Emerging Markets firms' Learning Related Acquisitions: A conceptual framework

Abstract

The first purpose of the study is to provide a coherent and detailed conceptual framework of Indian firms' Initial Conditions (ICs) that influence their acquisitions undertaken in Advanced Markets (AMs), in terms of capacity to absorb the technological and/or marketing knowledge sought.

The second purpose of the study is to analyze how these factors influence the different types of acquisition that Indian firms can undertake: four acquisition strategies derive from the analysis, based on combinations of the augmenting and exploitative perspectives, declined on the type of knowledge sought and coherently linked to the ICs of the firms.

The conceptual framework is built on the key concepts of "ICs" and "learning-related acquisitions".

Keywords: Emerging Markets; Acquisition strategies; Learning; Knowledge acquisition; Augmentation vs. exploitation; Absorptive capacity.

Tamara Stucchi

PhD fellow

Centre for Strategic Management and globalization

Copenhagen Business School; Porcelænshaven 24, 3rd floor

2000 Frederiksberg; Denmark

ts.smg@cbs.dk

1. Introduction

Emerging Markets (EMs) firms are nowadays showing extraordinary competitiveness and innovativeness in global markets, attracting the interest of media and academia. Some of them are internationalizing and becoming dangerous rivals for Advanced Markets (AMs) firms (The Economist, 2010), developing innovative technologies (Gaur & Kumar, 2010); entering AMs through organizational and strategic innovations (Mathews, 2006; Immelt & Govindarajan, 2010); effectively managing human resources and customer relationships (Cappelli et al, 2010). This phenomenon is widespread and relevant for all EMs [1] (Gammeltoft et al, 2010).

The present study focuses on a specific aspect of this phenomenon, namely south-north acquisitions drawing on the definition of south-north FDIs by Ramamurti (2009), south-north acquisitions represent the cases when EMs firms undertake acquisitions in AMs. Firms from EMs had traditionally been targets rather than acquirers in cross-border acquisitions (Bertoni et al, 2008), whereas in recent years the opposite case is becoming more and more frequent. South-north acquisitions can make the investing firm quickly acquire some AMs firms' capabilities (Barkema & Vermeulen, 1998), benefit from the proximity to AMs competitors (Pradhan, 2008) and effectively transfer the knowledge thanks to the common ownership (Argote, 1999; Mudambi, 2002).

This timely and interesting phenomenon has been recently studied by some authors; nevertheless, some research gaps need to be covered to fully understand it, especially at the firm-level of analysis (Zhang, 2009). First of all, compared to the cross-border acquisitions undertaken by AMs firms, south-north acquisitions are certainly less studied (Ramamurti, 2009) and are expected to be not

[1] The list of EMs is given by Hoskisson and colleagues (2000), which identified 64 EMs, namely Bangladesh, China, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Sri Lanka, Taiwan and Thailand in Asia; Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Greece, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan in Europe; Argentina, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru, Trinidad and Tobago, Venezuela in Latin America; Botswana, Cote d'Ivoire, Egypt, Ghana, Israel, Jordan, Kenya, Mauritius, Morocco, Nigeria, Saudi Arabia, South Africa, Tunisia and Zimbabwe in the Middle East and Africa. In accordance with the work of Chen (2010), Greece, Slovakia, Czech Republic, South Korea, Hungary and Portugal are removed from the list, deriving a total of 57 EMs.

fully explainable by theories based on AMs firms' internationalization strategies (Fortanier & van Tulder, 2009). Three main streams of literature study this phenomenon: the first one claims that south-north acquisitions are driven by the exploitation of the firms' Country Specific Advantages (CSAs), rooted in the acquirer's home country; the second one claims on the opposite that these firms undertake acquisitions to assimilate the Firm Specific Advantages (FSAs) they lack; the third, where the present study is positioned, claims that EMs firms can follow the two augmenting and exploitative strategies in parallel (cfr. Dunning (2006) about Chinese acquisitions). The present study aims at enriching this last perspective, combining the existing CSA/FSA traditional framework with different possible combinations of augmenting and exploitative strategies, types of acquired knowledge and firm's Initial Conditions (ICs).

Studies about firm's ICs for internationalization are often focused on few single aspects of this phenomenon and not linked to the specific internationalization strategy implemented. Moreover, a comprehensive framework about the ICs of firms from all EMs is not feasible: both EMs and AMs are heterogeneous groups (Ramamurti, 2009), with different comparative advantages (Lall, 2000; Lorenzen & Mudambi, 2010), in terms of available natural resources, governments' role, markets size (Ramamurti & Singh, 2009) and other contextual factors influencing the internationalization strategies (Duysters et al, 2009). Opting for as single-country study implies fewer risks of "mis-generalization" and can lead to more relevant contributions.

For this reason, given that Indian firms represent a relevant example of growing and internationalizing EMs firms, south-north acquisitions are among their preferred internationalization strategies (Kumar, 2009) and present literature lacks a comprehensive conceptual framework on their ICs for internationalization, the first research question of the present study is: *which are the ICs of Indian firms influencing the undertaken south-north acquisitions?* The study attempts to answer this question through a detailed conceptual framework of Indian firms' ICs influencing the capacity of the firm to absorb the specific types of knowledge sought through the south-north acquisition.

In order to fill in the competitive gap existing on average between them and AMs firms (Barnard, 2010), Indian firms implement acquisition strategies that better suit their ICs. Aiming at contributing to the comprehension of the under-researched topic of south-north acquisition strategies, the second research question this study tries to answer is: *how are Indian firms' ICs influencing the acquisition strategies, in terms of possibility of augmentation/exploitation of different types of knowledge?* The study describes and analyzes four acquisition strategies, explained by a combination of the augmenting/exploitative perspective, declined on the type of knowledge sought and linked to the ICs.

The present study refers to the most recent wave of Indian south-north acquisitions during the post-liberalization period; the previous cases of Indian acquisitions in other EMs (Pradhan, 2008; Ramamurti & Singh, 2009) or south-north acquisitions driven by the search for natural resources and the escape from domestic constraints (Lall, 1982) and excessive capacity (Lall & Kumar, 1981) are explicitly excluded, because guided by different motives (Madhok, 2010).

The study is based on the Indian context, but it provides interesting insights in general on the phenomenon of firms that are going abroad relying on FSAs different from the ones conventionally emphasized in the international business literature, e.g. proprietary technology and brands (Madhok, 2010).

The study is positioned in the field of international business and strategic management studies and inspired by the organizational learning literature; it integrates concepts deriving from these fields to analyse the phenomenon of Indian south-north acquisitions.

The rest of the study is organized as follows: section 2 deals on the theoretical development of south-north acquisition strategies and introduces the importance of firms' ICs. Section 3 develops the theoretical model that identifies four different acquisition strategies based on the augmenting/exploitative perspectives linked to firms' ICs. Section 4 draws the conclusions of the study.

2. Theoretical development

2.1 Augmenting and exploitative strategies

The economics literature has studied the phenomenon of EMs typically from a national or industry-level perspective (Duysters et al, 2009; Li et al, 2010; Acharya & Mohan, 2010), without taking into account the heterogeneity of EMs firms and considering them as "black boxes". On the contrary, the present study is based on a firm-level analysis: the number of studies of this type is low, because it is a very new phenomenon and the number of successful EMs firms is still not large (Zhang, 2009).

AMs firms may see EMs competitors as imitators on the paths previously followed by them; nevertheless, as latecomers, EMs firms are influenced by those past examples (Duysters et al, 2009), but they do not represent suitable role models because no fixed path exists and new insights are likely to rise from the analysis of their specific advantages and challenges (Ramamurti & Singh, 2009).

AMs firms can strengthen their competitive position relying on both internal and external sources of knowledge, whereas EMs firms have to turn to external oriented strategies. The first reason is the lack of financing, because EMs firms are seen as risky borrowers and domestic monetary systems may not provide enough financing for risky and long term investments (Lall, 2000). The second reason is that EMs firms are operating in rapidly changing contexts (Chaturvedi & Chataway, 2006) that require high speed of learning and change, while e.g. building up a competitive brand (Duysters et al, 2009) and making Research and Development (R&D) investments are time consuming and uncertain processes (Pradhan, 2008). For these reasons strategies of rapid knowledge acquisition (Lee & Lim, 2001) are preferred to the internal development of knowledge.

Different strategies can be undertaken by EMs firms: they have e.g. often experienced high levels of Inward Foreign Direct Investments (IFDIs), being employed as subcontractors and collaborators with AMs firms (D'Costa, 2000); they have also undertaken Outward Foreign Direct Investments (OFDIs) in the form of greenfield investments and acquisitions in AMs (Ramamurti & Singh, 2009). These south-north acquisitions in particular imply several advantages: they deny the acquired knowledge sources to AMs competitors (Child & Rodrigues, 2005) and make EMs firms benefit from their proximity (Sutherland, 2009); they do not imply problems of credibility building, to attract skilled personnel, sustain customers and suppliers' relationships (Madhok, 2010), and collaborate with major AMs players (Lee & Lim, 2001). The high level of commitment involved (Cohen & Levinthal, 1994) and potential for knowledge transfer between commonly owned organizations (Argote, 1999; Mudambi, 2002) make acquisitions particularly effective strategies. Moreover, AMs firms are in general less diversified than EMs firms and have "modular" assets, thus facilitating the post-acquisition integration (Hennart, 2009).

On the other hand acquisitions may require time-consuming integration activities (Graebner, 2010); they are usually costly and imply difficulties to manage the acquired assets (Child & Rodrigues, 2005; Hennart, 2009).

According to the eclectic paradigm, AMs firms undertake acquisitions exploiting Ownership, Locational and Internalization advantages (Dunning, 1980), which determine the competitiveness of the firm (Rugman & Li, 2007). Internationalizing EMs firms have on average weaker and non-traditional ownership advantages compared to AMs firms. For this reason, three main streams of literature have emerged to study this case: the first one claims that EMs firms undertake south-north acquisitions to exploit CSAs, such as cheap mass labour (Gaur & Kumar, 2010), high-growth domestic markets (Bhaumik et al, 2010), governmental support and vast available natural resources (Ramamurti & Singh, 2009). However, not all EMs firms have access to these CSAs and this perspective limits the EMs firms' strategies to a low-cost EMs orientation (Pananond & Zeithalm, 1998).

A second group of studies claims that EMs firms undertake south-north acquisitions to assimilate the traditional FSAs they lack (Child & Rodrigues, 2005; Mathews, 2006; Duysters et al, 2009), to build a competitive position that would not be achievable in the domestic market (Mathews & Zander, 2007). This stream of studies follows an augmenting view, as opposed to the previous one (Yiu et al. 2007).

The present study is positioned in a third stream of literature: EMs firms acquiring AMs firms can follow the two augmenting and exploitative strategies in parallel (Dunning, 2006; Aulakh, 2007; Yiu et al. 2007). EMs firms have actually some real FSAs, deriving from the EMs context, which can be exploited through south-north acquisitions: a process of advantages augmentation is therefore expected as well as a process of advantages exploitation.

The terms "exploitative" and "augmenting" refer to the literature on exploration -of the knowledge sough- and exploitation -of the possessed knowledge base- derived from organizational learning literature (March, 1991). To have a perfect balance between the two extremes is difficult; the majority of firms position their strategies closer to one of these two extremes (Gaffney et al, 2010) depending on the ICs they are equipped with. The two extreme cases in Figure1 do not have therefore to be interpreted literally but rather as overarching motivations between the two alternatives (Gaffney et al, 2010).

[Insert Figure1 about here]

Drawing on past studies, especially the one by Kuemmerle (1999) on FDIs in R&D activities, Figure1 specifies more this last perspective with the purpose of understanding south-north acquisitions: contrary to AMs firms (Budhwar et al, 2009), EMs firms do not undertake south-north acquisitions to get small improvements but to get instead high value adding, to survive and be competitive in the long run. For this reason they are focusing on technological and/or marketing acquisition strategies, clearly defined in literature as the two most value-adding extreme for a strategy of improvement (Bertoni et al, 2008).

Gaur and Kumar (2010) claim that south-north acquisitions can be driven also by the desire to acquire management expertise; EMs firms are indeed usually inexperienced concerning AMs managerial knowledge (Makhija & Ganesh, 1997; Duysters et al, 2009). Nevertheless, EMs firms are more likely to choose to obtain the managerial knowledge they may lack by hiring skilled managers and professional consultants instead of undertaking a south-north acquisition exclusively with this aim. The acquisition of skilled managers is therefore not considered as a primary motive for the deal, but rather as a positive “side-effect”; for this reason exclusively the technological and marketing perspectives are hereby considered.

Given these theoretical premises, the present study aims at analysing more in depth these four strategies and the types of firms undertaking them. The exploitative/augmenting distinction is not sufficient to understand the strategies and requires a deeper specification and linkage to the type of knowledge sought and the available knowledge bases: EMs firms choose indeed to exploit or augment the two separated types of technological and/or marketing knowledge depending on the possessed knowledge base, defined by the combination of their ICs.

2.2 The importance of ICs

The concepts of CSAs and FSAs, derived from Rugman (1981), bounded together determine the ICs of the internationalizing firms (Hennart, 2009). As already discussed in the previous section, the majority of past studies have analyzed the exploitation of CSAs by EMs firms or the acquisition of the FSAs they may lack, neglecting a comprehensive discussion of the FSAs that EMs firms can rely on when undertaking south-north acquisitions. Keeping the combined CSAs/FSAs framework in mind and aiming at complementing the focus of previous studies, this section illustrates firms' ICs in terms of FSAs.

As anticipated in section 1, a comprehensive framework about the ICs of firms from the whole group of EMs is neither feasible nor sensible: for this reason and because of its relevance, the Indian context has been selected as the reference for the rest of the study. Before 1990s restrictive policies in India controlled foreign capital, competition and licenses (Ray & Gubbi, 2009); the Indian industrial policy was then liberalized in 1991 (Fisman & Khanna, 2004). Before liberalization Indian OFDIs were mainly oriented towards other EMs, whereas later they increased mainly in the form of south-north acquisitions (Ray & Gubbi, 2009), especially towards the United States and the United Kingdom (Nayyar, 2008).

Indian firms can have access to CSAs such as cheap mass labour (Duysters et al, 2009), big and growing domestic markets (Bhaumik et al, 2010), vast available natural resources and linkages to communities of expatriates (Ramamurti, 2009). Studies analysing this topic tend to assume that these CSAs, being embedded in the home countries, are available to all domestic firms and so hardly sustainable in the long term, compared to AMs firms' skills and knowledge (Bhaumik et al, 2010; Rugman & Li, 2007). Nevertheless, not all Indian firms have access to these CSAs (Ramamurti, 2009; Hennart, 2009) and they can therefore combine them with a second type of advantages, namely FSAs.

One of the risks of studying internationalizing Indian firms is to depict them as stereotypes, with no FSAs compared to AMs firms. Indeed, compared to internationalizing firms from AMs, they may lack traditional technological and marketing knowledge (Lall, 1982): first, R&D tasks and patents are typically concentrated in the hands of AMs firms (Freeman & Hagedoorn, 1994) and Indian firms often lack R&D resources (Lall, 1982; Pananond & Zeithalm, 1998) and proprietary technology (Dunning et al, 2008; Duysters et al, 2009). Second, Indian firms may lack marketing knowledge in terms of distribution and servicing skills, attention to costumers and brand loyalty (Lall, 1982; Duysters et al, 2009). However, Indian firms do have FSAs, even if of different nature compared to AMs firms (Gaur & Kumar, 2010).

Some authors have proposed different conceptual models to illustrate EMs firms' ICs of internationalization, but this recent trend of studies is often "piecemeal", focused on few aspects of this phenomenon. Internationalization choices have been explained e.g. by external and internal factors (Filatotchev et al, 2001); institution- and firm-level perspectives (Cui & Jiang, 2007); context-, industry- and firm-specific characteristics (Peng et al, 2008; Ramamurti, 2009; Yang et al, 2009). As a second point, past literature has often studied firms' ICs to explain the choice among different internationalization strategies (Yiu et al., 2007), instead of providing a framework of ICs linked to a specific strategy.

Given the lack of a comprehensive conceptual framework on Indian firms' ICs which south-north acquisitions are based on, this study attempts to answer the question: *which are the ICs of Indian firms that influence the undertaken south-north acquisitions?* Due to the high specificity of different internationalization choices and given the focus of the study on south-north acquisitions, the following framework focuses exclusively on the firms' ICs linked to this type of strategy. For example the firm's size is not hereby included, since it impacts aspects of the acquisition –e.g. financial and managerial feasibility (Pradhan, 2008; Cui & Jiang, 2009; Filatotchev et al, 2009) - out of the scope of the present study.

[Insert Figure2 about here]

Drawing on the past studies presented above and extending the scope of the categories previously identified, the ICs are hereby organized into firm-, industry- and institution-level ICs: this is justified by the fact that Indian institutions are particularly active players strongly influencing Indian firms choices (D'Costa, 2000; Ramamurti & Singh, 2009) and by the fact that many past studies have shown the importance of the industry-level (Lorenzen & Pradhan 2008; D'Costa,2000; Chittoor et al, 2009) in Indian acquisitions' strategies. The specific ICs presented in the remaining part of this section are taken from different streams of literature, to build a comprehensive conceptual model, even if exclusively focused on Indian south-north acquisitions. The linkage between this internationalization strategy and the presented ICs is explained explicitly in section 3.

Firm-level ICs

Market focus. Indian firms' sales can be realized in AMs or EMs (including the domestic market and Indian customers emigrated in AMs), reflecting the firms' market focus (Zhang & Li, 2009).The first case implies the ability to better understand AMs requirements and customer relationships (Lall & Kumar, 1981; Filatotchev et al, 2009). On the other hand, compared to other EMs firms, Indian firms are particularly domestic oriented (Lall & Kumar, 1981; Lall, 1982), mainly because of the large size of the existing domestic markets (Ramamurti & Singh, 2009). These firms have to extract value in the EMs' difficult context, usually improperly linked (Child & Rodrigues, 2005) and limited by poverty (D'Costa, 2000); they are therefore able to design products and services suitable for EMs customers and infrastructures (Dunning et al, 2008), making products cheaper and easier to use (Ramamurti & Singh, 2009).

Control. Indian firms on average can be subject to both dispersed and concentrated ownership (Sarkar & Sarkar, 2000): the latter case implies a strategic influence on the firm, depending on the identity of the controllers (Thomsen & Pedersen, 2000). There are different possible types of control, some of which are particularly likely in the Indian context. First, the majority of Indian firms are family-controlled (D'Costa, 2000): the family is often overlapping with the firm's management (Thomsen & Pedersen, 2000) and doesn't hire professional managers or consultants to avoid losing control on the firm (Gallo & Sveen, 1991); family-control often implies commitment to continuity and long term (Douma et al, 2002).

Second, government control is a limited phenomenon among internationalizing Indian firms, compared to other EMs like e.g. China (Ramamurti & Singh, 2009; Ray & Gubbi, 2009). Government-controlled Indian firms can quickly obtain governmental approvals (Morck et al, 2008) and undertake faster south-north acquisitions; on the other hand, government control may influence the firm´s strategy (Filatotchev et al, 2001; Fortanier & van Tulder, 2008) and reflect governmental objectives such as low products and services' prices (Thomsen & Pedersen, 2000).

Management background. Indian firms' managers can either have an AMs educational and work experience background or be EMs "bounded entrepreneurs", with limited international education and work experience (Liu et al, 2008). Since Indian institutes often provide little practical managerial knowledge (Becker-Ritterspach, 2009), the sons of Indian family-controllers are usually educated in AMs (D'Costa, 2000). Moreover, after liberalization many Indian firms have been incorporated by returning entrepreneurs from AMs (Ramamurti & Singh, 2009) with AMs working experience.

Diversification. Indian institutional voids and poor law enforcement often orient Indian firms towards high diversification (Fortanier & van Tulder, 2008). Being a detailed discussion on possible definitions of firm's diversification out of scope, the present study focuses on the two diversification aspects that may impact on Indian south-north acquisitions, namely industrial and locational diversification. First, Indian internationalizing firms are mainly big industry-diversified business groups, many of them focused on the domestic market (Lall, 1982); second, internationalizing Indian business groups are often location-diversified (Elango & Pattnaik, 2007), whereas affiliated firms usually are not (Khanna & Palepu, 2000).

Experience. As anticipated, Indian firms can undertake different internationalization strategies in different periods of time (Pananond & Zeithalm, 1998), not necessarily in the sequential order from lower to higher commitment (Liu et al, 2008). They are usually distinguished into IFDIs and OFDIs (Child & Rodriguez, 2005): Indian firms during the post-liberalization period have experienced considerable amounts of both.

Institution-level ICs

Linkages. Firm's linkages are very common in India as a reaction towards institutional voids (Khanna & Palepu, 1997). Indian firms face indeed poorly equipped infrastructures (Rothermund, 2008), insufficient law enforcement and ineffective intellectual capital protection (Ramamurti & Singh, 2009). Firm's linkages can be formal, like minority shares, or informal, like social networks (Zhou et al, 2007; Tan & Meyer, 2010). Both these relationships represent the possibility of relying on ICs that the focal firm doesn't possess (Lockwood, 1954).

First of all, even if less common compared to other EMs, governmental linkages play a role in the growth of Indian firms (Becker-Ritterspach, 2009), especially for the Indian groups formed before liberalizations (Khanna & Yafeh, 2007). Since Indian firms' acquisitions are challenged by ineffective policies and complex governmental requirements, government-linkages can provide the instruments to handle them.

Second, many Indian firms belong to large business groups (Lall, 1982), formed by legally independent firms (Khanna & Yafeh, 2007), usually linked by informal ties (Khanna & Yafeh, 2007); they are usually under the dominance of a family, which ensures coordination among the members (Khanna & Palepu, 2000) and decides strategy and financing (Douma et al, 2002). Indian business groups are better able to cope with less developed physical infrastructures, EMs suppliers' networks, financing and bureaucracy (Fisman & Khanna, 2004). On the other hand the large diaspora of Non Resident Indians (NRI), with consequent global knowledge linkages, provides market access, capital (Rothermund, 2008) and AMs experience (Kapur & Ramamurti, 2001).

Acquisition financing. External acquisition financing can be challenging for some Indian firms: Indian government financing often compensates for this (Ramani, 2001), even if this can turn into institutional dependence, which inhibits the firm's strategic investments (Child & Rodrigues, 2005). Government funding can be in the form of preferential financing (Gammeltoft et al, 2010), tax releases (Cui & Jiang, 2007), state-owned financing institutions (Sarkar & Sarkar, 2000); however, it remains a limited phenomenon for Indian firms (Ramamurti & Singh, 2009).

As a second point, foreign capital support has been substantial in the post-liberalization period in India (Douma et al, 2002), especially in the recent period of booming Indian stock markets (Rothermund, 2008), in the form of e.g. foreign listing and foreign currency debt (Chittoor et al, 2009). As a third option, India has well developed capital markets compared to other EMs that can finance the growth of its firms (Ramamurti & Singh, 2009): many Indian companies are listed (Douma et al, 2002) e.g. on the Bombay Stock Exchange, active for more than 100 years, or on the National Stock Exchange (Ahluwalia, 1994).

Industry-level ICs

AMs competition. Direct competition from AMs firms, a more and more common phenomenon in India, can be linked to AMs orientation because the capacity to compete with AMs firms in the domestic market gives Indian firms the confidence to do it in AMs (Nayyar, 2008), also because the Indian and the AMs competition context become more similar in this way (Liu et al, 2008).

If the competition is very high and just the very best firms survive, the firm's performance has to be extremely good and slightly improvements help too little (Levinthal & March, 1993). Market leaders on the other hand are likely to engage in south-north acquisitions by exploiting the competencies that they already posses (Levinthal & March, 1993).

Industry type. The firm's industry can be business to customer (B2C), requiring strong focus on marketing and branding capabilities (Child & Rodrigues, 2005), or business to business (B2B); this IC depends strongly on the type of market focus of the firm. Among the Indian sectors, consumer goods and pharmaceutical are particularly brand oriented, while telecommunication, pharmaceutical and chemicals are technology oriented (Nayyar, 2008).

Some of the ICs of Indian firms are similar to the ones of AMs firms of some decades ago, in terms of e.g. ownership structure and management styles (Dunning et al, 2008; Cappelli et al, 2010). The differences are however numerous (Ramamurti & Singh, 2009), deriving from the different context of globalization (Duysters et al, 2009), institutional environment, importance of intellectual property, quality of information systems (Mathews & Zander, 2007), flows of foreign financial and real assets (Dunning et al, 2008) and domestic competition by foreign firms (Duysters et al, 2009). For this reason new insights are likely to derive from the present analysis.

Indian firms' south-north acquisitions can be defined "learning-related", because they can imply a learning aspect based on the highlighted ICs, which constitute different and multiple knowledge bases necessary for the absorption of the specific types of knowledge potentially sought through the acquisition. This idea can be linked to the concept of "absorptive capacity" of the firm (Cohen & Levinthal, 1990); however, the concept is hereby made more explicit and comprises both the technological and marketing types of knowledge sought in a more detailed interpretation of the term.

3. Learning-related acquisitions: a theoretical model

In order to survive and compete, Indian firms have to undertake south-north acquisitions that best "fit" their ICs. In accordance with past literature, the ICs of EMs firms that are deeply rooted in the EMs environment are relevant in that context but often not applicable in AMs (Madhok, 2010); on the other hand, the ICs closer to AMs contexts represent the knowledge bases for the effective acquisition of advanced technological and/or marketing knowledge. For this reason Indian firms develop different learning-related acquisition strategies depending on the type of knowledge they can acquire or they want to exploit, according to the possessed ICs: the augmentation of knowledge will be based on a coherent accumulated knowledge base, whereas the exploitation of it will be possible thanks to the knowledge matured in the EMs context.

The study attempts therefore to answer the following research question: *how are ICs influencing different learning-related acquisition strategies?* This part of the study should be viewed as a prescriptive one, providing a description and analysis of four acquisition strategies that combine the augmenting/exploitative perspectives declined on the type of knowledge sought and linked to the firms' ICs that best fit into the strategy. To make the best rational choice, firms should indeed base the learning-related acquisition strategies on the coherent combination of their ICs: every cell of the matrix in Figure3 illustrates the firms' ICs that best fit into the acquisition strategy, as explained in the remaining part of this section.

[Insert Figure3 about here]

1-The marketing exploitation and technological augmentation strategy is implemented by Indian firms focused on EMs, willing to augment their technological knowledge to serve this low-cost context with cheaper and easier to use products (Ramamurti & Singh, 2009). At the same time these firms exploit the possessed marketing knowledge rooted in the EMs to serve low-income domestic customers, knowing how to meet domestic requirements and acquiring AMs technology to make products affordable in their context (Ramamurti & Singh, 2009).

On the one hand, the EMs market focus is linked to family-control (Mathews & Zander, 2007) and consequently to EMs linkages (Filatotchev et al, 2001; Bhaumik et al, 2010); moreover, Indian business groups are often industry-diversified (Khanna & Palepu, 2000; D'Costa, 2000), implying a coherent knowledge base for technological augmentation (Barkema & Vermeulen, 1998), because of the lack of rigidities to change (Argote, 1999) and "attention barriers" to new technologies (Levinthal & March, 1993) and consequently the possessed high receptivity to technological absorption. No financial institution is usually linked to Indian business groups (Douma et al, 2002), but they often tunnel cash among different group members through e.g. favourable intra-group loans (Gopalan, 2007) or assets selling (Bertrand et al, 2002). This IC is also linked to foreign capital access (Khanna & Palepu, 2000), but, since technological augmenting can imply longer time to improve returns compared to market exploration (Vissa et al, 2010), internal financing may be preferred.

Indian family-controlled firms have often AMs educated managers (Tan & Meyer, 2010), which can support technological augmentation with the advanced knowledge protection techniques (Levinthal & March, 1993) they may have learned. These Indian firms may have built their technological knowledge base also through past IFDIs (Blömstrom & Kokko, 1998), such as licensing agreements (Ramani, 2001; Khanna & Palepu, 2000), technological collaborations with AMs firms (Lall, 1982; Freeman & Hagedoorn, 1994), technological imitation, equipments and patent rights access or by hiring AMs firms' workers (Blömstrom & Kokko, 1998). These firms operate in a B2B industry, less sensitive to marketing knowledge (Child & Rodrigues, 2005) and more to technological upgrading, therefore implying an advanced technological knowledge base:

this type of learning-related acquisition is particularly effective in case of absorption of complex and tacit technological knowledge (Graebner et al, 2010).

An exception to this profile is represented by Indian firms in the steel industry, which are usually state-owned and non-diversified. Nevertheless, they follow this strategy of AMs technology acquisition (D'Costa, 2000), have an EMs focus deriving from government-control, which pushes macro-level objectives to make products and services available to the low income EMs context and provides "patient" government capital (Tan & Meyer, 2010).

2-The pure exploitative strategy can be followed by Indian firms supported by government linkages and subsequent financing, which is usually highly risk adverse (Cui & Jiang, 2007) and therefore against augmenting strategies. Government financing is often exploited by firms' managers returning to the home country with an AMs working experience (Filatotchev et al, 2009) and it is linked to domestic market focus (Young et al, 1996). On the one hand, this strategy can be followed especially by EMs firms strongly rooted in the EMs context, exploiting in AMs the possessed technological and marketing knowledge. These firms are likely to be market leaders, engaging in activities at which they are particularly competent (Levinthal & March, 1993).

Indian firms implementing this strategy can on the other hand have already had past OFDIs experiences, e.g. in the form of south-north greenfield investments: they directly learned about marketing (Blömstrom & Kokko, 1998; Thomas et al, 2007) and technological (Barkema & Vermeulen, 1998) AMs knowledge, which can now be fully exploited through this acquisition strategy.

3-The pure augmenting strategy is highly risky: it can be supported by family controllers, often overlapping with the top management (Thomsen & Pedersen, 2000), which may be more innovative and risk taking than other managers (Zahra, 2005). These Indian firms are focused on AMs and able to understand AMs requirements and customer relationships (Lall &

Kumar, 1981; Filatotchev et al, 2009) and therefore have a coherent knowledge base for marketing knowledge augmenting. This strategy may be implemented by EMs firms facing very high competition, because in this case limited improvements would help too little (Levinthal & March, 1993), while an extreme augmenting learning-related acquisition can highly increase the firm's competitiveness.

These Indian firms are likely to be able to access market financing that, often implying less shareholders' pressure than in AMs (Gammeltoft et al, 2010), means more freedom to undertake risky learning-related acquisitions. A strong knowledge base is necessary for the assimilation of the technological and marketing knowledge augmented and management's AMs working and educational background together can provide it, e.g. through AMs education on techniques of technological knowledge protection and through the AMs working experience about marketing opportunities in AMs (Carpenter & Fredrikson, 2001). This IC is linked to diversification (Carpenter & Frederickson, 2001): the case of location and industry-diversification strategies together, which are often linked (Duysters et al, 2009), can provide as well the necessary technological and marketing knowledge base.

As a second option, in case the Indian firm doesn't possess this combination of ICs, EMs business linkages can substitute for it thanks to the diversification of the group (Elango & Pattnaik, 2007; Tan & Meyer, 2010). A third option is represented by the case of past IFDIs, depending on the type of experiences had: for instance, Indian firms employed as subcontractors by AMs firms (Ramamurti & Singh, 2009; Duysters et al, 2009) can indeed develop both a technological and marketing knowledge base (Li et al, 2010), depending on the type of subcontracting.

This acquisition strategy comprises various profiles of firms: some pharmaceutical Indian firms can be a good example and fit into this strategy, being highly export oriented (Chatterjee & Nandkumar, 2010), experiencing high government interventions and high AMs competition, having a strong technological knowledge base built on past IFDIs and being often market leaders (Pradhan, 2008).

4-The marketing augmentation and technological exploitation strategy is undertaken by firms focused on AMs, able to understand AMs requirements and customer relationships (Lall & Kumar, 1981; Filatotchev et al, 2009), with the knowledge base to augment AMs marketing knowledge and therefore increase their export performances (Brouthers et al, 2005); they have also a strong technological position rooted in the EMs context. These firms' managers are likely to have AMs working backgrounds (Filatotchev et al, 2009), supporting this learning-related acquisition strategy with business linkages in AMs (Holm et al, 1996; Zhou et al, 2007). These firms often face high domestic AMs competition (Duysters et al, 2009), which can be linked to the AMs market focus and constitute an appropriate marketing knowledge base. They are often financed by foreign investors (Filatotchev et al, 2009), which may support the marketing knowledge base through AMs linkages (Chittoor et al, 2009; Young et al, 1996). Moreover, market augmenting can be seen by Indian managers as a quicker route to improve returns, compared to technological exploration (Vissa et al, 2010), and this can be appreciated by foreign financing. This is often linked to location-diversification (Carpenter & Frederickson, 2001), which gives to the firm a strong marketing knowledge base (Barkema & Vermeulen, 1998) for this learning-related acquisition strategy: these firms are indeed trained to deal with different customers, competitors and suppliers (Barkema & Vermeulen, 1998) and are less linked to their domestic market and more receptive to opportunities from foreign markets. Otherwise, the firm can be affiliated to a location-diversified EMs business group (Elango & Pattnaik, 2007).

Past IFDI experiences, sometimes linked to the presence of foreign investors (Young et al, 1996), can build up a marketing knowledge base deriving from AMs firms' presence and contacts with AMs customers (Blömstrom & Kokko, 1998). These firms are likely to operate in the B2C industry, which implies high receptivity and need for advanced marketing knowledge (Child & Rodrigues, 2005): through this type of learning-related acquisition, the Indian firm can obtain exclusive access to the target's AMs marketing knowledge and customers relationships (Graebner et al, 2010).

Some Indian firms in the IT industry may fit well into this strategy: they are in general highly export oriented (Gaur & Kumar, 2009), because of the small domestic IT-market and the high prices; long term customers' relationships (Arora et al, 2001) and presence in AMs are also critical for them (D'Costa, 2003). Managers of these firms are likely to have AMs working experience, which improve their capabilities from a technological (Schware, 1992) and customers' collaboration perspective (Arora et al, 2001; Schware, 1992). Government control and EMs business linkages are rare; these firms often use foreign listing or capital from NRI (D'Costa, 2000) and have experienced substantial IFDIs, in terms of presence of global competitors in India (D'Costa, 2003) and outsourcing for AMs firms (Basant, 2004).

The present section has analysed the Indian firms' south-north acquisition strategies that suit better the firms' ICs; at this point it is interesting then to look into the case of unsuitable combinations, i.e. "misfit" between strategies and ICs. In case of an augmenting strategy with no coherent knowledge base the firm is likely to be unable to recognise and absorb the knowledge implied, incur in extra managerial costs and potentially not fulfil the acquisition goals; in the opposite case of exploitation of the ICs without focusing on the ones that actually constitute a solid knowledge base for knowledge augmenting, the firm wastes the opportunity to take advantage of this type of learning-related strategy.

Summing up, the ICs are often linked in a complex way (Figure3): all of the three categories (firm-, industry- and institution-level) have impacts on the above defined prescriptive acquisition strategies, in terms of both augmentation and exploitation of technological and marketing knowledge. Next section draws the conclusions of the study.

4. Conclusions

The present study analyzes the phenomenon of EMs firms' south-north acquisitions. This topic is widely recognized as important, timely and with notable impacts on global markets (The Economist, 2010); nevertheless, south-north acquisitions are certainly the least studied among the possible cross-border acquisitions (Ramamurti, 2009) and some gaps still need to be covered.

The present study attempts to contribute in this sense by building a comprehensive conceptual framework of Indian firms' south-north acquisitions based on a learning perspective, considering the firms' ICs and their relationships with four different acquisition strategies. The single country context has been chosen because of the country-specificity of the ICs and in order to provide a realistic and relevant contribution to existing theory.

Two research questions were addressed, first: *which are the ICs of Indian firms influencing the undertaken south-north acquisitions?* Second: *how are these factors influencing the acquisition strategy, in terms of augmentation/exploitation of different types of knowledge?*

Concerning the issue of the applicability of traditional theories, based on AMs firms, to the "south-north acquisitions phenomenon", the study aims at giving a theoretical contribution suggesting some considerations for theoretical extension (Child & Rodrigues, 2005), in terms of importance of the specific context of analysis, relevance of the ICs which south-north acquisitions are based on and relationships between these factors and the idea of "learning-related acquisitions". The traditional concepts of FSAs and CSAs (Rugman, 1981) are applied to this context and constitute the base of the framework.

From a managerial perspective this study suggests more awareness of the internationalizing firm about its ICs and consequently the most suitable south-north acquisition strategy. The study is based on the Indian context, but it would be surprising if it were actually applicable exclusively to this context: the concept of south-north acquisition could in fact be abstracted to the level that it could be applied to the cases where a firm having ICs similar to the ones described in the study acquires a firm with more advanced FSAs; from this perspective, valuable insights are expected from the study as well.

The study has some limitations: being the research stream of south-north acquisitions a recent one, the literature about it is still scant (Budhwar et al, 2009) and firm-level examples are sometimes difficult to find. Moreover, whereas the majority of studies willing to evaluate the effects of internationalization do it by measuring growth of firms in terms of sales or market power, this study focuses on the intermediate effect of acquisitions in terms of acquired/exploited marketing and technological knowledge. In this way the gains from the acquisition are captured, independently from the ability of the acquiring firm to translate them into profits. This limitation is closely linked to the conceptual nature of the study.

Drawing on these limitations, the study could be the starting point for future research, first, in terms of application of the model on empirical data, to validate the findings of the study; second, future research could analyse the outputs of the learning-related acquisition strategies, in terms e.g. of types of innovation undertaken after the acquisition; third, since Indian firms usually limit post-acquisition integration and leave considerable autonomy to the acquired firm (Kumar, 2009), future studies could analyse this type of post-acquisition behaviour and contribute to explore the often neglected role of the target firms (Graebner, 2004) and thus study more in depth the role of managerial knowledge in the long term after acquisition. Moreover, as already mentioned, it is important for firms to maintain a balance between the exploitative and augmenting strategies during the time to enjoy the benefits of both (Pananond & Zeithalm, 1998): a longitudinal study on the dynamic acquisition choices of Indian firms in the long term could give some useful insights in this sense. Finally, it would be also interesting to analyse more deeply the above mentioned cases of "misfits" between acquisition strategies and ICs, in terms of financial consequences or perception of the management.

As already mentioned, the studies on south-north acquisitions are constantly growing, but still many gaps have to be covered, both at theoretical and empirical level, on this particularly timely and interesting topic.

References

Acharya, S. & Mohan, R. (2010). *India's economy- performance and challenges*, Oxford University Press.

Ahluwalia, M.S. (1994), India´s quiet economic revolution. *The Columbia Journal of World Business*, 29, 1, 6-12.

Argote, L. (1999). *Organizational learning, creating, retaining and transferring knowledge*, Kluwer Academic Publisher.

Arora, A., Arunachalam, V.S., Asundi, J. & Fernandes, R. (2001). The Indian software services industry. *Research Policy*, 30, 1267-1287.

Aulakh, P.S. (2007). Emerging multinationals from developing economies: motivations, paths and performance. *Journal of International Management*, 13, 235-240.

Barkema, H.G. & Vermeulen, F. (1998). International expansion through start-up or acquisition: a learning perspective. *Academy of Management Journal*, 41, 1, 7-26.

Barnard, H. (2010). Overcoming the liability of foreignness without strong firm capabilities -the value of market-based resources. *Journal of International Management*, 16, 165-176.

Basant, R. & Flikkert, B. (1996). The effects of R&D, foreign technology and domestic and international spillovers on productivity in Indian firms. *The review of economics and statistics*, 78, 2, 187-199.

Becker-Ritterspach, F.A.A. (2009). *Hybridization of MNE subsidiaries- the automotive sector in India*, Palgrave Macmillan.

Bertoni, F., Elia, S. & Rabbiosi, L. (2008). Driver of acquisitions from BRICs to advanced countries: firm-level evidence. *Paper presented to UNU-MERIT, September 26, 2008.*

Bertrand, M., Mehta, P. & Mullainathan, S. (2002). Ferreting out tunneling: an application to Indian business groups. *The Quarterly Journal of Economics*. 117, 1, 121-148.

Bhaumik, S.K., Driffield, N. & Pal, S. (2010). Does ownership structure of emerging-market firms affect their outward FDI? The case of the Indian automotive and pharmaceutical sectors, *Journal of International Business Studies*, 41, 437-450.

Blömstrom, M. & Kokko, A. (1998). Multinational corporations and spillovers. *Journal of Economic Surveys*. 12, 2, 1-31.

Brouthers, L.E., O'Donnel, E. & Hadjimarcou, J. (2005). Generic product strategies for emerging market exports into Triad nation market: a mimetic isomorphism approach. *Journal of Management Studies*, 42, 1, 225-245.

Budhwar P.S., Varma A., Katou A.A. & Narayan D. (2009). The role of HR in cross-border mergers and acquisitions: the case of Indian pharmaceutical firms. Multinational Business Review, 89, 22, 89-110

Cappelli, P., Singh, H., Singh, J. & Useem, M. (2010). *The India way: How India's Top Business Leaders Are Revolutionizing Management*. Harvard business school publishing.

Carpenter, M.A. & Frederickson, J.W. (2001). Top management teams, global strategic posture and the moderating role of uncertainty. *Academy of Management Journal,* 44, 3, 533-545.

Chatterjee, C., & Nandkumar, A., (2010). Fresh evidence on learning by exporting from Indian pharmaceutical producers, 1994-2007. *Paper presented at the Academy of Management, 2010.*

Chaturvedi, K. & Chataway, J. (2006). Strategic integration of knowledge in Indian pharmaceutical firms: creating competencies for innovation. *International Journal of Business Innovation and Research*, 1, 1-2, 27-50.

Chen, V. Z. (2010). Emerging-Market Multinationals in Developed Markets: Exploring the Innovation Effects on the Parent. *7th International Conference on Intellectual Capital, Knowledge Management & Organisational Learning, Hong Kong, China*, 1-28.

Child, J. & Rodrigues, S.B. (2005). The internationalization of Chinese firms: a case for theoretical extension?. *Management and Organization Review*, 1, 3, 381-410.

Chittoor, R., Sarkar, M.B., Ray, S. & Aulakh, P.S. (2009). Third-world copycats to emerging multinationals: institutional changes and organizational transformation in the Indian pharmaceutical industry. *Organization Science*, 20, 1, 187-205.

Cohen, W.M. & Levinthal, D.A. (1994). Fortune favours the prepared firm. *Management Science*, 40, 2, 227-251.

Cui, L. & Jiang, F. (2007). Ownership decision in Chinese outward FDI: an integrated conceptual framework and research agenda. *Asian business and management*, 8, 3, 301-324.

D'Costa, A. (2000). Capitalist maturity and corporate responses to economic liberalization in India: the steel, auto and software sectors. *Contemporary south Asia*, 9, 2, 141-163.

Douma, S., George, R. & Kabir, R. (2002). Foreign and domestic ownership, business groups and firm performance: evidence from a large emerging market. *Strategic Management Journal*, 27, 7, 637-657.

Dunning, J.H. (1980). Towards an eclectic theory of international production: some empirical tests. *Journal of International Business Studies*, 11, 1, 9-31.

Dunning, J.H. (2006). Comment on Dragon multinationals: new players in 21st century globalization. *Asia Pacific Journal of Management*, 23, 139-141.

Dunning, J.H., Kim, C. & Park, D. (2008). Old wine in new bottles: a comparison of emerging-markets TNCs today and developed-country TNCs thirty years ago. In Sauvant, K., *The rise of* *transnational corporations from emerging markets: threat or opportunity?* (pp.158-180). Edward Elgar: Cheltenham.

Duysters, G., Jacob, J. & Lemmens, C. (2009). Internationalization and technological catching up of emerging multinationals: a comparative case study of China's Haier group. *Industrial and Corporate Change*, 18, 2, 325–349.

Elango, B. & Pattnaik, C. (2007). Building capabilities for international operations through networks: a study of Indian firms. *Journal of International Business Studies*, 38, 541-555.

Filatotchev, I., Dyomina, N., Wright, M. & Buck, T. (2001). Effects of post-privatization governance and strategies on export intensity in the former Soviet Union. *Journal of International Business Studies*, 32, 4, 853-871.

Filatotchev, I., Hoskisson, R., Buck, T. & Wright, M. (1996). Corporate restructuring in Russian privatizations: implications for US investors. *California management review*, 38, 2, 87-105.

Filatotchev, I., Liu, X., Buck, T. & Wright, M. (2009). The export orientation and export performance of high-technology SMEs in emerging markets: The effects of knowledge transfer by returnee entrepreneurs. *Journal of International Business Studies*, 40, 1005-1021.

Fisman, R. & Khanna, T. (2003). Facilitating development: the role of business groups. *World development*, 32, 4, 609–628.

Fortanier, F. & van Tulder, R. (2008). Internationalization trajectories - a cross-country comparison: are large Chinese and Indian companies different?. *Industrial and Corporate Change*, 18, 223-247.

Freeman, C. & Hagedoorn, J. (1994). Catching up or falling behind: patterns in international interfirm technology partnering. *World Development*, 22, 5, 771-780.

Gaffney, N., Kedia B.L. & Clampit, J. (2010). A resource dependence perspective of emerging market multinationals. *Academy of Management conference paper*.

Gallo, M.A. & Sveen, J. (1991). Internationalizing the family business: facilitating and restraining factors. *Family Business Review*, 4, 181-190.

Gammeltoft, P., Barnard, H. & Madhok, A. (2010). Emerging multinationals, emerging theory: Macro- and micro-level perspectives. *Journal of International Management*, 16, 95-101.

Gaur, A.S. & Kumar, V. (2010). Internationalization of Emerging Market Firms: A Case for Theoretical Extension. *Advances in International Management*, Forthcoming.

Gopalan, R. (2007). Affiliated firms and financial support: evidence from Indian business groups. *Journal of Financial Economics*, 86, 3, 759-795.

Graebner, M.E. (2004). Momentum and serendipity: how acquired leaders create value in the integration of technology firms. *Strategic Management Journal*, 25: 751–777.

Graebner, M.E., Eisenhardt K.M. & Roundy P.T. (2010). Success and failure in technology acquisitions: lessons for buyers and sellers. *Academy of management perspectives*, 24, 3, 73-92.

Hennart, J., (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies*, 40, 1432–1454.

Holm, D.B., Eriksson, K. & Johanson, J. (1996). Business networks and cooperation in international business relationships. *Journal of International Business Studies*, 27, 5, 1033-1053.

Hoskisson, R. E., Eden, L., Lau, C. M. & Wright, M. (2000). Strategy in Emerging Economies. *The Academy of Management Journal*, 43, 3, 249-267.

Immelt, J.R., Govindarajan, V. & Trimble, C. (2010). How GE is disrupting itself. *Harvard Business Review*.

Kapur, D. & Ramamurti, R. (2001). India´s emerging competitive advantage in services. *Academy of Management Executive*. 15, 2, 20-33.

Khanna, T. & Palepu, K. (2000). Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups. *The journal of finance*, 55, 2, 867-891.

Khanna, T. & Yafeh, Y. (2007). Business groups in emerging markets: paragons or parasites?. *Journal of Economic Literature*, 45, 331-372.

Kuemmerle, W. (1999). The drivers of foreign direct investment into research and development: an empirical investigation. *Journal of International Business Studies*, 30, 1, 1-24.

Kumar, N. (2009). How emerging giants are rewriting the rules of M&A. *Harvard Business Review*, 87, 5, 115-121.

Lall, S. & Kumar, R. (1981). Firm-level export performance in an inward-looking economy: the Indian engineering industry. *World Development*, 9, 5, 453-463.

Lall, S. (1982). The emergence of third world multinationals: Indian joint ventures overseas. *World Development*, 10, 2, 127-146.

Lall, S. (2000). Technological Change and Industrialization in the Asian Newly Industrializing Economies: Achievements and Challenges. In Kim, L., Nelson, R.: *Technology, Learning & Innovation: Experiences of Newly Industrializing Economies*, (pp.13-68). Cambridge University Press, Cambridge.

Lee, K. & Lim, C. (2001). Technological regimes, catching up and leapfrogging: findings from the Korean industries. *Research Policy*, 30, 459-483.

Levinthal, D.A. & March, J.G. (1993). The myopia of learning. *Strategic Management Journal*, 14, 95-112.

Li, Y., Wei, Z. & Liu, Y. (2010). Strategic orientations, knowledge acquisition and firm performance: the perspective of the vendor in cross-border outsourcing. *Journal of Management Studies*, accepted article.

Liu, X., Xiao, W. & Huang, X. (2008). Bounded entrepreneurship and internationalization of indigenous Chinese private-owned firms. *International Business Review*, 17, 488-508.

Lockwood, W.W. (1954). *The economic development of Japan: growth and structural change, 1868-1938*. New Jersey, Princeton University.

Lorenzen, M. & Mudambi, R. (2010). Bangalore vs. Bollywood: connectivity and catch up in emerging market economies. *AIB insights*, 10, 1, 7-11.

Luthans, F., Welsh, D.H.B. & Rosenkrantz, S.A. (1993). What Do Russian Managers Really Do? An Observational Study with Comparisons to U.S. Managers. *Journal of International Business Studies*, 24, 4, 741-761.

Madhok, A. (2010). Internationalization, acquisitions and the merging economy multinational. Paper presented at the Academy of Management conference.

Makhija, M.V. & Ganesh, U. (1997). The relationship between control and partner learning in learning-related joint ventures. *Organization Science*, 8, 5, 508-527.

March, G.J. (1991). Exploration and exploitation in organizational learning. *Organization Science*, Vol. 2, No. 1, pp. 71-87.

Mathews, J.A. & Zander, I. (2007). The international entrepreneurial dynamics of accelerated internationalization. *Journal of International Business Studies*, 38, 3, 387-403.

Mathews, J.A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management*, 23, 5, 27.

Morck, R., Yeung, B. & Zhao, M. (2008). Perspectives of China's outward foreign direct investment. *Journal of International Business Studies,* 39, 337-350.

Mudambi, R. (2002). Knowledge management in multinational firms. *Journal of International Management*, 8, 1-9.

Nayyar, D. (2008). The internationalization of firms from India: investment, mergers and acquisitions. *Oxford Development Studies*, 36, 1, 111-131.

Pananond, P. & Zeithalm, C.P. (1998). The international expansion process of MNEs from developing countries: a case study of Thailand's CP group. *Asia Pacific Journal of Management*, 15, 2, 163-184.

Peng, M.W., Wang, D.Y.L. & Jiang, Y. (2008). An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies* 39, 920–936.

Pradhan, J.P. (2008). Overcoming innovation limits through outward FDI: the overseas acquisition strategy of Indian pharmaceutical firms. *MPRA paper*, 12362.

Ramamurti, R. & Singh, J.V. (2009). Indian multinationals: Generic internationalization strategies. In Ramamurti, R., Singh, J., *Emerging Multinationals from Emerging Markets*. (Chapter 6) Cambridge, UK: Cambridge University Press.

Ramamurti, R. (2009). What Have We Learned about EMNEs. In Ramamurti, R., Singh, J., *Emerging Multinationals from Emerging Markets*. (Chapter 13) Cambridge UK: Cambridge University Press.

Ramani, S.V. (2001). Who is interested in Biotech? R&D strategies, knowledge base and market sales of Indian biopharmaceutical firms. *Research policy,* 31, 3, 1-18.

Ray, S. & Gubbi, S.R. (2009). International Acquisitions by Indian Firms: Implications for Research on Emerging Multinationals. *The Indian Journal of Industrial Relations,* 45, 1, 11-26.

Rothermund, R. (2008). *India- the rise of an Asian giant*, Yale university Press.

Rugman, A.M. & Li, J. (2007). Will china's multinationals succeed globally or regionally?. *European Management Journal*, 25, 5, 333-343.

Rugman, A.M. (1981). *Inside the Multinationals: The Economics of Internal Markets*. New York: Columbia University Press.

Sarkar, J. & Sarkar, S. (2000). Large shareholder activism in corporate governance in developing countries: evidence from India. *International review of finance*, vol.1, no.3, pp.161-194.

Schware, R. (1992). Software industry entry strategies for developing countries: a "walking on two legs" proposition. *World development,* 20, 2, 143-164.

Sutherland, D. (2009). Do China's "national team" business groups undertake strategic-asset-seeking OFDI?. *Chinese Management Studies*, 3, 1, 11-24.

Tan, D. & Meyer, K.E. (2010). Business groups' outward FDI: A managerial resources perspective. *Journal of International Management,* 16, 154-164.

The Economist, April 17th 2010. *The world turned upside down, A special report on innovation in emerging markets.*

Thomas, D.E., Eden, L., Hitt, M.A. & Miller, S.R. (2007). Experience of emerging market firms: the role of cognitive bias in developed market entry and survival. *Management International Review*. 47, 845-867.

Thomsen, S. & Pedersen, T. (2000). Ownership structure and economic performance in the largest European companies. *Strategic Management Journal*, 21, 689-705.

Vissa, B., Greve, H.R. & Chen, W.R. (2010). Business group affiliation and firm search behaviour in India: responsiveness and focus of attention. *Organization Science*, 21, 3, 696-712.

Yang, X., Jiang, Y., Kang, R. & Ke, Y. (2009). A comparative analysis of the internationalization of Chinese and Japanese firms. *Asia Pacific Journal of Management*, 26, 141-162.

Yiu, D., Lau, C. & Bruton, G. (2007). International venturing by emerging economy firms: the effects of firm capabilities, home country networks, and corporate entrepreneurship. *Journal of International Business Studies*, 38, 519-540.

Young, S., Huang, C.H. & McDermott, M. (1996). Internationalization and competitive catch-up processes: Case study evidence on Chinese multinational enterprises. *Management International Review*, 36, 295-314.

Zahra, S.A. (2005). Entrepreneurial Risk Taking in Family Firms. *Family Business Review*, 18, 23.

Zhang, Y. (2009). Alliance-based Network View on Chinese Firms' Catching-up: Case Study of Huawei Technologies Co.Ltd.. *UNU-MERIT working paper series,* 2009-039.

Zhang, Y. & Li, H. (2009). Innovation search of new ventures in a technology cluster: the role of ties with service intermediaries. Strategic Management Journal, 31, 88–109.

Zhou, L., Wu, W. & Luo, X. (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies,* 38, 673-690.

Appendix

Figure1 acquisition strategies

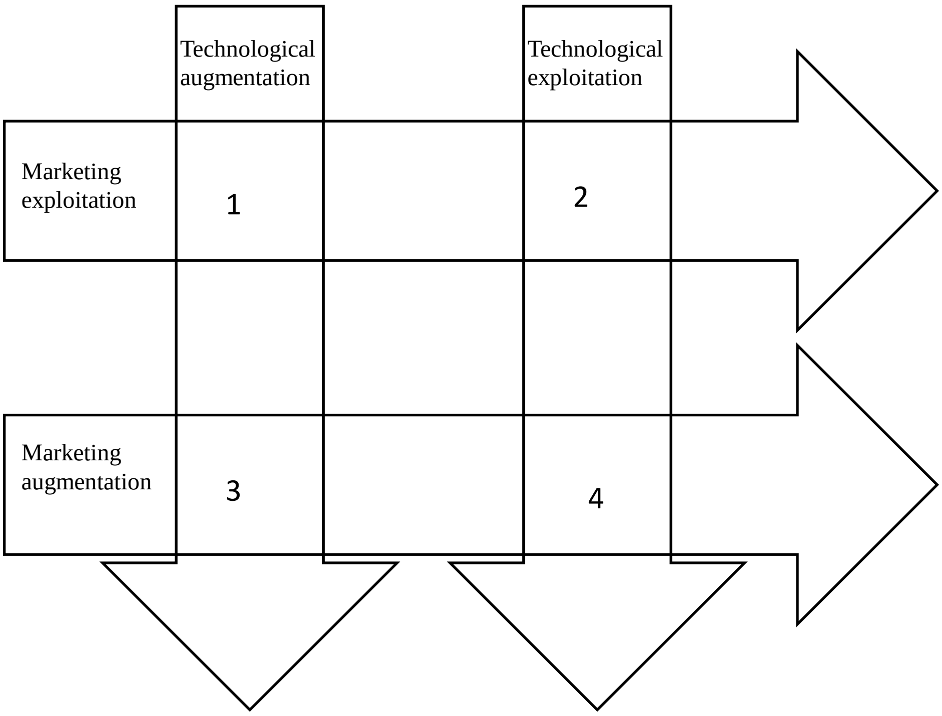

Figure2 firms' ICs

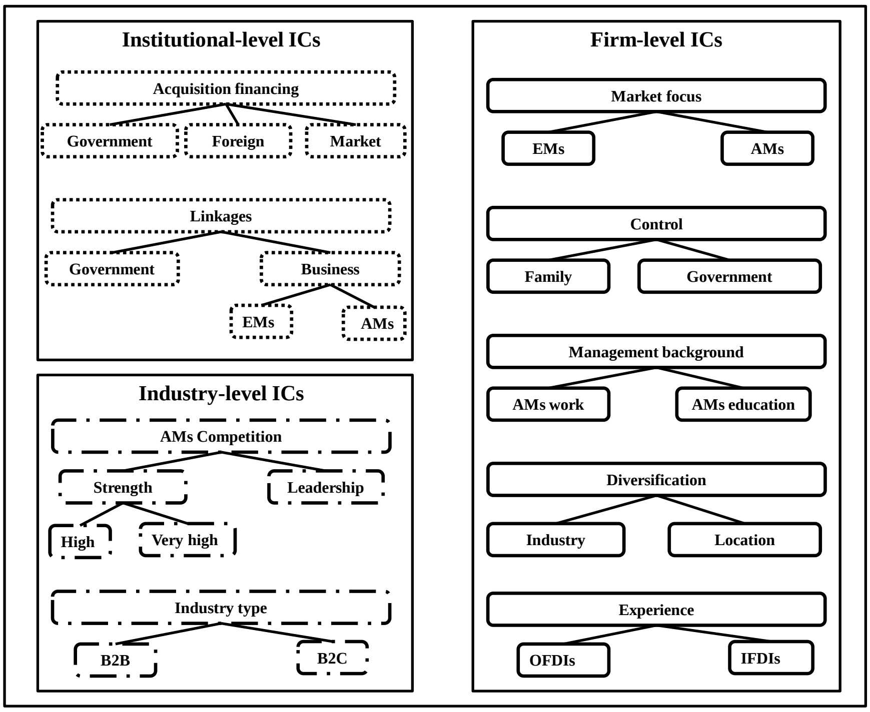

Figure3 firms' ICs and acquisition strategies