian, 2019). Other studies have also provided contradictory findings about the relationship between ownership concentration and internationalization level. While Santulli et al. (2019) have found a U-shaped relationship in German firms, Gaur and Delios (2015) have found a positive effect of concentrated ownership whether it is led by foreign or domestic owners on the internationalization of Indian firms. Accordingly, internationalization decisions and levels are affected negatively by concentrated ownership which manifests itself most of the time as family ownership or BG affiliation in EMs (Bhaumik, Driffield, and Pal, 2010; Singla, George, and Veliyath, 2017). Besides the direct impact on internationalization, ownership concentration, and BG affiliation can also play a boosting role in the relationship between R&D intensity and the internationalization of EMFs (Purkayastha et al., 2018). However, as a tool of majority shareholders to control strategic decisions of EMFs, ownership concentration would hamper the positive impact of BGs resource sharing advantage for the internationalization of affiliates. As a risky decision, the use of firm advantages and BGs' common resources in the internationalization of affiliates can be blocked by majority shareholders to use them in domestic markets with lower risk and higher returns. Moreover, most of the majority shareholders have been families in EMFs and family owners are known for their risk-averse attitude in strategic decisions (Anderson and Reeb, 2003; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes, 2007). As a consequence, the last hypothesis proposes that:

H3: The positive moderating role of BG affiliation on the relationship between ownership advantages and the internationalization level of EMFs will be lessened by ownership concentration.

Finally, a multi-theoretical approach to understanding the internationalization of EMFs has been proposed and it has been summarized in Figure 1 as the research model of this study.

Figure 1. Research Model



3.METHOD

3.1.Data and research context

World Bank Enterprise Survey (WBES) database is used for the study since it covers over 125.000 public and private firms from 139 countries. The World Bank Enterprise Surveys collect firm-level data to examine the business environment, especially in less developed and emerging countries. Enterprise Surveys are employed in every country for 3 to 4 years which helps to reach firm-level panel data (World Bank, 2021). WBES has a globally stratified random sample that involves a wide range of firms that differ in size, industry, and geographic region. The database has been used in IB studies (Luo and Bu, 2016) and BGs research (Castellacci, 2015; Tajeddin and Carney, 2019) previously. Firm-level panel data which is collected from Turkey for the years 2008, 2013, and 2019 is employed for this study. The sample of the study includes 4159 firm-year unbalanced observations. As summarized in Table 1, the sample of the study is mostly from big cities with a population of over 1 million (68.44%). Furthermore, the sample generally consists of small (40.73%) and medium-sized enterprises (34.86%). Firms from miscellaneous sectors constitute the biggest portion of the sample (28.06%). 12.58% of the firms are from the food industry which has the second-highest share in the study sample. While 12.24 % of the sample are BG affiliate firms, 87.76% of the sample are independent firms.

Turkey has been at the crossroads of three continents with an average GDP growth rate of 5.79 % for the last 10 years (OECD, 2020). It has become a rapidly industrializing economy, especially after the 1980s neo-liberal economic policies. Like other EMs, BGs have been dominant actors in the economy and diversified in unrelated industries to grow at the national and international levels (Buğra, 1995; Colpan and Hikino, 2008). Due to the 1980s liberalization policy in Turkey's economy, international trade incentives have helped Turkish BGs to establish foreign trade firms abroad and increase their exporting activities (Buğra, 1995; Önis, 1992). Moreover, Turkish BGs are generally known for high family involvement and control of strategic decisions of affiliate firms which makes them different from network-based BGs in South-East Asia (Colpan, 2010; Yaprak, Karademir, and Osborn, 2006; Yurtoglu, 2000). This kind of family control via pyramidal structures would make Turkish BGs good examples to investigate how governance mechanisms in EM BGs would affect the strategic decisions of affiliate firms in the long run.

Table 1. Descriptive Statistics

Industry	**Freq.**	**Percent**	**Size of Locality**	**Freq.**	**Percent**
Food	523	12.58	City with population over 1 million	2759	68.44
Textiles	354	8.51	Over 250.000 to 1 million	967	23.99
Garments	467	11.23	50.000 to 250.000	119	2.95
Fabricated Metal Products	382	9.18	Less than 50.000	186	4.61
Machinery & Equipment	207	4.98	*Total*	4031	100
Other Manufacturing	1167	28.06	**Size**	**Freq.**	**Percent**
Construction	224	5.39	Small	1694	40.73
Retail	430	10.34	Medium	1450	34.86
Other Services	405	9.74	Large	1015	24.40
Total	4159	100	*Total*	4159	100
BG Affiliation	**Freq.**	**Percent**			
Yes	509	12.24			
No	3650	87.76			
Total	4159	100			

3.2.Variables

3.2.1.Dependent variable

As in previous studies, export intensity is used for measuring the *internationalization level* of EMFs (Singla and George, 2013; Tajeddin and Carney, 2019). Export intensity has been the widely used internationalization variable in the literature with a diverse range of operationalization like experience, focus, and search behavior (Gaur et al., 2014; Gubbi et al., 2015; Kumar et al., 2012; Singla and George, 2013). Furthermore, export intensity is a more appropriate measure for the sample firms since they include non-listed and small-medium-sized companies generally. The question d3c "What percent of the establishment sales were direct exports?" has been operationalized as the dependent variable of the study.

3.2.2.Independent and moderating variables

The first independent variable is the *ownership advantages* of EMFs. This variable is measured via the construction of three survey items as a single variable. These items have been chosen by examining related studies that used the same survey for analyzing BGs operations and efficiency (Castellacci, 2015; Shapiro, Liang, Estrin, and Carney, 2018; Tajeddin and Carney, 2019). Since ownership advantages are exemplified as advanced technology, reputable brands, or managerial knowledge in the literature, this study focused on questions that can reflect the innovative capacity and propensity of EMFs. The chosen items are as followed: question b8 "whether the firm has internationally recognized quality certification?", question e6 "whether the firm uses a licensed technology from a foreign firm despite software at present?" and question h1 "whether the firm has introduced new or improved products or services for the past three years?". All three questions are coded as 1 if the answer is "Yes" and 0 otherwise. A single count variable is generated by calculating the mean value of these items for every single firm.

The first moderating variable of the study is *BG affiliation* which is measured through a dummy variable. The variable takes the value of "1" if the firm is a member of BG and "0" otherwise. WBES database provides the group affiliation information of the firms even if they are non-listed and with an exact definition for all the firms and countries that the surveys employed (Castellacci, 2015; Tajeddin and Carney, 2019). Since the definition of BGs has shown a diverse approach in the literature and different country settings (Colpan and Hikino, 2010; Khanna and Yafeh, 2007), the WBES database is valuable due to its clarification about what kind of characteristics an affiliate should have in the sample firms. WBES defines BG affiliates according to being legally independent, being part of a larger enterprise, controlling their financial and managerial decisions, and having private ownership status (Castellacci, 2015). Survey item a7 has been operationalized in this study to measure the affiliation status of the related firms.

The other moderating variable of the study is *ownership concentration*. Ownership concentration can be obtained by being the biggest shareholder in a given firm. The WBES survey question b3 “What percentage of this firm does the largest owner or owners own?” gives the accurate measure of concentrated ownership for each firm in the sample. Thus, this measure is employed for operationalizing of ownership concentration variable.

3.2.3. Control variables

Three firm-level control variables are added to research models which are standard due to their relations with export intensity in previous studies. *Firm age* is measured by the difference between the year of employed survey and firm establishment. Another control variable, *firm size*, is measured through the logged number of permanent workers of the given firm in the sample. The last control variable is *the main product market* which is classified into three groups by question e1 in the WBES survey: local, national, and international.

Table 2. Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Export Intensity	1						
(2) Ownership Advantages	-0.22***	1					
(3) BG Affiliation	-0.09***	0.19***	1				
(4) Ownership Concentration	-0.08***	0.24***	0.06***	1			
(5) Main Product Market	0.44***	-0.29***	-0.07***	-0.20***	1		
(6) Firm Size	0.20***	-0.25***	-0.14***	-0.14***	0.22***	1	
(7) Firm Age	0.07***	-0.18***	-0.08***	-0.11***	0.10***	0.00	1

**** p<0.01, ** p<0.05, * p<0.1*

4.RESULTS

According to pairwise correlation results in Table 2, multicollinearity is not a problem for research variables since the highest correlation value (0.44) is between the main product market and export intensity. Furthermore, the dependent variable is correlated with all independent, moderating, and control variables with acceptable values. This study has examined ordinary least square (OLS) estimation to test proposed hypotheses. Table 3 provides the findings of OLS regressions with export intensity as the dependent variable. The relationship between the dependent variable and the independent variable is tested through Model 1. The moderating effects of BG affiliation and ownership concentration are tested with Model 2 and Model 3. Model 1 has tested the relationship between ownership advantages of EMFs and export intensity with all of the control variables as well. All control variables have significant and positive relationships with export intensity in all models.

Table 3. OLS Regression Results

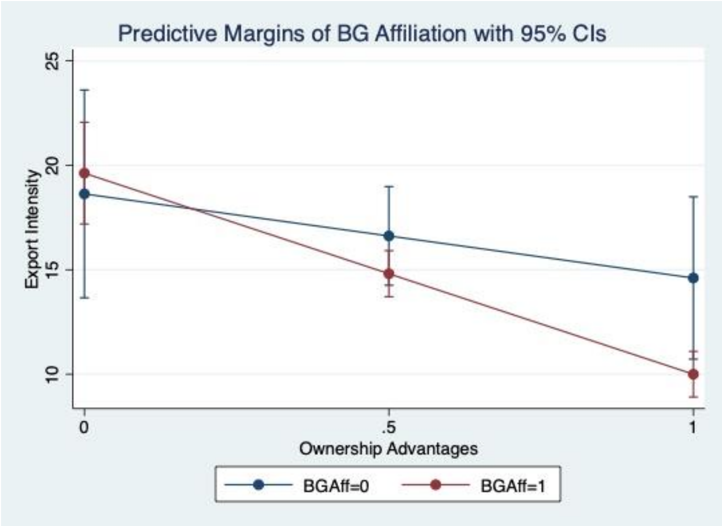
	Export Intensity as Dependent Variable		
Variables	**Model 1**	**Model 2**	**Model 3**
Constant	7.333***	6.607**	6.419
	(1.696)	(2.832)	(7.000)
Firm Age	0.088***	0.084***	0.077**
	(0.030)	(0.030)	(0.030)
Firm Size	2.176***	2.105***	2.116***
	(0.304)	(0.305)	(0.311)
National Market	1.257	1.221	1.458*
	(0.843)	(0.844)	(0.850)

International Market	40.027***	39.925***	39.884***
	(1.266)	(1.266)	(1.279)
Ownership Advantages	-9.290***	-4.024	-3.999
	(1.447)	(3.864)	(10.576)
BG Affiliation		0.993	2.033
		(2.773)	(7.483)
BG Affiliation * Ownership Advantages		-5.599	-6.598
		(4.126)	(11.306)
Ownership Concentration			0.015
			(0.096)
BG Affiliation * Ownership Concentration			-0.038
			(0.106)
BG Affiliation * Ownership Advantages			-0.013
			(0.145)
Ownership Concentration * BG Affiliation * Ownership Advantages			0.036
			(0.156)
Observations	3144	3144	3073
R-squared	0.332	0.334	0.334
Adjusted R-squared	0.331	0.332	0.332
F	312.54***	224.27***	139.82***

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

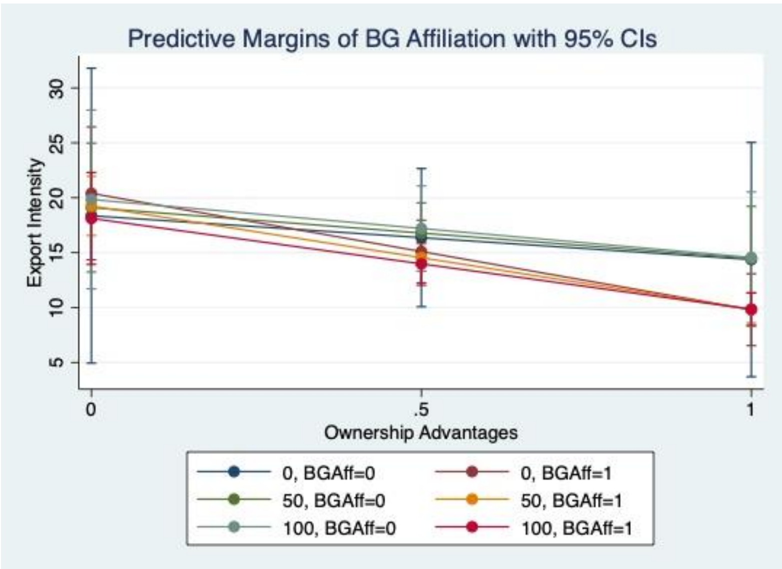
While H1 proposes a positive impact of ownership advantages on the export intensity of EMFs, the coefficient of the independent variable has a negative and significant value (Model 1: β = -9.290, p <0.01). Thus, the first hypothesis of the study is not supported. The second hypothesis (H2) of the study suggests that EMFs that are affiliated with a BG would have a stronger positive relationship between ownership advantages and export intensity. According to Model 2, the moderating influence of BG affiliation is not supported (Model 2: β = -5.599, p > 0.1). The coefficient of the interaction variable is negative and insignificant. Therefore, H2 is also not supported. However, simple slope analysis is applied to visualize the real impact of BG affiliation on the negative relationship between ownership advantages and export intensity variables. As can be seen in Figure 2, the slopes of the relationship between ownership advantages and export intensity of EMFs differ according to the BG affiliation status of the firms. The negative relationship between ownership advantages and export intensity is stronger for BG-affiliated firms in the study.

Figure 2. Moderating Role of BG Affiliation on the Relationship Between Ownership Advantages and Export Intensity



Similarly, findings for three-way interaction in Model 3 could not provide significant support for the hypothesized moderating effect of ownership concentration. The coefficient of the three-way interaction term is insignificant in the model (Model 3: $\beta = 0.036$, $p > 0.1$). Accordingly, H3 is rejected due to the insignificant coefficient of the interaction variable in Model 3. To get a better visualization of the proposed relationships, the interaction slopes of the two moderators are drawn. As Figure 3 shows, there is no significant difference between the interaction term of BG affiliation and ownership advantage for different levels of ownership concentration.

Figure 3. Moderating Role of Ownership Concentration on the Relationship Between Ownership Advantages, Export Intensity and BG Affiliation



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5.DISCUSSION

This study aims to provide support for how ownership advantages of EMFs can boost their internationalization level firstly, Moreover, it investigates how BG affiliation and ownership concentration would play a supporting or hindering role in this relationship. The study is based on a multi-theoretical approach by using the OLI paradigm (Dunning, 1988) and institutional voids perspective (Khanna and Yafeh, 2007) to examine EMFs internationalization and the role of adopted organizational structures to fill institutional voids. The findings of the study do not provide any support for the significant role of ownership advantages in the internationalization of EMFs like advanced MNCs. As EMFs have become infant MNCs in global markets in recent years, the motivations and reasons behind their internationalization have been explained through an asset exploration attitude rather than the asset exploitation of advanced MNCs. The negative relationship between ownership advantages and export intensity corresponds with this view. Accordingly, this finding contributes to new internationalization theories that evaluate internationalization as a springboard for EMF (Luo and Tung, 2007; Mathews, 2006). However, extending the present internationalization theories by considering the unique economic history of EMs could be more applicable to future studies (Cuervo-Cazurra, 2012). Moreover, focusing on EMFs' export intensity to examine their internationalization has shown that even international entry modes with lower risk do not require value-adding capabilities for EMFs. Despite this unconventional result, EMFs should continue to develop their asset base before expanding in global markets and competing with mature MNCs.

Although BGs are seen as capability facilitators for affiliate firms in EMs (Chang and Hong, 2000; Guillen, 2000), their positive role seems to disappear when EMFs start to compete in international markets. The insignificant moderating effect of BG affiliation on the association between ownership advantages and the internationalization level of EMFs shows that the "BGs are paragons" view does not get enough support. Contrarily, the stronger negative relationship between ownership advantages and internationalization level can support the "BGs are parasites" view in simple slope analysis. Similarly, ownership concentration as a symbol of EM BGs has shown no contextual role for EMF internationalization through exploiting ownership advantages. This can be explained through the ongoing institutional development of most EMs which has been embraced for two decades. As institutional voids disappear and minority shareholder protection becomes stronger in EMs, the relevant role of idiosyncratic governance structures of EMFs would also be lost.

This study has some limitations that should be mentioned briefly. First, as with other single-country studies before, this study could not find a definite explanation for EMFs internationalization with context-related variables. Also, the unbalanced nature of the sample may hinder finding the exact effect of BG affiliation on EMFs' internationalization. Besides, other types of ownership advantages (such as qualified human resources and management practices) are not included as determinants of EMF's internationalization level. Future studies can expand this construct by adding new dimensions to see the exact impact of them on internationalization and their relationship with BG affiliation and governance structures of EMFs.

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