Article

Executives’ Assessments of Evolutionary and Leapfrog Modes: An Ambidexterity Explanation Logic

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Abstract: Under the background of resource dependence, it is of great significance to study the emerging market multinationals’ (EMNEs) entry mode into international market. How do complementary assets and expansion opportunities in a host country market influence the EMNEs executive’s entry mode choice? We adopt policy capture method to designed questionnaire and administered to high-level EMNEs executives in China. The results show that the availability of complementary assets in the host country market have a positive influence on EMNEs executives’ evolutionary and leapfrog entry modes choice, and EMNEs executives’ preferences for leapfrog mode over evolutionary mode is positively related to the host country’s complementary assets. The expansion opportunities in the host country market have a positive influence on EMNEs executives’ evolutionary and leapfrog entry modes choice. This shows that expansion opportunities in the host country market have a similar degree of attraction for executives’ evolutionary and leapfrog modes. Unlike most current studies, which advocate that leapfrog is mainly used to obtain international assets, while evolutionary approach is more suitable for seeking international opportunities. This paper shows that the opportunity factors play the same important role as assets factors in promoting EMNEs executives’ springboard behavior. It also reveals the ambidexterity logic in EMNEs executives’ decision-making process.

Keywords: evolutionary mode; leapfrog mode; EMNEs; international assets; international opportunities

1. Introduction

Mode of entry into an international market can be defined as a conduit through which business organizations employ to gain entry to a new international market. It has become a crucial issue for enterprises that wish to enter international market arena for a sustainable competitive advantage. Decisions concerning how to enter a foreign market can have significant influence on the overall success and sustainability of a business organization. Practitioners in the field keep on asking about the best mode of entry into global market in order to make the best use of their resources towards successful operation and business survival. Shaver (2013) postulates that questions on mode of entry into an international market are among the most central questions for international business scholars [1]. It is an albatross hanging around the neck of both practitioners and scholars in the field to predict the best conduit to adopt for international expansion. Nevertheless, a lot of giant multinational enterprises (MNEs) and emerging market multinational enterprises (EMNEs) have benefited tremendously from mode of entry in announcing their internationalization agenda. MNEs are enterprises that acquire a significant portion of control in establishments in more than one economy [2]. While EMNEs are
multinational enterprises from the emerging markets (such as Brazil, Russia, India, China, South Africa, etc.), which are committed to international expansion activities [3]. From the extant literature, the term emerging markets was first announced in 1981 by the International Finance Corporation. This organization adopted the term to describe new developing stock markets [4]. Scholars [5–7] in their studies have used three common variables to identify emerging markets. These variables are as follows: population standard of living, the pace of economic growth, and economic policies. Constanza (2014) opine that emerging markets are characterized by institutional instability and lower levels of economic development compared with industrialized economies [8]. Nevertheless, numerous enterprises from these economies have been hunting for outward foreign direct investment (OFDI) opportunities beyond their home countries, thus becoming a new breed of multinationals [9,10] or emerging multinationals [11–14]. We argue that these enterprises from both developed and emerging economies have changed the global market landscape over the past few decades through the unique entry modes that they adopt for their internationalization expansion and operations.

Scholars [15–17] believe that EMNEs practitioners regard entry mode choice as an important strategic decision to overcome the disadvantage of “late comer” in order to avoid risks and maximize profits. Enterprises that opt for appropriate entry mode decisions attract resources and assets that enhance their operational activities towards performance. Luo and Tung (2007) postulate that entry mode processes for internationalization can be divided into two categories: namely evolutionary mode and leapfrog mode, respectively [3]. Proponents of evolutionary mode believe that enterprises should follow the S-model’s internationalization processes (market commitment from low-to-high) to achieve results [18,19]. Under this model, practitioners first contractually export or set-up sales subsidiaries in the host country market and then gradually increase their commitment level. On the other hand, leapfrog mode advocates that enterprises that are internationally inclined can skip one or several steps of S-model’s internationalization processes to enter the host country market. Practitioners who adopt this mode of entry enter the host country market through merger and acquisition to announce their presence [20].

It is important for enterprises that intend to expand their tentacles to the international arena to be abreast with all advantages and disadvantages relating to entry modes. Andersen et al. (2014) suggest that firms need to strategize their position in choosing appropriate entry mode [21]. For the past three decades, international business scholars have used variety of theories or models such as Uppsala model, ownership location and internalization paradigm (OLI), linkage leverage and learning model (LLL), and springboard theory to explore innumerable factors that influence executives’ entry mode choice behavior [22]. The Uppsala model view and the OLI paradigm both embrace that the internal advantages of enterprises are the pre-conditions for international expansion. Both intend to address how enterprises gradually expand through the use of internal advantages to announce their international presence. Internationalization, therefore, is a gradual process adopted by enterprises to enter foreign market to provide goods or services. The LLL model accords with the springboard theory in that both perspectives tend to assume that emerging market firms lack the internal advantages to pursue international expansion. The proponents believe that for emerging firms to overwhelmed this identifier (internal advantage challenges), they enter overseas market to pursue resources that are relevant to their operations through connecting up with well-established multinational companies [20]. These enterprises seek foreign assets to address their deficiencies in order to fight fiercely against competitors in the international market arena. The leapfrog mode of entry is a primary mode for such action. The action empowers practitioners to have influence or leverage on international assets and opportunities through radical investment, mergers and acquisitions to establish and announce their business presence in the international scene.

Evolutionary mode or leapfrog mode: which way to go? This is a key question that still confronts practitioners in their quest for internationalization. The extant literature has not given a satisfactory answer for both routes. From the literature, it is well articulated that both explain international expansionary behavior of EMNEs in different contexts. This study argues that each of the entry modes
has advantages and disadvantages towards firms’ international expansion and sustainable growth agenda. First, evolutionary mode of entry can be well-matched to the internal resources and external environment, with a lower risk of overseas financial benefits. Nevertheless, this mode or process of internationalization has been tagged with slowness. This slowness has the potential ability to jeopardies market opportunities of firms. The other side of the mode is that it holds firms up behind competitors in the ferocious market competitive environment. Second, the leapfrog mode can be described as advantageous to firms aiming to achieve key international assets and opportunities from a foreign market. Firms that adopt the leapfrog approach are quick to enter foreign markets to make up for the latecomers’ disadvantages. However, the key foundation of this approach relies on superior market commitment escorted by a huge financial risk. It is important for firms to position themselves well in the global market arena to accomplish their overall vision and objectives. In every organizational set-up, survival issues play an important role in the business development. Firms need to work hard to be at the apex position against competitors. Child and Rodrigues (2005) posit that EMNEs must not only take benefit of certain advantages that may prevail in the business or international environment, but also have an erudition outlook and adopt flexible strategic choices to fight against competitors towards survival in the industry [23]. EMNEs executives, therefore, have an up-hill task in selecting mode of entry into international arena. Their selection mode to enter a foreign market needs to be pondered against both internal and external factors to bring satisfactory results. It is, therefore, incumbent upon EMNEs executives to seek for a satisfactory choice instead of an optimal one [21].

Luo and Tung (2007) postulate that EMNEs executives’ choice of transnational entry mode is influence by two main factors: asset-seeking and opportunity-seeking [3]. EMNEs enter into transnational market through springboard to announce their presence in order to hunt for assets. This move aids them to capture the complementary assets needed to make up for their latecomer disadvantages. On the opportunity-seeking front, EMNEs consider this approach as a genuine way to expand their tentacles to the international market arena in order to hunt for more opportunities that provide a sustainable competitive advantage. Kontinen and Ojala (2011) argue that EMNEs opportunity-seeking tactic can be considered as in the overseas markets over the years and has also contributed immensely towards international expansion speed as well as entry mode [24]. This tactic has pushed most EMNEs to compete effectively against global giants in various industries. It is thus imperative to investigate the effectiveness of EMNEs ‘executives’ internationalization mode choice behavior from assets and opportunities factors to establish its theoretical insights into international business literature. This study intends to build a series of EMNEs international expansion decision scenarios to aid international business practitioners in their decision-making process. The purpose of this paper is to explore the assets and opportunities factors that trigger executives to enter the model decision-making mechanism. Specifically, this paper examines the influence mechanism of complementary assets and expansion opportunities in the host country market on EMNEs’ international entry mode choice; and assesses EMNEs executives’ ambidexterity behavior logic in their decision-making process. It is hoped that the findings from this paper will help EMNEs executives to plan, manage, improve, and sustain effective modes of entry that will yield positive results for their survival in the challenging international market environment.

In the next section, we discuss the theory and hypotheses of the study. This leads to the methodology section, which describes the experimental approach, the scenario scale design, and the sample. A section on data analysis leads to a discussion of the results. Finally, the last section outlines a conclusion, limitations, and future research opportunities of the research.

2. Theory and Hypotheses

Emerging multinational enterprises (EMNEs) can be defined as multinational enterprises from the emerging markets (such as Brazil, Russia, India, China, South Africa, etc.), which are committed to international expansion activities [3]. Unlike developed-country multinational enterprises (MNEs), EMNEs are considered as a latecomer and possess unique features in their international expansion
process [25]. First, in terms of technical capabilities, EMNEs are far away from global science and technology centers, with restrictions on innovative talents and technical resources. Such challenges have led EMNEs to their backwardness in technology [26,27]. Second, in the area of market control, EMNEs are secluded from the mainstream and complex international markets, resulting in a weak market control capability [28]. As a result, EMNEs are faced with the “double-dependency” of technology and market resources. Under the circumstance of “double-dependency” of technology and market, EMNEs’ international entry mode choice behavior is bound to be affected by external resource dependence. Based on the Uppsala model and OLI paradigm, which oriented in the traditional developed countries, it is considered that the international expansion of enterprises is to maximize the use of their internal advantages [29]. In this process, enterprises’ market commitment level gradually increases with the increase of knowledge [19]. They believe that the process of internationalization is gradual, and enterprises need to first export their goods or services and then gradually evolves into localized operation after gaining necessary foreign exposure (knowledge and experience). Both Uppsala model and OLI paradigm describe the process of multinational expansion by expanding the use of enterprises’ internal advantages. However, both theories cannot fully explain the current massive investments, the mergers and acquisitions behavior of EMNEs. To address the behavior of EMNEs, Luo and Tung (2007) put forward a theory christened as “springboard” to throw more light on the situation [3]. They believe that EMNEs, as latecomers to the international arena, lack internal advantages that traditionally developed enterprises owned, and for them to compete favorably, they need to accelerate their pace of international expansion to catch up with global giants both home and abroad. Studies conducted by Luo and Tung (2007, 2017) postulate that EMNEs generally do not necessarily follow evolutionary mode of entry to international arena, but rather adopt leapfrogging mode to achieve international expansion—skipping one or several stages through foreign direct investment in overseas market as the launch pad [3,20].

From the literature, progressive internationalization of the Uppsala model and OLI theory suggestions, and the leap-forward internationalization approach supported by the springboard theory and LLL model give vivid explanation of the international expansion of enterprises under different scenarios. However, all these theories place enterprises in a specific situation. In reality, the internal and external environments that enterprises face are complex and diverse.

The combination of various scenarios and factors that are intertwined make it unbearable for executives to make a clear choice based on existing theories. In the same vein, it is hard to simply judge whether a certain factor has a positive or negative influence on a certain entry mode decision. Therefore, based on Uppsala model, OLI paradigm, LLL model, and springboard theory, this paper extracts the main factors that influence the choice of entry mode, and establishes a quasi-experimental decision-making scenario to explore the influence of each factor on the two behavioral tendencies. According to the relevant theories on EMNEs’ internationalization motivation, this article delves into two factors in the host-country market: the availability of complementary assets and expansion opportunities.

2.1. Availability of Complementary Assets in the Host Country Markets

It is a well-established fact that some host-country markets possess unique assets that can be tapped into by other international firms to compete favorably in the global market arena. These unique assets can be described as “complementary assets”, which are needed by enterprises to achieve success relative to their internal capabilities and proprietary [30]. Luo and Tung (2007) postulate that under the condition of “double dependence” on resources, EMNEs that seek for complementary assets largely focus on technology, knowledge, research and development (R&D) facilities, human capital, brands, consumer groups, sales channels, management experience, and natural resources, among others, to compensate for competitive disadvantages at the corporate level [3]. Scholars and practitioners of international business believe that the main motive for EMNEs internationalization expansion is to acquire complementary assets to position their activities on the international landscape.
The host country market with substantial availability of complementary assets attracts a large number of firms to enter the market for business activities. The tendency of executives’ international expansion behavior may be reflected in the following aspects:

- EMNEs executives take into consideration overseas investment risks that latecomers are likely to encounter and design alternative protection mechanisms (less risk programs) in overseas market to cope with uncertainties. These actions make expensive equity investment models (such as cross-border mergers and acquisitions or greenfield investments) less necessary [31]. One of the actions is to use internal advantages to gradually embed into the host country market. This can be done through export of products under conditions of regional cost advantage, to avoid risk and capture international opportunities. In addition, some specialized overseas complementary assets are difficult to acquire through cross-border mergers and acquisitions or greenfield investments; they are highly unique. The process of obtaining such complementary assets is path-dependent, embedded, and difficult to imitate at the same time. This often prompts enterprises to gradually enter the target market, and ultimately achieve knowledge acquisition and absorption through continuous learning and gradual improvement of market commitments.

Therefore, when the availability of complementary assets in the host country market increases, the tendency of EMNEs executives to enter the market in an evolutionary mode will increase. We therefore propose this hypothesis:

**Hypothesis 1.** EMNEs executives’ preferences for evolutionary mode will be positively related to the availability of complementary assets in the host country market.

- Lynch and Jin (2016) claim that facing the “latecomer” condition of resources, EMNEs are in a disadvantageous position in terms of management, finance, and technical capabilities, among others [32]. Resources are most important component in every business organization. They can make and unmake an organization. It can be both internal and external resources. Lack of resources can jeopardize business activities and eventually lead it to collapse. Businesses need to put in substantial investment to acquire resources for their survival. For example, for EMNEs to position their activities globally, they need to acquire external complementary assets to overcome their internal resource deficiencies. Compared with firms from advanced markets, EMNEs often take direct cross-border mergers and acquisitions or greenfield investments in foreign markets to announce their presence for assets seeking and opportunity seeking adventure [33]. This approach adopted by EMNEs can be described as “springboard” behavior. It is often used to quickly acquire complementary assets in the host-country market, thereby enhancing the company’s global competitiveness, avoiding organizational deficiencies and local market constraints [3]. Therefore, when the availability of complementary assets in the host country market increases, the tendency of EMNEs executives to enter the market by leapfrog mode will increase. We propose the following hypothesis:

**Hypothesis 2.** EMNEs executives’ preferences for leapfrog mode will be positively related to the availability of complementary assets in the host country market.

- The technical and market resource disadvantages of EMNEs require that they need to seize the window in the process of internationalization to rapidly expanse abroad in order to eliminate the disadvantages of latecomers and strive for and make use of the advantage of latecomers [34]. This requires that they must accelerate their internationalization in order to catch up with the competitive position of the first-mover [35–38], while avoiding the risk of outdated technology and the proliferation of proprietary technology to rivals and the changing market’s learning burden [39,40]. However, under the condition of internal resources and capacity disadvantage,
the key starting point for EMNEs to accelerate the pace of internationalization is not to use its own internal advantages, but to quickly leverage the external complementary assets that they needed in their pursuits [10]. Therefore, EMNEs executives tend to have higher risk preferences when the target market has complementary assets that are desperately needed [3]. Compared with the evolutionary mode, which advocates risk control and tentative entry, the leapfrog mode advocates direct access to the target market through mergers and acquisitions or greenfield investment and is more conducive to the timely acquisition of complementary assets. We propose the following hypothesis:

**Hypothesis 3.** EMNEs executives’ preferences for evolutionary mode over leapfrog mode will be negatively related to the availability of complementary assets in the host country market.

### 2.2. Expansion Opportunities in the Host Country Market

Compared with enterprises from advanced markets that opt for internationalization to expand their internal advantages, EMNEs executives rather opt for internationalization expansion to search for uncertain opportunities in a host country market [25].

Luo and Tung (2007) indicate that apart from assets, expansion opportunities aspects play a key role in firm’s internationalization [3]. Expansion opportunities in the host country market include the following: (1) entry into niche market and strengthen advantages; (2) access to preferential financial and non-financial assistance from local government; (3) prospect to increase company size and reputation; (4) prospect for avoiding local institutional or market restrictions; (5) prospect for bypassing trade barriers to enter host country market; (6) prospect for applying internal advantages in foreign market; (7) access to other auspicious areas. Hitt, Franklin, & Zhu (2006) added their voice to why enterprises are attracted to a country [41]. They point out the following reasons: (1) expansion opportunities available to enterprises; and (2) regional advantages-resources and market efficiency. Based on the above views, opportunities in a host country market play a critical role in investors decision-making processes towards their internationalization expansion drive. For instance, when host country market opportunities increase, the willingness of EMNEs executives to enter the market will increase. This tendency of executives’ international expansion behavior may be reflected on the following aspects: First, risk is inevitable in any enterprise undertaking, especially entering into a new market. Johanson and Vahlne (2009) posit that risk aversion approach for enterprise is complex and diverse [42]. For enterprises to perceive risk and identify opportunities, sustained empirical knowledge learning is beneficial. Knowledge learning helps enterprises to acclimatize their activities to avoid perceive uncertainties. Johanson and Vahlne (1977) assert that when executives cognitive are on the expansion opportunities in host country market, they promote continuous investment in the country’s operations, and ultimately increase their market commitments [19]. Expansion opportunities in host country markets are conducive to attract EMNEs to enter, and in the process, gradually promote internationalization through continuous experience and knowledge learning. More so, expansion opportunities in the identified market increase the willingness of EMNEs’ executives to maximize the use of their internal advantageous resources, thereby prompting them to use the regional advantages to launch evolutionary international trade activities [29,43]. Therefore, when expansion opportunities in the host country market increase, the tendency of EMNEs executives to choose evolutionary entry mode will increase. We propose the following hypothesis:

**Hypothesis 4.** EMNEs executives’ preferences for evolutionary mode will be positively related to the expansion opportunities in the host country market.

- Springboard approach (e.g., radical investment, and mergers and acquisitions) is another path that EMNEs executives focus on to announce their internationalization expansion [3]. However, this behavior is affected by expansion opportunities available in the host country market.
According to Xie et al. (2017), EMNEs tend to grasp uncertainty opportunities in overseas investment activities in search for complementary resources that they are lacking [25]. To some extent, one of the fundamental motivates for enterprises to adopt the leapfrog mode of entering to a host country market is to obtain new expansion opportunities to compensate their competitive disadvantages in order to compete with global players. Availability of expansion opportunities in the host country market attract enterprises to expand their tentacles. Therefore, when other overseas expansion opportunities in the host country market increase, it will promote the willingness of EMNEs executives to adopt leapfrog mode through merger and acquisition or greenfield investment. We propose this following hypothesis:

**Hypothesis 5.** EMNEs executives’ preferences for leapfrog mode will be positively related to the expansion opportunities in the host country market.

- The motivation of EMNEs springboard activities is to catch the home country market rather than grasp expansion opportunities in the host country market. Reasons for the motivation, according to Luo and Tung (2007), include lack of technology, brand, and market network [3]. EMNEs operational success highly depends on the performance of home market. This sector is committed to using leapfrog mode to consolidate the core competitiveness in the home market. Lack of protection of EMNEs home market will lead enterprises within to difficulties and may be on the verge of extinction [3]. Therefore, the leapfrog mode is mainly used by latecomers to acquire international recognized brands or advanced technology, which will place them higher than competitors. In contrast, evolutionary mode is more conducive to grasping market opportunities on the premise of minimum risk. We propose this following hypothesis:

**Hypothesis 6.** EMNEs executives’ preferences for evolutionary mode over leapfrog mode will be positively related to the expansion opportunities in the host country market.

### 3. Methodology

#### 3.1. Experimental Approach

We adopted a policy capture method to design and collect relevant information through questionnaire administering from the field to assess the hypotheses in the study. Policy capture is a field experimental approach that sets a series of scenarios and allows executives to make appropriate decisions [44]. Wang et al. (2017) postulate that policy capture approach is primarily engaged to assess how decision-makers apply accessible information to make judgments and infer different influencing factors for decision making [45]. This method is widely engaged by researchers to study the decision-making behavior of executives under given scenarios because it permits more direct investigation of executives’ decision models [46]. Therefore, the policy capture method is more appropriate for the study of executives’ behaviors towards international entry mode choice.

#### 3.2. Scenario Scale Design

In the design of scenario scale, we refer to the article of Reuer, et al. [47]; Reuer, et al. [44]; and Wang, Du, and Xie [45] to develop the questionnaire for the study. First, the article summarizes eight major factors that influence executives’ entry modes choice by analyzing various models and theories (Uppsala, OLI, Springboard and LLL). Based on the eight factors, we generated 20 random numbers as a combination of degree of scales (ranging from 1–7; 1 being the lowest and 7 being the highest) for each factor to form 20 possible decision scenarios. Second, following the key informant tactic, which advocates that top management executives embody the best source for firm-level information, we conducted interviews with senior executives of multinational companies such as China Wang an Group, Huawei Technologies, and Zijin Mining, for their opinions. The collective feedback helped to
further modify the items and expressions on the questionnaire. Third, the exercise was pilot-tested with 20 selected executives to verify the clarity of the variables, consistency of interpretation, and related definitions. After the feedback and revision, final version of questionnaire was developed for the study. Each scenario scale of this paper was divided into two parts; namely factors and tasks, respectively. The scale consisted of eight contextual factors and tasks including assessing attractiveness and likelihood of an entry mode. In addition, we developed questions to solicit demographic information about the executives involved in the test and their companies to control the influence of executives, companies, and industries on the regression model. We conducted a Pearson test to assess the validity of the items. Table 1 shows the correlation coefficient of the scenarios. The result shows that the number of significantly correlated data is 0 when under the condition of $p < 0.05$, which indicates that there is a high degree of irrelevance among the various factors in the 20 scenarios.

Table 1. Correlation coefficient of the scenarios.

|                         | 1. Availability of complementary assets in host country market | 2. Special industry advantages in host country market | 3. Expansion opportunities in host country market | 4. Investment intensity of Competitor in host country market | 5. Home country's cost advantages | 6. Market knowledge in foreign markets | 7. Ability of technology | 8. Ability of market operation |
|-------------------------|--------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|---------------------------------------------------|----------------------------------|-------------------------------|--------------------------|----------------------------------|
| 1. Availability of complementary assets in host country market | 1 | | | | | | | |
| 2. Special industry advantages in host country market | 0.074 | 1 | | | | | | |
| 3. Expansion opportunities in host country market | 0.049 | 0.209 | 1 | | | | | |
| 4. Investment intensity of Competitor in host country market | -0.043 | 0.172 | -0.346 | 1 | | | | |
| 5. Home country’s cost advantages | -0.149 | 0.076 | -0.038 | 0.396 | 1 | | | |
| 6. Market knowledge in foreign markets | 0.154 | 0.267 | 0.329 | -0.197 | -0.373 | 1 | | |
| 7. Ability of technology | -0.117 | -0.090 | -0.250 | -0.225 | -0.008 | -0.209 | 1 | |
| 8. Ability of market operation | 0.355 | -0.338 | 0.335 | -0.244 | -0.063 | 0.073 | 0.228 | 1 |

* Correlation is significant at the 0.05 level (2-tailed, N = 20).

3.3. Sample and Data Collection

The study was launched to executives who engaged in multinational operations in China. We adopted purposive method of sampling to select 70 executives for the study from July, 2017–October, 2017. These executives were selected base on their in-depth knowledge of international business and issues related to important strategic decisions towards business development. First, we initially called or sent e-mails to the executives and asked about their willingness to assist in the survey. We received positive response from the multinational executives to participate in the survey. Questionnaires were then distributed to them via e-mail for responses. We received 62 completed questionnaires, representing response rate of 88.57%. The percentage clearly shows the various efforts put across by the researchers to demonstrate the significance of the research to the respondents and the international business practitioners. Of the total questionnaires retrieved (62), 11 of them were removed, which is $R^2 < 0.4$, to ensure the validity of the study. Our final questionnaires for the study consisted of 51, representing a response rate of 72.86%. Therefore, 51 executives from different industries participated in the study. Each of the respondents assessed 20 scenarios of investment tendency in a host country market. The study recorded a total scenario of 1020 (i.e., $51 \times 20 = 1020$). All these industries are from China. We selected China, because it is one of the leading emerging economies and possesses several important institutional characteristics similar to other members of the group. The economy is now characterized by inadequate infrastructure that aims to support emerging businesses and the increasing development of internationalization strategies by local enterprises [48]. China provides an interesting and appropriate context to carry out a study of how emerging market multinational enterprises executives’ makes decisions on potential entry modes (evolutionary or leapfrog). We chose to focus on manufacturing and service enterprises as they represent the core of the value-added activities in the Chinese economy. These enterprises offer rich settings for testing the hypotheses because each enterprise encourages internationalization tactic seriously and connects it to overall organizational agenda.
3.4. Variables and Measurement

3.4.1. Dependent Variables

This paper divided entry mode into evolutionary and leapfrog modes. Seven-point Likert-type scales ranging from “1” (very low) to “7” (very high) were used for the survey. Entry mode was measured by four items. These items are as follows: (1) the attractiveness of evolutionary mode; (2) the attractiveness of leapfrog mode; (3) the probability that executives would recommend pursuing evolutionary mode; and (4) the probability that executives would recommend pursuing leapfrog mode. We then followed Reuer, et al., (2013)’s [44] research and define the four items.

Item (1) and (3) were added to create the dependent variable, representing executives’ preferences for evolutionary mode. This scale recorded high internal reliability, as reflected in a correlation of 0.74 between the two items ($p < 0.001$);

Items (2) and (4) were added to create another dependent variable, representing executives’ preferences for leapfrog mode. The correlation between the two items is 0.72 ($p < 0.001$);

The value of executives’ preferences for leapfrog mode = (equal to) EMNEs executives’ preferences for evolutionary mode over leapfrog mode.

3.4.2. Independent Variables

According to previous scholars’ research and literature review, we can see that EMNEs’ international motivations are divided into assets seeking and expansion opportunities seeking [3]. Therefore, we take them to be our independent variables: the availability of complementary assets in the host country market, and the expansion opportunities in the host country market.

3.4.3. Control Variables

In order to establish more accurate reflection on the tendency of internationalization behavior of EMNEs executives, we considered some factors as control variables. These include the internationalization knowledge emphasizes on the Uppsala model (overseas market knowledge), OLI paradigm emphasizes on location advantages (target market’s special industrial advantages), and special advantage conditions (EMNEs are mainly embodied in cost advantages), and EMNEs’ springboard related theory emphasizes on the company’s internal technologies. Ability of technology, ability of market operation, and investment intensity of competitors in the host country market were considered. In addition, this paper also controls some of the attributes of companies and subjects, such as executives’ international operating experience, firm size, firm age, and industry background.

4. Results

4.1. Descriptive Statistics and Correlations

Prior to a seeming unrelated regression analysis test, we carried out descriptive statistics and correlation coefficients analysis to evaluate the relationship among the variables. Table 2 shows the results of descriptive statistics and correlations.

4.2. Seeming Unrelated Regression

Policy capture approach has been widely used by business practitioners to make critical decisions in the business environment. However, there are two problems that can be associated with the approach in this research piece. First, it could be identified that the dependent variable is at a lower level of the interpretation than the actual level of the executives, so each executive is required to evaluate 20 independent scenarios [49]. Second, the test was flawed with several factors that affect the decision-making results of the executives [50]. Therefore, the collected data could be vulnerable to error terms.
Table 2. Descriptive statistics, correlations for the dependent variables, and the control of variables.

| Variables                          | Evolutionary over Leapfrog | Evolutionary Mode | Leapfrog Mode | Firm Size | Firm Age | Services | Manufacturing | Competition Intensity | Industry Influence | International Experience |
|-----------------------------------|---------------------------|------------------|---------------|-----------|----------|----------|---------------|-----------------------|---------------------|------------------------|
| Evolutionary over leapfrog        | 1                         |                  |               |           |          |          |               |                       |                     |                        |
| Evolutionary mode                 | 0.745 **                  | 1                |               |           |          |          |               |                       |                     |                        |
| Leapfrog mode                     | −0.719 **                 | −0.073 *         | 1             |           |          |          |               |                       |                     |                        |
| Firm size                         | −0.164 **                 | −0.182 **        | 0.056         | 1         |          |          |               |                       |                     |                        |
| Firm age                          | −0.131 **                 | −0.109 **        | 0.083 **      | 0.253 **  | 1        |          |               |                       |                     |                        |
| Services                          | 0.154 **                  | 0.102 **         | −0.124 **     | −0.265 ** | −0.417 **| 1        |               |                       |                     |                        |
| Manufacturing                      | 0.093 **                  | 0.058            | −0.079 *      | 0.031     | 0.205 ** | −0.543 ** | 1             |                       |                     |                        |
| Competition intensity             | 0.009                     | −0.037           | −0.053        | 0.356 **  | 0.222 ** | 0.084 **  | 0.322 **      | 1                     |                     |                        |
| Corporate influence               | −0.255 **                 | −0.159 **        | 0.215 **      | 0.399 **  | 0.599 ** | −0.594 ** | −0.052        | −0.061                | 1                   |                        |
| International experience          | −0.221 **                 | −0.111 **        | 0.215 **      | 0.219 **  | 0.571 ** | −0.607 ** | 0.299 **      | 0.087 **              | 0.732 **            | 1                     |
| Mean                              | 2.726                     | 9.052            | 6.327         | 3.371     | 2.824    | 0.392     | 0.314         | 2.784                 | 3.412               | 3.196                  |
| S.D.                              | 3.982                     | 2.774            | 2.663         | 1.442     | 1.200    | 0.488     | 0.464         | 1.109                 | 1.302               | 1.253                  |

Note: * p value < 0.05 and ** p value < 0.01; (two-tailed, N = 1020)
The above identified problems can be resolved by employing seeming unrelated regression (SUR) to reveal the correlation of error terms in statistical process. This approach presents better results than the traditional statistical methods. The difference among the two (SUR and traditional statistical methods) approaches can be attributed to standard error clustering. Without taking standard error clustering into consideration on the part of SUR, both approaches will provide similar results. Therefore, we conclude that SUR is well suitable for processing such data for testing the research hypotheses [45]. Table 3 shows the results of SUR.

Table 3. Results of seemingly unrelated regression.

| Variables | I Evolutionary | II leapfrog | III Evo over Lea |
|-----------|---------------|-------------|-----------------|
| Control variables | | | |
| Special industry advantages in the host country market | −2.61 (0.08) ** | 4.70 (0.08) *** | −5.15 (0.11) *** |
| Investment intensity of Competitors’ in the host country market | 1.14 (0.10) | 1.10 (0.10) | 0.03 (0.14) |
| Home country’s cost advantages | 8.80 (0.07) *** | −2.05 (0.07) * | 7.64 (0.10) *** |
| Market knowledge in foreign markets | 1.13 (0.07) | 2.84 (0.07) ** | −1.20 (0.10) |
| Ability of technology | 4.17 (0.09) *** | −3.69 (0.09) *** | 5.53 (0.13) *** |
| Ability of market operation | 7.34 (0.08) *** | −1.10 (0.08) | 5.95 (0.11) *** |
| Firm size | −4.01 (0.06) *** | −0.49 (0.06) | −2.48 (0.09)* |
| Firm age | −1.19 (0.08) | −1.74 (0.08) † | 0.38 (0.12) |
| Services | 4.24 (0.94) *** | −2.46 (0.30) † | 3.96 (0.42) *** |
| Manufacturing | 3.16 (0.28) ** | −4.47 (0.28) *** | 6.13 (0.40) *** |
| Competition intensity | −1.40 (0.09) | 0.77 (0.09) | −1.53 (0.13) |
| Corporate influence | 1.22 (0.13) | −0.08 (0.13) | 0.91 (0.18) |
| International experience | −1.46 (0.10) | 5.13 *** | −4.64 (0.14) *** |
| Independent variables | | | |
| Availability of complementary assets in the host country market | 2.80 (0.09) ** | 6.09 (0.09) *** | −2.31 (0.13) * |
| Expansion opportunities in the host country market | 4.58 (0.10) *** | 3.31 (0.10) *** | 0.90 (0.15) |
| Chi2 | 466.81 | 356.46 | 500.98 |

N = 1020; *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10 (Std. Err.).

Table 3 depicts the results of seeming unrelated regression of the data. This table best illustrates the results of the hypothesis testing. Hypotheses 1, 2, and 3 highlight assets availability in the host country market, while 4, 5, and 6 concentrate on expansion opportunities in the host country market. First, we discussed the first three hypotheses on availability of assets in host country market below:

Hypothesis 1 states that availability of complementary assets in the host country market has a positive effect on executives’ evolutionary mode choice. As shown in Table 3, the coefficient for availability of complementary assets and executives’ evolutionary mode choice is positive and statistically significant (p < 0.01). This finding indicates a positive relationship between availability of complementary assets and executives’ evolutionary mode choice. Therefore, H1 is verified.

Hypothesis 2 states that the availability of complementary assets in the host country market have a positive effect to executives’ leapfrog mode choice. As to the effects among the two, we can see from Table 3 that the coefficient for availability of complementary assets and executives’ leapfrog mode choice is positive and statistically significant (p < 0.01), thus H2 is confirmed.

Hypothesis 3 states that EMNEs executives’ preferences for evolutionary mode over leapfrog mode are negatively related to the availability of complementary assets in the host country market. According to Table 3, the effect of EMNEs executives’ preferences for evolutionary mode over leapfrog mode is negatively related to the availability of complementary assets, which is statistically significant (p < 0.05). Thus, H3 is supported. From the first three hypotheses, it is clear that with an increase availability of complementary assets in the host country market, the preference for both evolutionary and leapfrog modes will increase. However, on degree terms, the leapfrogging mode will have a tendency to supersede the evolutionary mode of entry. Therefore, it can be inferred that when the
existence of complementary assets in the host country market is higher, the executives prefer to acquire the assets through leapfrog mode.

Secondly, the last three hypotheses take into consideration the expansion opportunities in the host country market.

Hypothesis 4 states that EMNEs executives’ preferences for evolutionary mode will be positively related to the expansion opportunities in the host country market. From Table 3, we can see the effect of expansion opportunities in the host country on EMNEs executives’ preference for evolutionary mode choice. The result is significant ($p < 0.001$), and thus indicates a positive relationship among the variables. Hypothesis 4 is verified.

Hypothesis 5 states EMNEs executives’ preferences for leapfrog mode will be positively related to the expansion opportunities in the host country market. The results from Table 3, the coefficient of executives’ preferences for leapfrog mode and expansion opportunities in host country is ($p < 0.001$), which shows that expansion opportunities in the host country market have a positive effect on executives’ evolutionary mode choice. Therefore, H5 is confirmed.

Hypothesis 6 states that EMNEs executives’ preferences for leapfrog mode over evolutionary mode will be positively related to the expansion opportunities in the host country market. As Table 3 shows, EMNEs executives’ preferences for evolutionary mode over leapfrog mode have no effect on expansion opportunities in the host country market ($p > 0.10$). H6 is not verified.

From the analysis so far, the expansion opportunities in the host country market have a similar degree of attraction for executives’ evolutionary and leapfrog modes of entry. This may be because of the following dissimilar reasons:

- EMNEs executives hope to gradually embed into a host country market in order to avoid risks and subsequently hunt for opportunities for their operations.
- EMNEs executives are forced to take risky cross-border mergers and acquisitions or greenfield investment in the context of latecomer to accelerate the process of seeking international opportunities.

Unlike most current studies, which advocate that leapfrog is mainly used to obtain international assets, while evolutionary approach is more suitable for seeking international opportunities. This paper shows that the opportunity factors play the same important role as assets factors in promoting EMNEs executives’ springboard behavior. It also reveals the ambidexterity logic in EMNEs executives’ decision-making processes.

5. Discussion

Entry modes decision-making for firm internationalization are suggested by many scholars in the field of international business. In this paper, we construct executives’ decision-making scenarios to verify executives’ behavior of entry mode choice towards sustainability. First, this paper explores the influencing factors that trigger EMNEs executives’ decision-making towards selecting an entry mode to host country market from multiple theoretical perspectives. The current research provides many important models and frameworks for enterprises entry mode decision, such as Uppsala model [19], OLI theory [51], LLL model [10], and springboard theory [3]. However, few studies have confirmed whether executives’ decision-making behavior truly conforms to these theoretical predictions. In reality, executives are bounded rationally, and their decisions often use the criteria in multiple theories rather than a specific perspective [44]. In addition, scholars have paid attention to various influencing factors of international entry mode, such as institutional environment [33], corporate capabilities [52], organizational culture [53,54], home country factors [55], host country factors [22], and corporate network [56,57]. However, they often study these factors in isolation based on specific scenarios, or they hardly compare the impact of each factor. This paper contributes to fill the gap existing in the literature. The paper employed policy capture approach to construct field-experimental decision-making scenarios from multiple theoretical perspectives. The empirical findings reveal that the host country market assets and opportunity factors have influence on the
EMNEs executives’ entry mode choice. This finding enriches the existing internationalization entry model theories and contributes immensely towards the sustainability of international business growth and expansion.

Furthermore, this paper reveals that the ambidexterity logic that exists in the internationalization decision-making process of EMNEs executives is driven by the opportunity factors. EMNEs’ overseas investment activities contain a search for uncertain opportunities, which is in stark contrast to the expansion of the use of its internal advantages by companies in advanced market [25].

Therefore, what the executives do is the ambidexterity choice of “both and”, rather than choosing a certain behavior. This duality is particularly important for emerging market companies. Child and Rodrigues (2005) believe that EMNEs must not only use certain advantages, but also have a learning attitude and flexibility in order to survive and compete against global competitors [23]; Luo and Rui (2009) believe that EMNEs must often pursue multiple conflicting goals and strategies at the same time in order to catch up with global competitors [58]. The results of this study reveal the EMNEs executives’ logic of ambidexterity behaviors in the uncertainty opportunity search process, confirming the current views of scholars on the ambidexterity of internationalization behavior [58–60], and at the same time, it can inspire the strategic decisions of EMNEs executives.

This paper provides important guidelines and practical implications for EMNEs executives and policy makers. These findings suggest that EMNEs executives need to recognize the importance of internationalization entry model theories for the enhancement of their decision-making process. Our research also raises a serious implication for policymakers. These findings suggest that policy makers in emerging markets needs to develop policies that encourage EMNEs to internationalize to explore host country market assets and opportunity factors to address their latecomer disadvantage in the international market arena.

6. Conclusions

The extant literature on international business is silent about the best mode of entering into international market arena. Both scholars and practitioners have their preference based on numerous determinants of entry modes into foreign countries. With today’s competitive environment, international business executives need to pay attention to modes of entry into international market for survival and sustainability of their business activities.

This paper explores the assets and opportunities factors that trigger EMNEs executives to enter the model decision-making mechanism towards internationalization. We adopt a policy capture method, which is a field-experimental approach that sets a series of scenarios. Through purposive sampling approach, 51 executives from manufacturing and service industries in China agreed to participate in the study. Each of the executives assessed 20 scenarios of investment tendency in host country market, making the total scenarios of 1020 (i.e., \(51 \times 20 = 1020\)). The results reveal that the availability of complementary assets in the host country market have a positive impact on EMNEs executives’ evolutionary and leapfrog entry modes choice, and EMNEs executives’ preferences for leapfrog over evolutionary is positively related to host country’s complementary assets. Also, the study reveals that the opportunities for the expansion in the host country market have a positive impact on EMNEs executives’ evolutionary and leapfrog entry modes choice. The expansion opportunities in the host country market have a similar degree of attraction for executives’ evolutionary and leapfrog modes.

Limitations and Future Research Opportunities

This paper has several limitations that researchers in the field can pick up for further research. First, this study adopts a field-experimental method to evaluate the influencing factors in executives’ decision-making processes towards internationalization. Although our results are consistent with theoretical reasoning, future researchers can consider case-study method to draw underlying implications. Second, the complexity of the questionnaire constrained us to focus on situational factors. This study thus fails to take into account the impact of host country institutional and cultural
factors. Future research might address this issue by looking at more factors to draw a comprehensive conclusion. Third, the study is limited by the number of subjects selected because of actual conditions. Future studies can investigate more subjects to obtain more representative data.

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