

Institutional Distance and the Motivations to Springboard

American Business Review
Nov. 2022, Vol.25(2) 355 - 389
© The Authors 2022, [CC BY-NC](#)
ISSN: 2689-8810 (Online)
ISSN: 0743-2348 (Print)

Peter Záborský^a and Zheng Joseph Yan^b

<https://doi.org/10.37625/abr.25.2.355-389>

ABSTRACT

While institutional distance presents opportunities for development of the general theory of springboard MNEs, the direction of distance and its relationship to the motivations to springboard are largely ignored in the literature on emerging-market MNE (EMNE) internationalization. To fill the research gap, we develop a model of springboard motives, and incorporate institutional distance (including its direction) and ownership share as factors explaining them. Based on an empirical analysis of over 700 mergers and acquisitions (M&As) by EMNEs from 26 emerging economies in 2015–2017, we find that EMNEs tend to have capability-building springboard motives in cross-border M&A when they move down the institutional ladder from a higher to lower quality institutional environment (with larger negative distance in FDI regulatory risk). The capability-leveraging motive is positively related to distance in terms of FDI regulations (particularly legal protection) when the company moves up the institutional ladder. Importantly, these relationships are moderated by ownership share.

KEYWORDS

Emerging Market Firm Internationalization, Springboard MNE, Acquisition Motive, Cross-Border M&A, Institutional Distance

INTRODUCTION

The aim of this study is to extend the general theory of springboard MNEs (Luo & Tung, 2018) by incorporating the concept of institutional distance (Kostova et al., 2020; Kostova & Zaheer, 1999; Xu & Shenkar, 2002). In examining the impact of institutional directions to outward foreign direct investment by emerging-market MNEs (EMNE; Tang & Buckley, 2022), we also apply the concept of institutional ladder (Konara & Shirodkar, 2018) to a key but under-researched element of the springboard theory, namely the cross-border acquisition motives of firms (Elia & Santangelo, 2017). Our study conceptualizes the *motivations to springboard*, to move beyond the focus on strategic asset seeking (Meyer, 2015) and asset augmentation (Buckley et al., 2016) in the EMNE research. We develop hypotheses linking this new concept to the institutional ladder perspective to contribute to the theory of springboard MNEs, which has been extended to incorporate not only Chinese firms, but also other EMNEs from the Asia-Pacific region and beyond (Kumar et al., 2020; Luo & Witt, 2021).

Our study builds on two main streams of the International Business (IB) literature, namely the EMNE internationalization literature (and particularly the theory of springboard MNEs) and

^a University of Auckland Business School, Auckland, New Zealand (p.zamborsky@auckland.ac.nz)

^b University of Auckland Business School, Auckland, New Zealand (joseph.yan@auckland.ac.nz)

Corresponding Author:

Záborský (p.zamborsky@auckland.ac.nz)

Acknowledgements: We would like to thank Professor Dean Xu for his comments on the early draft of this paper. We would also like to thank Jin Luo and Shayal Prasad for their excellent research assistance.

institutional-distance research. In the theoretical background section, we first discuss and review the attributes of the EMNEs and their cross-border investments. This allows us to set up the theoretical foundation for our study. Second, we review the literature on the springboard MNEs, and discuss the significance of the springboard theory in explaining the investments made by EMNEs (Enderwick & Buckley, 2021). In doing so, we also identify an overlooked area in the application of the springboard theory to EMNEs—the motivations to springboard. As explained by Luo and Tung (2018, p. 144) in the “upward spiral model” of springboard MNEs, a firm will go through five major stages of springboard process, which we associate with the following three springboard motivations.

First, the early springboard stage for *strategic asset seeking* and competitive catch-up (e.g., Cui et al., 2014; Meyer, 2015)—inward internationalization, radical outward FDI (foreign direct investment). Second, the intermediate stage for *capability building* (e.g., Luo, 2002; Ramamurti, 2012)—capability transfer to home, home-centered capability upgrade. Third, the matured stage for *capability leveraging* and long-term growth (e.g., Grøgaard et al., 2019; Williamson, 2016)—global catapulting with stronger capabilities. While Luo and Tung (2018) use the term “stages”, the concept of “spiral” implies that the stages could also be understood as partially overlapping loops, with multiple motives sometimes associated with one loop or point in time (Luo & Witt, 2021). Based on this distinction, our study examines the impact of institutional distance on EMNE’s motivations to springboard. We also incorporate the concept of institutional ladder to examine how the direction of institutional distance (i.e., moving up or down the “institutional ladder” from lower to higher quality institutional environments and vice versa) affects the EMNEs’ springboard motivations.

While institutional distance is a crucial concept in explaining MNE strategies toward important internationalization activities such as the cross-border mergers and acquisitions (M&A) (Dikova et al., 2019; Kostova et al., 2020), it is not yet incorporated sufficiently in the general theory of springboard MNEs (Luo & Tung, 2007, 2018), which is the latest influential theory explaining how EMNEs are (or are not) systematically different from other MNEs. Acknowledged by Luo and Tung (2018), the nonmarket elements such as institutional distance between the home and host markets of the MNEs present promising prospects for continual development of the springboard theory. Our study therefore aims to improve the springboard theory by providing a better understanding of the institutional distance experienced by springboard EMNEs. We link the antecedents of springboarding (i.e., motivations) to the institutional distance and its direction faced by firms. This improves the springboard theory by merging the elements of institutional distance and its direction into the theory. Furthermore, we incorporate the role of ownership share into our theoretical model as a moderator, and link it to cross-border M&A motives (Chen, 2008; Chhabra et al., 2021; Gaffney et al., 2016; Scalera et al., 2020; Sutherland et al., 2020; Yildiz & Fey, 2016; Yoon et al., 2021) and the relationship between institutional distance and M&A motives. Ownership considerations are an important part of both the EMNE internationalization and institutional-distance literatures (Wu, Zhou, et al., 2021), but they have not been integrated sufficiently into the theory of springboard MNEs (H. Zhang & Yang, 2021).

We test our hypotheses with a unique dataset of over 700 cross-border acquisitions by EMNEs, including their rationales, and employ a World Bank (2020) global database and a novel quantitative measure of regulatory institutions and risk relevant to FDI to measure dimensions of institutional distance (namely transparency, protection, and recourse aspects of FDI laws and regulations). We find that the likelihood of EMNEs to have capability-building springboard motives in cross-border M&A increases with larger negative distance in FDI regulatory risk (i.e., moving down the institutional ladder from countries with higher to lower quality FDI regulations). On the other hand, the capability-leveraging motive is positively related to distance in terms of FDI regulations (especially legal protection) when the company moves up the institutional ladder from low to high quality FDI regulations (i.e., larger positive distance in FDI regulatory risk). Moreover, these relationships are

moderated by ownership share, i.e., the degree of acquired ownership stake (Konara & Shirodkar, 2018).

In all, we contribute to the general theory of springboard MNEs (Luo & Tung, 2018) by classifying three distinctive springboard motives adopted by EMNEs as they seek to develop global competitiveness via cross-border M&A. We show that institutional distance and its direction (i.e., institutional ladder) can be a helpful lens to explain EMNEs' decisions and rationales for radical internationalization activities. This also indicates the potential for the integration of the concepts of institutional distance and ladder with traditional internationalization theory, especially in the domain of the decision-making process of international managers. The paper proceeds as follows. First, we provide a theoretical background of the study and develop a theoretical model and hypotheses. Then we explain our methods and data, followed by analysis, findings, discussion and conclusion.

THEORETICAL BACKGROUND

EMNE INTERNATIONALIZATION AND CROSS-BORDER MERGERS AND ACQUISITIONS

The research on the internationalization of EMNEs tends to focus on two explanatory lenses: from an organizational perspective, one emphasizes the strategic intent of emerging economy (EE) firms (Rui & Yip, 2008), whose international movements are arguably driven more by an asset-augmenting rather than asset-exploiting strategy in order to address resource-based disadvantages (e.g., Luo & Wang, 2012; Xu & Meyer, 2013). From the environmental perspective, the other lens often adopts the institutional analysis and argues the impact of regulatory institutions such as government policies and international agreements as a major driving force of EE firms (e.g., Luo et al., 2010; Ramamurti, 2012). These two perspectives collectively explain the characters of the EMNEs and their cross-border investments (Peng et al., 2008). EMNEs have rapidly internationalized via making aggressive and strategic investments into both developing and advanced markets (Cui et al., 2014; Kumar et al., 2020). EMNEs include not only the firms from the major emerging economies such as the BRICS countries (Brazil, Russia India, China, and South Africa), but also the newly industrialized economies (e.g., Singapore and South Korea) recognized by Luo & Tung (2018) to fall under the scope of springboard theory. On the other hand, cross-border M&As are widely regarded as a capital-led growth strategy adopted by firms looking to make a substantial improvement in their global competitive advantages (Shimizu et al., 2004). The key motivation behind the M&As is the creation of value, which can be a firm's gain in financial capital, human capital, strategic assets, and other forms of the important resources that allow the firm to develop long-term competitiveness on a global scale (Chapman, 2003). In terms of the EMNEs, their international M&A efforts often involve major industry actors and stakeholders in the host markets, which is especially the case for the firms in high-tech, knowledge-intensive, and skill-dependent sectors (Narula, 2015).

Overall, extant literature appears to focus on four key issues that address the M&A made by EMNEs (cf. Buckley et al., 2014; Xie et al., 2017); first, the theoretical foundations that explain the cross-border M&A strategies of EMNEs; second, the distance (e.g., institutional, geographical, economical, administrative) and its links to the incidence, ownership, potential success, or failure of the M&A transactions; third, the motivations behind EMNEs' M&A in both developed and developing economies; and finally, the uniqueness of the EMNEs in their attempts to complete an M&A project compared to traditional MNEs from advanced economies.. Accordingly, we focus on the springboard theory as a theoretical foundation to analyze the impact of institutional distance and ownership share on M&A motivations to springboard.

In doing so, we first review the general theory of springboard MNEs (Luo & Tung, 2007, 2018) and extend it with the concept of institutional distance (Kostova & Zaheer, 1999; Xu & Shenkar, 2002) to

examine the M&As made by EMNEs. Then we build a theoretical model that also incorporates the role of ownership share into the theory of springboard MNEs and links it to cross-border M&A motives of EMNEs (Scalera et al., 2020; Sutherland et al., 2020) in an integrated manner together with the role of institutional distance.

THE EVOLUTION OF SPRINGBOARD EMNES

In extending the springboard perspective toward the international expansion of EMNEs (Luo & Tung, 2007), Luo and Tung (2018) developed the general theory of springboard MNEs to study the “global strategy to improve a firm’s global competitiveness and catch up with established and powerful rivals in a relatively rapid fashion through aggressive strategic asset and opportunity seeking, and by benefiting from favorable institutions in foreign countries” (p. 130). There are two major takeaways from this definition. First, springboard firms can obtain substantial benefits from aggressive and strategic international activities, such as acquisition and greenfield FDI, at relatively early stages of internationalization. In other words, the heightened commitments can allow firms to quickly develop capabilities and competitiveness, and catch up to or even surpass their international competitors. Second, a key enabling condition for international springboard to happen is the availability of favorable institutions for firms to access and leverage. Essentially, the springboard theory incorporates institutional (Yan et al., 2018), strategic, and resource (Ramamurti, 2012) considerations to explain EMNEs.

As observed by Luo and Tung (2018), a typical springboard EMNE will go through five main stages. Initially, the firm’s headquarters will prepare for radical internationalization by developing basic skills required to manage an outward FDI project. This process is mostly achieved in the firm’s home country given the nature of emerging markets being popular inward FDI destinations, which brings about spillover impact for the EMNEs (Stage 1). Based on these skills, the firm will launch the investment project with the goal of acquiring foreign assets while also on the mission to relegate the negative impact of nonmarket constraints imposed upon their operations such as regulative and normative distances (Stage 2). The second stage is also considered to be the most challenging and crucial step for international springboarding (Kumar et al., 2020; Maksimov & Luo, 2021).

In the third stage, the firm needs to internalize its overseas purchases by transferring the newly acquired assets and capabilities back to its home-country operation base. These resources obtained from springboarding will in turn be integrated with a firm’s existing resources so that it can upgrade its capabilities (Stage 4) and leverage them to further foster its global competitiveness in the long term (Stage 5). Evidently, many EMNEs have internationalized rapidly by using the springboard strategy to enhance their domestic and global competitiveness (Luo & Tung, 2007; Ramamurti, 2012). However, this logic appears to overlook the distinctions in the motivations of a firm to engage in international springboard. In other words, extant literature has largely focused on the mechanisms (e.g., aggressive FDI) and outcomes (e.g., competitive catch-up) of international springboard, whereas the firm-specific factors, namely the motivations to springboard, remain under-researched.

THE MOTIVATIONS TO SPRINGBOARD

As highlighted by Luo and Tung (2018), “springboard is not a one-step act. Changing patterns, processes, and rationality in such areas as entry mode, ownership level... are understudied [and] dynamism associated with springboard strategies thus warrants heightened attention” (p. 147). Our study, which focuses on springboard motives, can fill this research gap. We categorize three types of motives based on cross-border M&A, EMNE internationalization and springboard theory research (Maksimov & Luo, 2021; Rabier, 2017; Williamson, 2016).

First, strategic asset seeking, is defined as a motive associated with a rationale to acquire strategic assets (i.e., technology, brands, knowledge, talents, and expertise) abroad (Yoo & Reimann, 2017). It is typically associated with the early stage of rapid/aggressive internationalization and is driven by competitive catch-up with domestic and foreign rivals (e.g., Cui et al., 2014; Meyer, 2015). The second motive, capability building, refers to a motive associated with a rationale to acquire, enhance, and transfer capabilities, such as organizational skills for success in local operations in the host market and in the home market of the EMNE. Typically, this motive involves the managerial mechanisms of competencies, learning, skills, and innovation (Luo, 2002; Ramamurti, 2012). The third motive, capability leveraging, is a motive associated with a rationale of acquirer companies that will allow for leveraging of their overall (enhanced) organizational capabilities beyond the host and home countries. This motive often entails the firm's vision toward future long-term global operations and further expansions into regional and other multiple international (or global) markets beyond the host and home country (Grøgaard et al., 2019; Williamson, 2016). The three motives are consistent with suggestions by Luo and Tung (2018, p. 148) to further enrich their theory by studying how strategic assets springboard MNEs acquired are integrated into home base operations, and how upgraded (built) capabilities are subsequently leveraged and deployed to further spur their internationalization.

These springboard motives underlie the unique processes which explain the internationalization of EMNEs. However, we point out that the springboard motives are not intended to replace the traditional motives, i.e., market, efficiency, and resource seeking (Dunning, 1988). This is because not all EMNEs engage in aggressive and/or rapid internationalization. Many firms, especially the smaller ones, do not have strong financial resources or are unable to offset their capability shortfalls with cross-border acquisitions, may still adopt more traditional internationalization pathways (Hennart, 2012; Luo & Tung, 2018).

Finally, as seen in the development of EMNEs in the last decade and their growing global competitiveness, many EMNEs have already reached the advanced stages of internationalization and compete in many ways like advanced MNEs. For example, some EMNEs have transitioned from relying on production-related capabilities to marketing- and technology-related capabilities (Munjal et al., 2022). Huawei is another case in point, as it engages both in technological upgrading and corporate and social responsibility strategies (Wu, Fan, & Su, 2021). Hence, there is no systematic sequencing for the adoption of the three springboard motives as identified above. For example, based on the firm's competitiveness, possession of resources, and international experience, it is possible for it to skip the early springboard stages (with a motivation to acquire strategic assets). Established EMNEs may choose to initiate a springboard project with more advanced motives, such as capability building and leveraging, as they seek to bolster their global competitiveness (Tallman & Fladmoe-Lindquist, 2002). Therefore, the association of specific motivations to springboard with specific internationalization stages is best viewed as a general tendency, from which companies can depart by strategic choice (Zahra et al., 2022). This is consistent with Luo and Tung (2018, p. 145), who stated that: "An upward spiral path is highly differentiated for each MNE... First, they differ in market-opportunity seeking while building and upgrading their home-centric capabilities. Some emphasize foreign market development and expansion early in the process in conjunction with capability enhancement, while others do not."

INSTITUTIONAL DISTANCE AND THE SPRINGBOARD EMNES

Based on the second takeaway from the springboard theory, the requirement of favorable institutions, we identify another research gap. The institutional factors in the springboard process are mainly analyzed from a neo-institutional perspective, suggesting that isomorphism and legitimacy play key roles in determining the success of completing a springboard project. Foremost, Luo and Tung (2018) note that the regulative agreements (e.g., FDI policies and regulations) in both home and host

countries can effectively shape an EMNE's international expansion, especially in the case of radical FDI projects. These institutional influences can be especially important for EMNEs when they are lacking resource-based competitiveness as a global player. The government interventions can be either facilitative or restrictive. For example, the bilateral agreements increase a firm's legitimacy by reducing the regulative barriers for direct investments (Yan et al., 2022). On the other hand, the potential conflicts between the political and business interests can lead to a decrease in the firm's legitimacy and increased transaction costs (Cuervo-Cazurra et al., 2018). Other than the macro factors, researchers also find that an EMNE's institutional embeddedness, such as its political affiliation to external stakeholders, can also be a barrier that slows down its pursuit of aggressive and/or radical internationalization (Kumar et al., 2020). Nevertheless, the institutional influence over international springboard is yet to be fully examined from an institutional-distance perspective (Luo & Tung, 2018).

Institutional distance refers to the "extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions of two countries" (Xu & Shenkar, 2002, p. 608). It is an IB concept developed specifically to explain the possible structure and behaviors of MNEs based on pressure from the market environments (i.e., isomorphism) that contain both home and host countries (Zaheer et al., 2012). MNEs' responses to such pressure determine their international strategies (Kostova et al., 2020), including the choice of strategic motive for cross-border acquisitions. As such, institutional distance is a critical factor in our assessment of a springboard MNE (Luo & Tung, 2018; Maksimov & Luo, 2021). For example, large institutional distance would suggest even higher risk for springboard firms, on top of their already risky investment pathway (i.e., aggressive FDI). While springboard EMNEs are known to be risk-tolerant, the relationship between investment risks and the firm's motivation to invest in the context of international springboard still remains under-researched. It is therefore reasonable to examine the impact of institutional distance on the springboard firms, in particular against their springboard motives, which implies a promising lens to further develop the springboard theory. In examining the effect of institutional distance on the motivations to springboard, we respond to recent researchers' call to study the directions of institutional distance, i.e., the differences between moving from relatively low to high quality institutional regimes and vice versa (Konara & Shirodkar, 2018; Kostova et al., 2020; Tang & Buckley, 2022).

THEORETICAL MODEL AND HYPOTHESES

Based on the above arguments, we develop Figure 1 as our model grounded in springboard theory and institutional-distance perspectives. In our study, we emphasize the role of moving up or down the institutional ladder as an influence over the motivations to springboard via cross-border M&A. The model is consistent with theorization of M&A motive selection as a result of evaluation process based both on tangible and intangible factors including the definition of M&A motive, the assessment of which market to serve and which company (and what share in it) to acquire, and the regulatory assessment (Hassan et al., 2018; Trautwein, 1990). Guided by our model, we explore three interrelated questions: (1) Which cross-border motives (the motivations to springboard) will EMNEs choose when moving up or down the institutional ladder? (2) Will the distance and its direction (up or down the ladder along specific institutional dimensions such as legal protection aspects of FDI regulations) affect specific motivations to springboard (e.g., capability building and leveraging) differently? (3) How will ownership share impact the relationship between institutional distance (ID) and springboard motives?

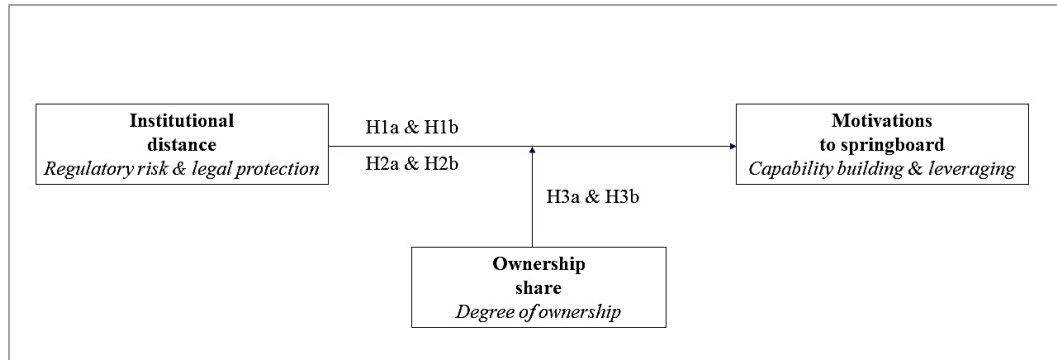


Figure 1. Theoretical Model

INSTITUTIONAL DISTANCE, ITS DIRECTION, AND THE MOTIVATIONS TO SPRINGBOARD

In analyzing the relationship between the direction of institutional distance and the motivations to springboard, we draw insights from the concept of *institutional ladder*, a sub-concept of institutional distance, which differentiates the two types of the distant institutions faced by MNEs in their global expansion (Hernández & Nieto, 2015; Konara & Shirodkar, 2018). These include upward distance (moving up the ladder), when the firm is entering a relatively stronger (less risky) institutional environment than its home country; and downward distance (moving down the ladder), when the firm is expanding into a relatively weaker (more risky) institutional environment. A strong institutional environment, which suggests less investment risk, typically contains well-established and transparent laws and regulations, effective legal system with a good legal protection for foreign investors, and sound law enforcement with effective mechanisms for recourse in case of disputes (cf. Meyer & Peng, 2016; World Bank, 2020). A weak institutional environment suggests otherwise. Overall, by articulating the logics of the institutional ladder and the motivations to springboard, we are able to further develop the springboard theory by adding insights about preferred types of specific motivations of the springboard EMNEs, namely capability building or leveraging, when they launch a radical FDI into institutionally distant investment destinations up or down the ladder.

As EMNEs move beyond strategic asset seeking toward more advanced stages of their internationalization, they opt for capability-building and leveraging springboard motives (Williamson, 2016). These two motivations for springboarding are influenced by institutional distance between the EMNE's home country and host country, which can differ in terms of institutional quality both upwards or downwards (Konara & Shirodkar, 2018). EMNEs do not choose locations in institutionally distant countries based only on an "institutional-escapism" logic (driven by poor home country institutions). In later stages of their development, EMNEs' cross-border M&A motives may also differ in the direction of institutional distance.

Building capabilities in a foreign country for success in local operations and transferring them to the home country can be better accomplished when the EMNE moves down the institutional ladder to other emerging markets with relatively lower quality of FDI regulations, as laxer regulation makes it easier for EMNEs to succeed in the other (emerging) market and reduces frictions involved in capability transfer home. On the other hand, leveraging capabilities globally or regionally (typically expansion in advanced economies) may be better accomplished when the EMNE moves up the institutional ladder from lower quality of FDI regulations to countries with higher quality FDI regulations (and lower overall FDI regulatory risk), as these M&As motivated by global catapulting are more strategic and long term and can be undertaken more confidently with lower FDI regulatory risk. Taken together, we develop two hypotheses:

Hypothesis 1a: The capability-building motive for cross-border M&A is negatively related to the institutional distance between the home and host country (negative distance indicates the firm moving down the institutional ladder from relatively low to high FDI regulatory-risk country).

Hypothesis 1b: The capability leveraging as a motive for cross-border M&A is positively related to the institutional distance between the home and host country (positive distance indicates the firm moving up the institutional ladder from relatively high to low FDI regulatory-risk country).

DIMENSIONS OF INSTITUTIONAL DISTANCE AND THE MOTIVATIONS TO SPRINGBOARD

It is also important to distinguish between different aspects of FDI regulations, as M&A with capability-building and leveraging motives may be influenced by specific dimensions of FDI regulations, including transparency of such regulations, legal protection provided to investors against unfavorable government actions, and access to effective mechanisms for recourse in case of grievances or disputes (cf. Meyer & Peng, 2016). For example, World Bank (2020) distinguished transparency, protection and recourse as three pillars of addressing international regulatory risk (see also Table 1 for more detailed definitions and explanations.) While institutional distance, in terms of recourse and transparency of content and process of law, and regulation-making processes that apply to investors, may be an important factor for some investors (especially from developed countries with high standards for such transparency and relatively high quality of judicial processes), these factors are unlikely to be as important for EMNEs' springboard acquisition motives as the legal "protection" aspect of FDI regulations (Col & Sen, 2019; Deng & Yang, 2015; Thenmozhi & Narayanan, 2016).

Table 1. Definitions of the Key Elements of Regulatory Institutions

	Description		Examples	
Pillar 1: Transparency	Is there transparency regarding the content as well as the process of making laws and regulations that apply to investor?	Systematic publication of and consultation on laws and regulations	Registries or ICT platforms and similar mechanisms to allow investors to find information about relevant laws and regulations	Specificity and clarity of legal provisions (to reduce space for discretion)
Pillar 2: Protection	What is the extent of legal protection provided to investors against arbitrary, unpredictable, or nontransparent government actions?	Absolute treatment standards	Protection guarantees against direct and indirect expropriation, transfer of funds	Fair and equitable treatment
Pillar 3: Recourse	Do investors have access to effective mechanisms for recourse in case of grievances or disputes?	Investor–state dispute settlement and prevention	Land-dispute resolution	Quality of judicial processes

Note: Source - Retrieved from Three Pillars of Addressing Regulatory Risk (World Bank, 2020)

Our springboard model proposes that institutional distance between home and host country (and its direction) is related to the motivations to springboard, although different dimensions of distance (i.e., transparency, protection, and recourse aspects of FDI regulations) may impact specific springboard motives (such as capability building and leveraging) differently. The legal protection factor is likely to be of crucial concern to springboard MNEs, as fair and equitable treatment and legal protections against arbitrary and unpredictable government actions can have material impact on their confidence to undertake strategic M&A (Choi et al., 2016; Yoo & Reimann, 2017). Hence, M&A with the most long-term and potentially “game-changing” capability-leveraging motives that could catapult an EMNE onto the global stage or speed up its regional expansion, would tend to be associated with moving up the institutional ladder to countries with lower regulatory risk in terms of the “protection” aspect of FDI regulations. On the other hand, the lower order capability-building motive, associated with building capabilities in the host country and transferring them home, can be accomplished relatively well when moving down the ladder in terms of protection. Hence,

Hypothesis 2a: *The capability building as a motive for cross-border M&A is negatively related to the distance in terms of FDI-related legal protection.*

Hypothesis 2b: *The capability leveraging as a motive for cross-border M&A is positively related to the distance in terms of FDI-related legal protection.*

OWNERSHIP SHARE AND THE MOTIVATIONS TO SPRINGBOARD

Our model also follows the latest research and integrates the role of ownership share in testing the relationship between institutional distance and motivations to springboard (cf. Gaur et al., 2022). The relationship between the ownership share/strategy and FDI/M&A motives has been acknowledged in the literature (Chen, 2008), including its interaction with the role of institutional distance (Eden & Miller, 2004; Gaffney et al., 2016; Wu, Zhou, et al., 2021; Yildiz & Fey, 2016), but the direction of distance and the motivations to springboard have not been considered. Our model builds on and extends studies such as De Beule et al.’s (2014), which found that EMNEs acquire less control than advanced MNEs (AMNEs), especially in high-tech industries, while institutional distance in trade and investment freedom effectively increases the probability for EMNEs to undertake full acquisition as opposed to AMNEs. Our model (H3a/H3b) considers ownership share as a moderating rather than dependent variable, suggesting that ownership share—often a specific equity stake available for sale (Pinelli et al., 2022)—can moderate the relationship between institutional distance and springboard motives. This reasoning builds on the arguments of Shirodkar and Konara (2017) and Konara and Shirodkar (2018) about the moderating effects of ownership strategy on the effects of institutional distance on firm-specific variables. While they modeled an effect of institutional distance and its direction on MNEs’ subsidiary performance (and how it is moderated by partial vs. full ownership), we focus on the moderating effect of ownership share on the relationship between institutional distance and springboard motives.

Ownership share, specifically whether the investor acquires 100%, majority or minority-owned share in an acquisition, is also related to cross-border M&A motives (Chen, 2008). There are reasons to believe that ownership share may moderate the relationship between institutional distance (and its direction) and the M&A motives (Gaffney et al., 2016; Yildiz & Fey, 2016). For example, Piscitello et al. (2015) hypothesized that EMNEs are more likely to acquire a lower equity share in cross-border M&As motivated by knowledge seeking, and that EMNEs equity shareholding will be lower in more culturally distant compared culturally close countries. Modifying this argument and recombining it with arguments of Shirodkar and Konara (2017) and Konara and Shirodkar (2018) about moderating effects

of the degree of ownership on the impact of institutional distance and its direction on firm-specific variables, we extend the logic to springboard motives. We argue that ownership share (degree of ownership) will positively moderate the H2a negative effect and negatively moderate the H2b positive effect of distance and its direction on capability building and leveraging respectively.

The logic for capability-building motive is linked to the argument that a relatively higher degree of ownership can be expected to facilitate reverse-capability transfer (Ai & Tan, 2020). The logic for the capability-leveraging motive is linked to the trend of many countries having or raising ownership and other regulatory restrictions on the more ambitious, capability-leveraging acquisitions that aim to catapult EMNEs globally (Lin et al., 2020; Sutherland et al., 2020). Hence, higher ownership share will arguably result in the negative moderating effect of the degree of ownership on the institutional distance–capability-leveraging motive relationship. The trend of increasing ownership/regulatory restrictions on M&As was exacerbated by COVID-19 (Bloomberg, 2020; Luo & Witt, 2021; Riela & Záborský, 2020). It is particularly relevant for full/majority acquisitions (Chhabra et al., 2021; Liou et al., 2021; Yoon et al., 2021). Therefore,

Hypothesis 3a: *The negative relationship between the capability-building motive for cross-border M&A and distance in terms of “protection” is positively moderated by the ownership share.*

Hypothesis 3b: *The positive relationship between the capability-leveraging motive for cross-border M&A and distance in terms of “protection” is negatively moderated by the ownership share.*

RESEARCH METHODS AND DATA

RESEARCH CONTEXT

Firms from emerging markets are increasingly not just attractive targets, but important acquirers in cross-border M&A (Lebedev et al., 2015). In 2019, around 16% of cross-border M&A originated from developing countries compared to 17.5% in 2009 and 12.4% in 1999 (UNCTAD, 2020). While research on M&A from emerging markets focuses on China (J. Li et al., 2019; Z. Zhang et al., 2020), India (Kumar et al., 2020; Popli & Ladkani, 2020) and the BRICS countries (Liou & Rao-Nicholson, 2019), other (smaller) emerging-market acquirer countries such as the newly industrialized economies in the Asia-Pacific region (Noh et al., 2019; Verbeke et al., 2019; Záborský et al., 2021) are also gaining in prominence while remaining under-researched. The proportion of cross-border acquisitions by acquirers from BRICS countries (as a share of all emerging-market cross-border M&A) fell from about 57% in 2009 to about 54% in 2019 (UNCTAD, 2020).

To account for the diversity of EEs active in global M&A, and to acknowledge the potential differences between EEs with large home markets and other EEs (Luo & Tung, 2018), we include a wide array of EEs in our analysis. Chinese (198) and Indian (143) acquirers are the most frequent in our dataset. Other BRICS countries such as Russia (16) and South Africa (66) have similar or lower numbers of cross-border acquisitions in our 2015–2017 sample than some of the non-BRICS EEs such as the UAE (78), South Korea (42) and Mexico (26). Our selection of emerging markets was guided by both academic literature (Luo & Tung, 2018) and a definition of emerging markets by Morgan Stanley Capital International (MSCI), as their index of emerging markets is often used by investors, companies, and advisors active in global M&A.

We have selected all countries classified as emerging markets by MSCI’s Emerging Market Index. In addition to the BRICS, this includes Thailand, Philippines, Malaysia, Argentina, Indonesia, Colombia, and Peru (96 deals); OECD members classified as EEs (South Korea, Mexico, Turkey, and Chile, 87 deals); EU members classified as EEs (Czech Republic, Poland, Hungary, and Greece, 48 deals); and

some relatively wealthy (per capita) economies, which are also considered as EEs by the MSCI (UAE, Taiwan, Qatar, Saudi Arabia, 127 deals). We also included Hong Kong (100 deals) and Vietnam (6 deals) in our sample, as while they were not included by MSCI, they are important EEs (active in M&A). MSCI defines emerging markets as countries with relatively lower levels of economic development and market accessibility than developed countries. Overall, BRICS countries account for about 56% of our sample, consistent with the UNCTAD (2020) data.

DATA COLLECTION

We source our empirical data on M&A motives from the MarketLine Advantage database, which contains data on major (emerging) economies including BRICS countries (450 observations) and other EE firms (358 observations). Our dependent variable is the (M&A) motivation to springboard, coded by us from the MarketLine Advantage data, and defined as (1) strategic asset-seeking, (2) capability-building, or (3) capability-leveraging motives. Our independent variables are institutional distance—overall and in terms of transparency, protection and recourse (World Bank, 2020, data—see Table 1 for details) and ownership share (whether the acquisition's ownership share was 100%, majority owned, or minority owned). Main controls include home- and host-country GDP per capita, home and host overall GDP, trade openness of home country, FDI inflow of home country (World Bank, 2020) and knowledge-based assets in home and host countries, based on the Global Innovation Index (following Yoo & Reimann, 2017). See Table 2 for details.

Table 2. Variable Definitions

Variable	Measurement	Source
M&A Motive –strategic asset seeking –capability building –capability leveraging (see definitions in Table 3)	Classified into four motives: strategic asset seeking, capability building, capability leveraging and “other” (such as market seeking), assigning a “1” or “0” to each of these particular motives. Data for 2015-2017.	MarketLine Advantage and authors’ coding based on the definitions in Table 3 (with detailed information on how the motives were coded including key words and rationale statements.)
Institutional Distance–Overall (see definition in Table 1)	Distance between the home and the host country in terms of overall FDI regulatory risk (score 0–100; 0 indicates lowest risk; positive distance=moving up the ladder from high risk to low risk; negative distance=moving down the ladder from low to high risk)	World Bank, 2020 Global Investment Competitiveness
Institutional Distance–Transparency (see definition in Table 1)	Distance in terms of the transparency regarding content and process of making FDI laws and regulations	World Bank, 2020 Global Investment Competitiveness
Institutional Distance–Protection (see definition in Table 1)	Distance in terms of legal protection provided to investors against government actions	World Bank, 2020 Global Investment Competitiveness
Institutional Distance–Recourse (see definition in Table 1)	Distance in terms of access to effective mechanisms for recourse in case of grievances or disputes	World Bank, 2020 Global Investment Competitiveness
Trade Openness	Trade as % of GDP in the home country	World Bank, 2020 Global Investment Competitiveness
GDP per Capita–Home Country	Logarithm of GDP per capita (constant 2010 US\$)	World Bank, 2020 Global Investment Competitiveness
GDP per Capita–Host Country	Logarithm of GDP per capita (constant 2010 US\$)	World Bank, 2020 Global Investment Competitiveness
GDP–Home Country	Logarithm of GDP (at purchaser’s prices at current US\$)	World Bank Development Indicators
GDP–Home Country	Logarithm of GDP (at purchaser’s prices at current US\$)	World Bank Development Indicators
FDIinflow	Foreign direct investment, net inflows (Balance of Payments, current US\$) in the home country	World Bank, 2020 Global Investment Competitiveness
Ownership Share	Classified into three ordered categories based on the level of ownership share: minority owned (“1”), majority owned (“2”), and 100% owned (“3”)	MarketLine Advantage
Knowledge-Based Assets (KBAs)–Home Country	Aggregate GII including human capital and research etc. (1–100)	Global Innovation Index (WIPO, INSEAD, Cornell)
KBAs–Host Country	Aggregate GII score (1–100)	Global Innovation Index
Acquirer Firm Age	Years since the firm was founded	Company websites

Note: Independent and control variables (other than firm age) are lagged by one year from the dependent variable. GII = Global Innovation Index.

Using definitions provided in Table 3 and the procedure outlined in Rabier (2017), we coded our dependent variable on the four possible M&A motives (with values of 1 if the motive applied and zero if it did not apply): (1) strategic asset seeking; (2) capability building; (3) capability leveraging; and (4) other M&A motives. In most cases, one motive was coded for each M&A, but in some cases multiple or no motives were coded. The authors have initially jointly developed a coding sheet including motive definitions and typical phrases in the “rationale” statements provided about the reasons for the acquisitions in the MarketLine Advantage database. The coding was informed by the existing literature on M&A motives. Initially, all Chinese and Indian acquisitions (42% of the sample) were coded jointly by the authors to increase reliability of results and reduce intercoder bias. This also helped to establish a joint understanding of the motives. Then the remaining sample was split 50/50 between the authors (along their expertise in the Asia-Pacific region and elsewhere), with 20% of the coding cross-checked between the authors, following Neuendorf (2002). The Cohen’s kappa value indicated substantial interrater coding agreement over 0.6 (Landis & Koch, 1977).

Table 3. Definitions of the Motivations to Springboard

Motive	Definition	Typical Phrases	Rationale Example	Key References
Strategic Asset Seeking	The strategic asset-seeking springboard motive for cross-border acquisition is associated with a rationale to acquire strategic assets (i.e., technology, brands, knowledge, talents and expertise) abroad.	technology, expertise, assets, brand, knowledge, know-how	The acquisition will enable Bright Food to control brands including Alpen, Ready Brek and Weetos.	Cui et al., 2014; Meyer, 2015
Capability Building	The capability-building springboard motive for cross-border acquisition is associated with a rationale to acquire, transfer and enhance capabilities (organizational skills for success in local operations in the host market and in the home market of the EMNE).	capability, capabilities, competencies, learning, skills, innovation	The transaction will enable iCarbonX to expand its capabilities in advanced image analysis, computational biology and machine learning.	Luo, 2002; Ramamurti, 2012
Capability Leveraging	The capability-leveraging springboard motive for cross-border acquisition is associated with a rationale to acquire companies that will allow for leveraging of their and overall (enhanced) organizational capabilities beyond the M&A host and home countries.	platform, leverage, enable, enhance, global, future, long term, further, expand, additional	The acquisition will enable ICBC to enhance its market service capability globally.	Grøgaard et al., 2019; Williamson, 2016
Other	Other “traditional” cross-border M&A motives such as market seeking, efficiency seeking, natural-resource seeking or diversification.		The transaction will enable Dhunseri to enter into the Singapore food and beverage market.	Dunning, 1988 Rabier, 2017

VARIABLE DEFINITIONS AND MEASUREMENT

MOTIVATIONS TO SPRINGBOARD

Informed by the general theory of springboard MNEs (Luo & Tung, 2018) and the EMNE and M&A literatures on strategic asset seeking (Cui et al., 2014; Meyer, 2015), capability building (Luo, 2002; Ramamurti, 2012), capability leveraging (Grøgaard et al., 2019; Williamson, 2016), and other M&A motives, such as market seeking and diversification (Dunning, 1988; Rabier, 2017), we develop four motives for cross-border M&A in our sample, and code each acquisition as 1 or 0 for each of the motives. See more about definitions, coding key words, references, and examples of coded acquisitions in Table 3.

INSTITUTIONAL DISTANCE

Based on the work of Child et al. (2009) and Beugelsdijk et al. (2020), we include several dimensions of institutional distance, and incorporate a World Bank (2020) index that uses three pillars to measure FDI regulatory risk (the inverse of the quality of regulations governing FDI): (1) transparency, (2) protection, and (3) recourse aspects of FDI regulations. Each of these are scored on a scale from 0 to 100 by the World Bank. We use these scores to construct a distance indicator by subtracting the score of the host country from the score of the home country. A negative distance is associated with climbing down the institutional ladder. See Table 1 for detailed definitions of the institutional variables.

OWNERSHIP SHARE

Following extant literature (e.g., Chen, 2008; Gaffney et al., 2016; Malhotra & Gaur, 2014; Yildiz & Fey, 2016) that acquisition types (and motives) can vary depending on the share various degrees of ownership shares, we classify our sample firms into three ordered categories in increasing order of ownership share: minority-owned (including 50%) acquisitions (“1”), majority owned (“2”), and 100% owned (“3”). This variable was pre-coded in the MarketLine Advantage dataset. Exact ownership share percentages were available only for a small proportion of all deals.

CONTROL VARIABLES

To consider alternative explanations, we include several controls that may have an impact on the dependent variable. Luo and Tung (2018) and some other acquisition research (e.g., Hope et al., 2011; Rabbiosi et al., 2012) suggest that the size of the home country may affect M&A motives through factors such as national pride; thus, we include the logarithm of GDP of the home country (measured at purchaser's prices at current US\$ value). We also include the absolute size of the host country (log of its GDP in US\$), as this may affect some types of acquisition motives such as market-seeking (Dikova et al., 2019) and possibly capability-building (Williamson, 2016) or other motives (Deng & Yang, 2015).

Other control variables include logarithm of GDP per capita of home country, to account for a potential impact of the home-country economic development on the M&A motives (e.g., Lebedev et al., 2015). Extant research also indicates that the level of economic development of the host country can impact M&A motives (e.g., Zheng et al., 2016), thus we include GDP per capita of the host country as a control. Another potential impact on M&A motives can be related to trade policy in the home country (Yoon & Lee, 2016), therefore we include trade openness (trade as percentage of GDP in the home country) as a control variable. We have also considered FDI inflow to the home country as a potential control, acknowledging research linking inward FDI and outward FDI (J. Li et al., 2012). We

have included a measure of knowledge-based assets in both home and host countries (Yoo & Reimann, 2017). Finally, we included acquirer firm age based on Luo and Tung's (2018) upward spiral model. See Table 2 for all variable definitions.

ANALYSIS AND FINDINGS

MODEL CHECKS

Table 4 provides summary statistics for the variables. The statistics indicate that capability building is the most common motive in our sample (mean of 0.2), which indicates that most EMNEs seek acquisitions that enable their capability building (e.g., Luo, 2002; Ramamurti, 2012). Capability leveraging (e.g., Grøgaard et al., 2019) is also relatively frequent (mean of 0.17) compared to a lower frequency for strategic asset-seeking motive (0.09) and other motives (0.13), indicating that most EMNEs have progressed from the initial springboard stage of strategic asset seeking stressed in the EMNE research (e.g., Cui et al., 2014; Meyer, 2015) to the later stages of capability building and leveraging (Williamson, 2016).

Table 4. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Strategic asset	852	.09	.29	0	1
Building capabilities	852	.20	.40	0	1
Leveraging capabilities	852	.17	.38	0	1
Other	852	.13	.34	0	1
Trade Openness	826	112.87	115.15	22	426
FDI inflow (\$billion)	826	85.90	96.74	-5.517	268.10
GDP/capita–Home/Acquire	826	14,948.48	14,845.85	1,565	67,901
GDP/capita–Host/Target	837	34,196.33	21,963.03	484	17,8581
GDP prior–Home (\$billion)	826	3208.88	4,311.03	125	11,200
GDP prior–Host (\$billion)	842	5,513.91	7,260.73	.037	18,700
Overall year prior–Home	852	43.73	9.73	21	72
Overall year prior–Host	829	45.37	9.82	18	78
Institutional Distance	829	-1.574	13.66	-35	39
Protect year prior–Home	852	56.12	15.32	12	95
Protect year prior–Host	829	69.84	20.08	12	100
Institutional Distance–Protection	829	-13.58	26.26	-70	67
Recourse year prior–Home	852	34.83	17.00	10	65
Recourse year prior–Host	829	29.25	10.42	10	72
Institutional Distance–Recourse	829	5.53	20.13	-51	51
Transparency year prior–Home	852	39.92	14.74	15	76
Transparency year prior–Host	829	36.86	12.30	15	94
Institutional Distance–Transparency	829	3.15	19.80	-61	56
Ownership share	852	1.97	.62	1	3
Knowledge-based assets–Home	826	42.74	8.49	29.1	57.7
Knowledge-based assets–Host	829	51.13	11.93	20.8	68.3
Knowledge-based assets–Distance	803	-8.42	13.23	-32.8	30.5
Acquirer Firm Age	841	26.60	27.84	0	257

There are also country-level differences along these four motives. While all EMNEs are adopting mostly capability building and leveraging M&A, Chinese firms use leveraging more often than building (and they use “other” motives relatively less frequently than Indian and other EMNEs). “Other” EMNEs tend to have capability-building motives more often than leveraging, and a higher share of strategic asset seeking than Chinese and Indian EMNEs (see Figure 2). This is in line with research suggesting that M&A by Chinese and Indian EMNEs differ from other EMNEs (Sun et al., 2012) and from each other (Nicholson & Salaber, 2013; Scalera et al., 2020). In terms of institutional distance, the mean for the overall measure of FDI regulatory-risk distance between home and host is -1.6, with the mean of 3.2 for the transparency pillar, -13.6 for the protection pillar, and 5.5 for the recourse pillar. This indicates that while, overall, EMNEs are going slightly down the institutional ladder from higher to lower quality FDI regulations, this is particularly true for the protection pillar. For the other two pillars, EMNEs tend to be going up the ladder from higher to lower FDI regulatory risk in terms of those dimensions of risk.

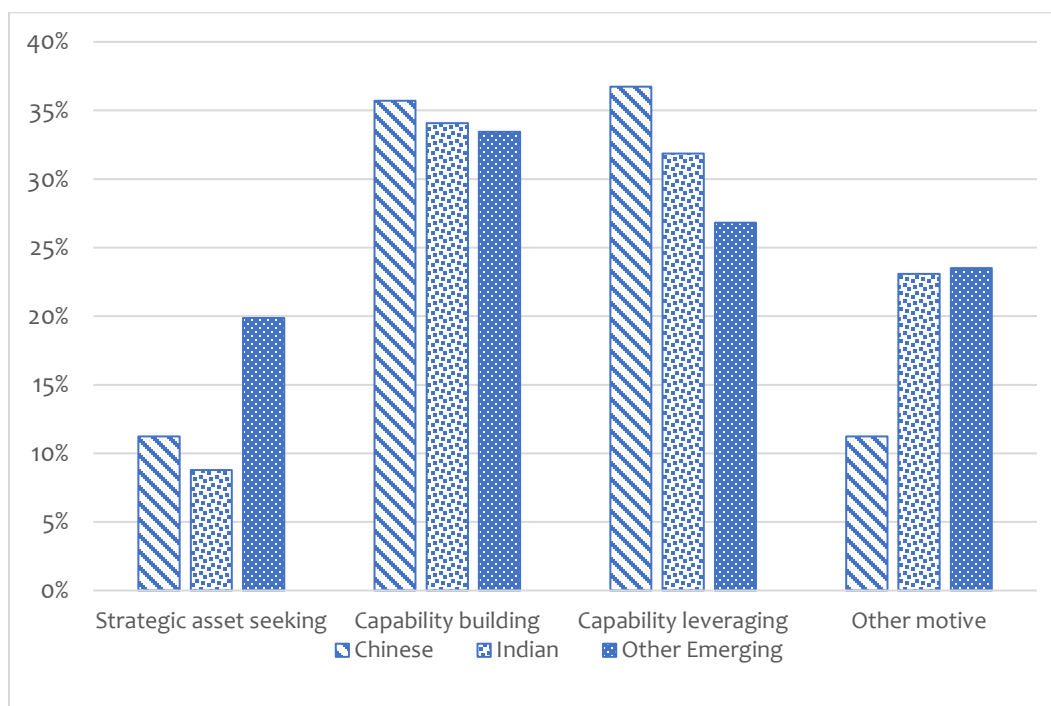


Figure 2. Main Cross-Border M&A Motives by Country of Origin

Table 5 gives a correlation table of the main variables. There are no correlations of concern other than the correlation between FDIinflow and GDP–Home (correlation coefficient of 0.72) and KBA–Host and GDP/capita–Host (0.87), which is consistent with results obtained in previous studies on related topics (e.g., Yoo & Reimann, 2017). Accordingly, we exclude the FDIinflow and GDP/capita–Host variables from the analysis in our main models (although we run robustness checks by including these variables and excluding the GDP–Home and KBA–Host variables). Some of the institutional distance (and KBA–Host and KBA–Distance) variables are correlated with each other (over 0.7) but we don’t include the combinations of the highly correlated variables in any specification in any of the models. Variance inflation factor (VIF) test results for variables included in the main results (Tables 6 and 7) show values below 6, well under the commonly accepted threshold of 10 (Belsley et al., 1980/2004), indicating there are no multicollinearity concerns with the data. To reduce potential endogeneity in

the models, the independent and control variables are lagged by 1 year from the dependent variable (M&A motives), which also allows for a time difference for the effects to take place.

Table 5. Correlation Table

	1	2	3	4	5	6	7	8	9
1 Strategic asset	1								
2 Building capabilities	-0.153 ***	1							
3 Leveraging capabilities	-0.142 ***	-0.220 ***	1						
4 Other	-0.094 **	-0.156 ***	-0.151 ***	1					
5 Trade Openness	0.079 *	-0.030	-0.047	-0.017	1				
6 FDIinflow	-0.025	-0.027	0.010	-0.074 *	0.062	1			
7 Ln(GDP/capita–Home/Acquire)	0.015	-0.053	-0.045	-0.014	0.665 ***	-0.023	1		
8 Ln(GDP/capita–Host/Target)	0.015	0.062	0.104 **	-0.118 **	-0.059	0.262 ***	-0.087 *	1	
9 Ln(GDP prior–Home)	-0.075 *	-0.004	0.036	-0.056	-0.544 ***	0.722 ***	-0.489 ***	0.270 ***	1
10 Ln(GDP prior–Host)	0.088 *	0.111 **	0.010	-0.107 **	0.017	0.266 ***	-0.113 **	0.523 ***	0.226 ***
11 Overall year prior–Home	0.035	-0.026	0.025	-0.012	0.223 ***	0.029	-0.047	-0.123 ***	-0.222 ***
12 Overall year prior–Host	0.035	0.089 *	-0.050	0.017	-0.120 ***	0.069	-0.175 ***	0.103 **	0.151 ***
13 Institutional Distance	0.000	-0.081 *	0.052	-0.023	0.236 ***	-0.028	0.098 **	-0.154 ***	-0.256 ***
14 Protect year prior–Home	0.079 *	-0.037	-0.017	-0.015	0.494 ***	0.082 *	0.398 ***	-0.155 ***	-0.368 ***
15 Protect year prior–Host	0.009	0.107 **	-0.001	-0.022	-0.155 ***	0.174 ***	-0.217 ***	0.468 ***	0.256 ***
16 Institutional Distance–Protection	0.036	-0.103 **	-0.008	0.010	0.395 ***	-0.092 **	0.389 ***	-0.450 ***	-0.405 ***
17 Recourse year prior–Home	0.038	0.003	0.034	0.064	0.286 ***	-0.420 ***	-0.231 ***	-0.140 ***	-0.458 ***
18 Recourse year prior–Host	0.013	0.018	-0.060	0.079 *	-0.175 ***	-0.061	-0.131 ***	-0.269 ***	0.062
19 Institutional Distance–Recourse	0.024	-0.007	0.058	0.013	0.330 ***	-0.321 ***	-0.125 ***	0.020	-0.416 ***
20 Transparency year prior–Home	-0.049	-0.009	0.018	-0.080 *	-0.393 ***	0.453 ***	-0.192 ***	0.090 *	0.474 ***
21 Transparency year prior–Host	0.050	0.020	-0.068	0.023	0.118 **	-0.079 *	0.055	-0.325 ***	-0.122 ***
22 Institutional Distance–Transparency	-0.070	-0.019	0.056	-0.076 *	-0.373 ***	0.390 ***	-0.181 ***	0.266 ***	0.437 ***
23 Ownership Share	-0.012	0.175 ***	0.032	-0.014	-0.001	0.089 *	-0.032	0.162 ***	0.095 **

24	Knowledge-based assets–Home	0.045	-0.020	-0.046	-0.055	0.543 ***	0.665 ***	0.542 ***	0.144 ***	0.200 ***
25	Knowledge-based assets–Host	0.022	0.087 *	0.099 **	-0.142 ***	-0.015	0.324 ***	-0.125 ***	0.868 ***	0.286 ***
26	Knowledge-based assets–Distance	0.009	-0.092 *	-0.118 ***	0.093 **	0.359 ***	0.131 ***	0.458 ***	-0.692 ***	-0.131 ***
27	Acquirer Firm Age	-0.009	-0.031	-0.012	0.116 **	-0.024	-0.146 ***	-0.027	-0.030	-0.122 ***

Table 5. Correlation Table (cont.)

	10	11	12	13	14	15	16	17	18
1 Strategic asset									
2 Building capabilities									
3 Leveraging capabilities									
4 Other									
5 Trade Openness									
6 FDIinflow									
7 Ln(GDP/capita–Home/Acquire)									
8 Ln(GDP/capita–Host/Target)									
9 Ln(GDP prior–Home)									
10 Ln(GDP prior–Host)	1								
11 Overall year prior–Home	-0.018	1							
12 Overall year prior–Host	0.324 ***	-0.027	1						
13 Institutional Distance	-0.249 ***	0.673 ***	-0.757 ***	1					
14 Protect year prior–Home	-0.054	0.795 ***	-0.065	0.567 ***	1				
15 Protect year prior–Host	0.486 ***	-0.047	0.831 ***	-0.645 ***	-0.107 **	1			
16 Institutional Distance–Protection	-0.408 ***	0.471 ***	-0.685 ***	0.814 ***	0.630 ***	-0.839 ***	1		
17 Recourse year prior–Home	-0.080 *	0.593 ***	-0.007	0.389 ***	0.344 ***	-0.026	0.212 ***	1	
18 Recourse year prior–Host	0.030	-0.055	0.642 ***	-0.512 ***	-0.087 *	0.351 ***	-0.321 ***	-0.048	1
19 Institutional Distance–Recourse	-0.084 *	0.523 ***	-0.330 ***	0.583 ***	0.331 ***	-0.200 ***	0.340 ***	0.862 ***	-0.547 ***
20 Transparency year prior–Home	0.114 **	0.314 ***	0.023	0.193 ***	0.051	0.049	-0.013	-0.436 ***	0.041
21 Transparency year prior–Host	-0.073 *	0.061	0.470 ***	-0.309 ***	0.098 **	0.022	0.037	0.066	0.121 ***
22 Institutional Distance–Transparency	0.127 ***	0.192 ***	-0.275 ***	0.333 ***	-0.030	0.021	-0.035	-0.372 ***	-0.046
23 Ownership Share	0.111 **	-0.063	0.090 *	-0.107 **	-0.059	0.135 ***	-0.138 ***	-0.029	0.016
24 Knowledge-based assets–Home	0.160 ***	-0.138 ***	-0.010	-0.080 *	0.229 ***	0.030	0.103 **	-0.388 ***	-0.112 **
25 Knowledge-based assets–Host	0.643 ***	-0.048	0.162 ***	-0.148 ***	-0.103 **	0.525 ***	-0.466 ***	-0.101 **	-0.264 ***
26 Knowledge-based assets–Distance	-0.479 ***	-0.044	-0.152 ***	0.083 *	0.239 ***	-0.455 ***	0.487 ***	-0.156 ***	0.167 ***
27 Acquirer Firm Age	-0.071 *	0.082 *	-0.027	0.073 *	0.059	-0.019	0.046	0.141 ***	-0.018

Table 5. Correlation Table (cont.)

	19	20	21	22	23	24	25	26	27
1 Strategic asset									
2 Building capabilities									
3 Leveraging capabilities									
4 Other									
5 Trade Openness									
6 FDIinflow									
7 Ln(GDP/capita–Home/Acquire)									
8 Ln(GDP/capita–Host/Target)									
9 Ln(GDP prior–Home)									
10 Ln(GDP prior–Host)									
11 Overall year prior–Home									
12 Overall year prior–Host									
13 Institutional Distance									
14 Protect year prior–Home									
15 Protect year prior–Host									
16 Institutional Distance–Protection									
17 Recourse year prior–Home									
18 Recourse year prior–Host									
19 Institutional Distance–Recourse	1								
20 Transparency year prior–Home	0.388 ***	1							
21 Transparency year prior–Host	0.001	-0.062	1						
22 Institutional Distance–Transparency	-0.293 ***	0.789 ***	-0.661 ***	1					
23 Ownership Share	-0.032	-0.019	-0.029	-0.002	1				
24 Knowledge-based assets–Home	-0.267 ***	0.003	0.021	-0.018	0.081 *	1			
25 Knowledge-based assets–Host	0.049	0.132 ***	-0.285 ***	0.272 ***	0.151 ***	0.192 ***	1		
26 Knowledge-based assets–Distance	-0.214 *	-0.121 ***	0.271 ***	-0.257 ***	-0.085 *	0.463 ***	-0.781 ***	1	
27 Acquirer Firm Age	0.128 ***	-0.076 *	-0.022	-0.043	0.002 ***	-0.125	-0.046	-0.038	1

Table 6. Results of Logistic Regression for the Capability-Building Motive

Variable	Dependent Variable: The Capability-Building Motive				
	Model 1	Model 2	Model 3	Model 4	Model 5
Institutional Distance	-0.060** (0.029)				
Own. Share (OS) * Institutional Distance	0.022* (0.011)				
Institutional Distance– Protection		-0.008 (0.005)	-0.035*** (0.012)		
OS * Institutional Distance– Protection			0.013** (0.005)		
Institutional Distance– Recourse				-0.021 (0.020)	
OS * Institutional Distance– Recourse				0.011 (0.008)	
Institutional Distance– Transparency					-0.003 (0.020)
OS * Institutional Distance– Transparency					-0.003 (0.010)
OS	0.787*** (0.205)	0.740*** (0.231)	0.934*** (0.208)	0.691*** (0.209)	0.758*** (0.206)
Trade Openness	-0.003 (0.011)	-0.004 (0.011)	-0.004 (0.011)	-0.003 (0.011)	-0.003 (0.011)
GDP/capita–Home/Acquirer	5.968* (3.400)	6.117* (3.466)	6.074* (3.557)	6.521* (3.403)	5.558* (3.256)
GDP prior–Home	-1.286 (2.175)	-1.267 (2.173)	-1.351 (2.292)	-1.172 (2.176)	-1.330 (2.088)
GDP prior–Host	0.063 (0.060)	0.066 (0.060)	0.068 (0.062)	0.094* (0.056)	0.084 (0.068)
KBA–Home	-0.017 (0.097)	-0.126 (0.099)	-0.012 (0.103)	-0.017 (0.096)	-0.011 (0.098)
KBA–Host	0.009 (0.010)	0.003 (0.011)	0.002 (0.011)	0.007 (0.011)	0.011 (0.009)
Acquirer Firm Age	-0.003 (0.003)	-0.002 (0.003)	-0.003 (0.003)	-0.003 (0.003)	-0.002 (0.003)
Pseudo R ² (McFadden)	0.0793	0.0755	0.0805	0.0756	0.0756
Log pseudo likelihood	-353.1	-354.6	-352.6	-354.5	-354.5
AIC	726.2	727.1	727.3	733.0	731.0
Hosmer–Lemeshow chi2 (Goodness-of-fit test [4 quartiles])	3.06	2.71	5.52	0.32	2.26
Prob > chi2	0.217	0.257	0.063	0.853	0.323
N	762	762	762	762	762

Notes: Clusters at home-country level; home-country fixed effects; robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1; constant included; year fixed effects included in robustness checks (Section 5.2.). AIC = Akaike's information criterion.

Table 7. Results of Logistic Regression for the Capability-Leveraging Motive

Variable	Dependent Variable: The Capability-Leveraging Motive				
	Model 1	Model 2	Model 3	Model 4	Model 5
Institutional Distance	0.052* (0.029)				
Own. Share (OS) * Institutional Distance	-0.019 (0.011)				
Institutional Distance–Protection		0.009 (0.009)	0.034*** (0.012)		
OS * Institutional Distance–Protection			-0.013*** (0.004)		
Institutional Distance–Recourse				0.006 (0.016)	
OS * Institutional Distance–Recourse				0.000 (0.004)	
Institutional Distance–Transparency					0.009 (0.013)
OS * Institutional Distance–Transparency					-0.001 (0.006)
OS	0.118 (0.126)	0.112 (0.141)	-0.040 (0.139)	0.099 (0.142)	0.110 (0.148)
Trade Openness	-0.027 (0.017)	-0.027* (0.016)	-0.026 (0.016)	-0.028* (0.017)	-0.029* (0.017)
GDP/capita–Home/Acquirer	-6.501 (5.246)	-6.292 (5.136)	-6.852 (5.097)	-6.256 (5.198)	-6.209 (5.361)
GDP prior–Home	-0.808 (1.961)	-0.875 (1.972)	-0.728 (1.909)	-0.997 (1.992)	-1.033 (2.045)
GDP prior–Host	-0.075* (0.047)	-0.073 (0.050)	-0.084* (0.050)	-0.089** (0.044)	-0.095** (0.047)
KBA–Home	0.111 (0.130)	0.100 (0.127)	0.116 (0.125)	0.0967 (0.128)	0.101 (0.129)
KBA–Host	0.033*** (0.008)	0.039*** (0.008)	0.041*** (0.008)	0.031*** (0.012)	0.032*** (0.009)
Acquirer Firm Age	-0.038 (0.002)	-0.004 (0.002)	-0.004 (0.002)	-0.004 (0.003)	-0.004 (0.003)
Pseudo R ² (McFadden)	0.0462	0.0439	0.0493	0.0411	0.0414
Log pseudolikelihood	-339.9	-340.7	-338.8	-341.7	-341.6
AIC	699.8	699.4	697.6	703.4	705.2
Hosmer–Lemeshow chi2 (Goodness-of-fit test [4 quartiles])	9.28	3.13	0.78	5.69	1.18
Prob > chi2	0.007	0.209	0.677	0.058	0.555
N	749	749	749	749	749

Notes: Clusters at home-country level; home-country fixed effects; robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1; constant included; year fixed effects included in robustness checks (Section 5.2.). AIC = Akaike's information criterion.

We first conduct the logistic regression on the capability-building motive, testing our hypotheses H1a, H2a, and H3a. As indicated in Table 6, the regression coefficient of capability-building motive as reflected in the category of overall institutional distance is negative and significant in Model 1 ($p < 0.05$), therefore, H1a is supported. That is, when EMNEs acquire firms abroad with a capability-building motive, they are more likely to do so when institutional distance is negative and relatively higher (moving down the institutional ladder from higher to lower FDI regulatory quality). When we take into consideration the protection dimension of distance, the regression coefficient of institutional distance–protection is also negative but insignificant in Model 2 (without interaction effects), but it is negative and significant at $p < 0.01$ in Model 3 (with the interaction effect with ownership share), supporting H2a only when it is considered along with H3a. The interaction term of institutional distance–protection and ownership share is positive, supporting H3a ($p < 0.05$), indicating that the negative relationship between institutional distance–protection and capability-building motive is positively moderated by the ownership share. That is, the negative effect of institutional distance–protection on the likelihood of an M&A to be motivated by capability building is confined to 100% and majority-owned M&A (see Figure 3).

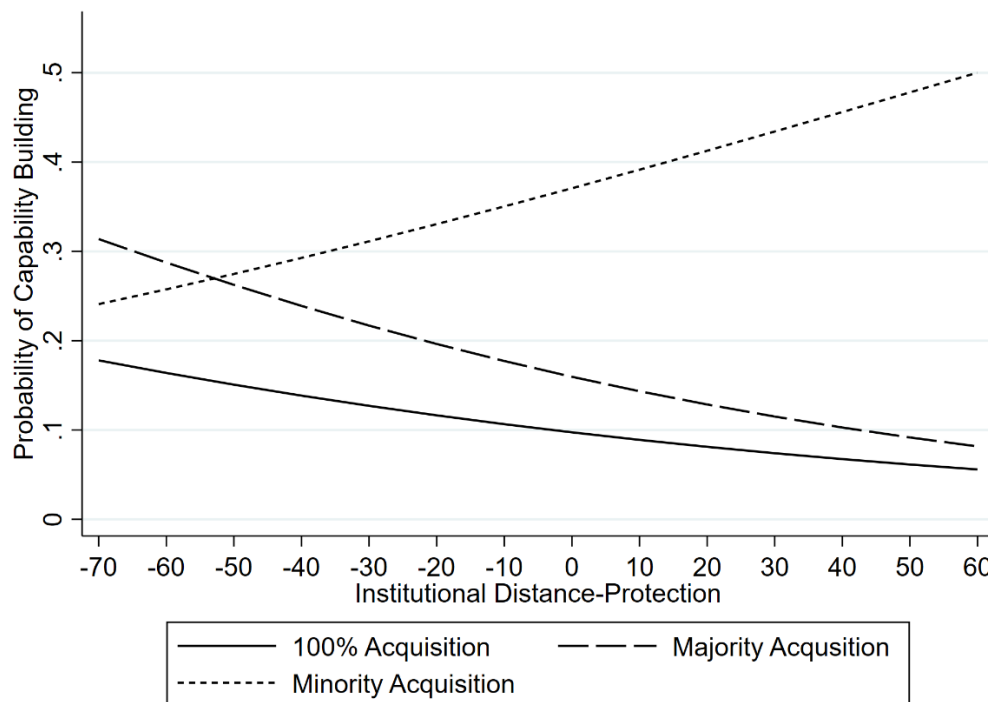


Figure 3. Moderating Effects of Ownership Share on the ID-Capability-Building Relationship

We also tested for the direct effects of ownership share on the capability-building motive. The positive and significant coefficient of ownership share in Models 1–5 ($p < 0.01$) indicates that the degree of ownership is positively related to the likelihood of M&A with a capability-building motive. We also included models with interacted variables of ownership share and two other pillars of institutional distance (transparency and recourse). The coefficients of institutional distance for these pillars and their interactions with ownership share were not statistically significant in these specifications (Models 4 and 5).

The results also suggest that capability building is often used by relatively richer EEs ($p < 0.1$ for the home-country GDP per capita control variable), and that they tend to use this motive in economies with relatively weaker FDI regulatory institutions (going down the ladder). This partly explains the

somewhat puzzling result for H1a that EMNEs use the capability-building motive relatively more often when moving down the ladder, which appears to go against some extant research assuming that EMNEs tend to acquire firms in advanced economies (which could be assumed to be connected with going up the ladder). While this logic may be appropriate for strategic asset-seeking investments by EMNEs, our results reveal that in the next stage of capability building, a motive often used by companies from the wealthier EEs from our sample (such as the UAE, the Czech Republic, and South Korea), firms often go down the institutional ladder to countries with relatively less protection in terms of FDI regulations.

These don't have to be necessarily less developed economies, as the investors here are from relatively developed emerging markets, which often build strong investor protections into their regulations to attract FDI, while some of the advanced economies do not build strong formal regulations in this respect (World Bank, 2020). The Czech Republic and South Korea, for example, had one of the lowest FDI regulatory risks in the world in 2016 (scores of 23 out of 100), with better quality FDI regulations than the US (55), Canada (54), Germany (46), Australia (40), or the UK (36), which had the same score as UAE. This indicates that the FDI regulatory risk is distinct from economic development (World Bank, 2020) emphasized in EMNE research.

Next, we test our hypotheses H1b, H2b and H3b, associated with the capability-leveraging motive for M&A by EMNEs. As indicated in Table 7, the regression coefficient of capability-leveraging motive, as reflected in the category of institutional distance, is positive and significant in Model 1 ($p < 0.1$), therefore, H1b is weakly supported. That is, when EMNEs acquire firms abroad with a capability-leveraging motive, they are more likely to do so when institutional distance is positive and relatively higher (moving up the institutional ladder from lower to higher overall FDI regulatory quality). When we take into consideration the protection dimension of distance, the regression coefficient of institutional distance–protection is insignificant in Model 2 (without an interaction effect with ownership share) and positive and significant at $p < 0.01$ in Model 3 (with the interaction effect between institutional distance–protection and ownership share). H2b is supported only along with considering H3b, which has strong support. In Model 3 in Table 7, the insignificant coefficient on institutional distance–protection from Model 2 becomes significant positive ($p < 0.01$) and the interaction effect between institutional distance–protection and ownership share is negative ($p < 0.01$). That is, the positive relationship between institutional distance–protection and the capability-leveraging motive is negatively moderated by the ownership share, supporting our H3b. In other words, while for 100% and majority-owned acquisitions the relationship between institutional distance–protection and the likelihood of an M&A being motivated by capability leveraging is positive, the relationship is negative for minority-owned acquisitions (see Figure 4).

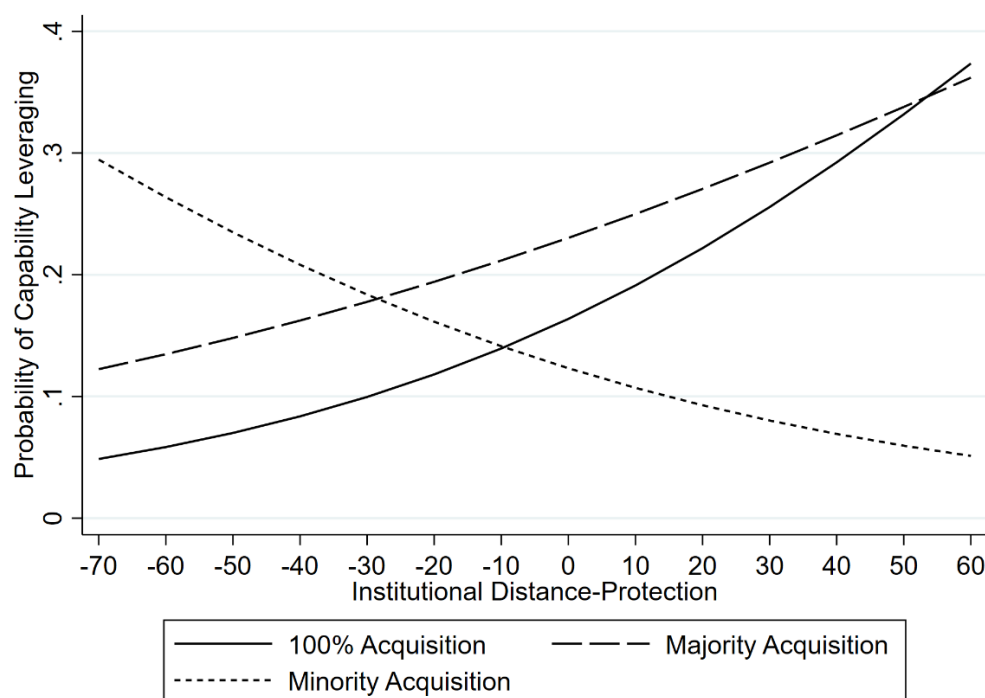


Figure 4. Moderating Effects of Ownership Share on the ID-Capability-Leveraging Relationship

We also tested for the effects of ownership share on the capability-leveraging motive. The coefficients of ownership share in Models 1–5 were not significant, indicating that ownership share is not directly related to the likelihood of M&A having a capability-leveraging motive. We also included an interacted variable of ownership share and institutional distance (Models 4 and 5) in terms of transparency and recourse aspects of FDI regulations. The coefficients for institutional distances or their interaction with ownership share were insignificant there. Finally, of the control variables, it was the KBA–Host that was positively related to the capability-leveraging motive ($p < 0.01$), indicating that advanced economies with strong knowledge-based assets (e.g., human capital, research and sophisticated businesses) are most common targets associated with this motive (Yoo & Reimann, 2017). Additionally, the GDP prior–Host was negatively related to the capability-leveraging motive in four of the five models ($p < 0.1$ or $p < 0.05$), indicating that relatively smaller target economies are associated with this motive.

ROBUSTNESS CHECKS

We use a number of ways to check robustness of our models. While our results reported in Tables 6 and 7 use standard errors clustered at home-country level and fixed effects for all home countries, we also ran models with selected fixed-country effects that maximize the precision and significance of the coefficient estimates, models with standard errors clustered at host-country level and host-country fixed effects, and models without fixed effects. H1a/H2a and H1b/H2b are confirmed in these models (p ranging from 0.01 to 0.1). In one of the models (with selected country dummies, host-country fixed effects, and clustered standard errors at host-country level), the capability-leveraging motive was positively related to the institutional distance–recourse variable. Strategic asset-seeking and “other” motives have a relatively weak statistical support in their relationship to institutional-distance variables (either not significant or at $p < 0.1$ level).

Second, we need to examine the potential problem of common-method bias. In terms of our dependent variable, we used a rigorous procedure based on Rabier (2017) and two coders jointly coding or cross checking over 50% of observations to reduce potential bias in our results. In terms of independent variables, they were sourced from separate databases and different analysts (the Global Investment Competitiveness Report, World Bank Development Indicators, and the Global Innovation Index). We also ran alternative specifications of our main models using the *FDlinflow* variable instead of *GDP–Home* as these two variables were correlated, and we excluded *FDlinflow* from our main analysis, given that theoretically we had better reasons to believe that *GDP–Home* will have an impact on motivations for springboarding (Luo & Tung, 2018; Rabbiosi et al., 2012). The main results remained robust. Furthermore, we ran alternative specifications of our main models with *GDP/capita–Host* included and (separately) without *KBA–Home*. All main hypotheses were confirmed at similar (or higher) statistical significance levels as in Tables 6 and 7 (in particular *H2a* was supported at $p < 0.1$ in these models). Specifications with *KBA–Distance* instead *KBA–Home* and *KBA–Host* also confirmed the results (but the *KBA–distance* variable was not significant.) We also tested for year fixed effects, and these did not affect strong support for *H2a*, *H3a*, and *H2b/H3b*. However, controlling for the year fixed effects resulted in a lack of significance on the *GDP per capita–Home* variable for the capability-building motive. Instead, the *TradeOpenness* variable had a positive and significant coefficient ($p < 0.01$ or $p < 0.05$). Finally, there is a potential issue of endogeneity in our model. We reduced the potential problem of reverse causality by specifying the independent and control variables in a year prior to the year in which we measured the dependent variable.

DISCUSSION AND CONCLUSION

Research on EMNE internationalization will increasingly have to consider the role of (changing) institutional distance and (evolving) internationalization motives (Arikan et al., 2021; Hertenstein & Alon, 2022). Our research provides several important insights. Foremost, our results indicate that when considering the institutional distance in cross-border M&A, EMNEs may not always go up the institutional ladder as often suggested by the strategic asset-seeking (Meyer, 2015) and institutional-escapism and arbitrage strands of the literature (Wu & Deng, 2020). In the case of M&A, EMNEs may choose to go down the institutional ladder, that is, to invest in countries with relatively weaker institutions compared to their home countries, especially when the protection pillar of FDI regulations is considered. Given that many EEs have substantially improved regulatory protection of FDI, when investing abroad, EMNEs increasingly encounter weaker institutions that they need to contend with even in advanced economies. For instance, the volatile nature of the US regulation of M&A and the raising political tensions between the major economies (e.g., US and allies vs. China) are two cases in point (Fagan & Williams, 2020).

In addition, our conceptual development related to the motivations to springboard shows the need for and value of a refurbishment of EMNE internationalization theory. Specifically, the transition of many EMNEs from mainly being motivated by strategic asset seeking to more capability building and leveraging (Williamson, 2016) should be incorporated into the EMNE internationalization literature. For example, as evident in our empirical analysis, most EMNE M&A were motivated by capability building (Lopez-Vega & Lakemond, 2022), and major EEs such as China and India have also progressed to a significant share of capability-leveraging M&A, with an aim of global catapulting and worldwide leadership, not just a catch-up.

Finally, our integration of the institutional ladder perspective with the motivations to springboard indicates that institutional distance and its direction (in particular the protection aspect of FDI regulations) can produce distinctive impacts on capability building versus leveraging. In particular, following the lens of the springboard theory, our study finds that as EMNEs progress to the later

stages of internationalization and aim to acquire foreign firms with a strategic intent of global catapulting, they may face increasingly stringent and challenging FDI regulations, which may prevent them from assuming leadership positions vis-à-vis developed country competitors. The ongoing technology race between the two largest economies in the world, China and the US, illustrates this point (Buckley, 2020).

Overall, the springboard theory predicts that, ultimately, the springboarding firm will be able to establish long-term competitiveness and operate as a traditional AMNE (Kumar et al., 2020; Maksimov & Luo, 2021). However, as evident in the current global economic and political environments, critical issues such as the extreme nonmarket disruptions indicate ambiguities about the endgame or the ultimate form of the springboard MNEs. Questions may arise about the true motivations of a firm—what they actually seek to achieve—to engage in international springboard. As such, our study enriches the theorization of the springboard MNEs, by conceptualizing and empirically testing the motivations to springboard.

THEORETICAL IMPLICATIONS

Based on the above, our study makes two important theoretical contributions. First, we enrich the general theory of springboard MNEs (Luo & Tung, 2018) by classifying three distinctive springboard motives adopted by EMNEs as they seek to catch up and sustain their global competitiveness via cross-border M&A. Under our distinction, we argue that the motivations to springboard can be classified as the intention to 1) obtain strategic assets, 2) build organizational capabilities, and 3) leverage the capabilities (regionally and globally) for sustainability and long-term organizational survival. We tested our new conceptualization through the lens of institutional distance, inclusive of the directions of distance (via the institutional ladder perspective), with an added influence of the ownership share of the acquisition. Our results provide valuable contributions to the springboard theory. In particular, we find that in the case of M&A by EMNEs, the international-springboard motive for capability building is significantly driven by institutional distance, and is moderated by ownership share. Also, the international-springboard motive for capability leveraging is significantly driven by a joint effect of institutional distance (in terms of legal protection of FDI and its direction) and ownership share. These findings allow us to further develop the springboard theory to better explain and predict how and why EMNEs engage in radical internationalization by linking their springboard pathways to their rationales. We demonstrate empirically that institutional distance (and its direction) is an important driver for EMNEs to engage in international springboard.

Second, our study also provides valuable insights for the research on EMNE internationalization. For example, researchers have examined EMNEs from an institutional-escapism perspective (Wu & Deng, 2020), where the internationalizing firms are argued to follow a series of patterns: deciding on a motive for internationalization, choosing a location for foreign market entry, and choosing the entry mode. This logic draws direct links from the internationalization motive to institutional distance (e.g., location choice and market entry strategies) and acknowledges a moderating role of the degree of development of target market in this process. In contrast, our study, which is based on the springboard theory, departs from this logic, where we argue that the direction of institutional distance can be the predictor of firm-specific variables (Shirodkar & Konara, 2017; Zheng et al., 2016), in our case EMNEs' motivation to engage in radical internationalization. In other words, as opposed to the traditional IB literature where institutional distance is often used to predict a firm's internationalization strategies (e.g., entry mode) and legitimacy (Kostova et al., 2020; Xu & Meyer, 2013), we show that institutional distance and its directions, which are dependent on the M&A target country, can also be the lens to explain a firm's decision and rationales for radical internationalization (understood as acquisition motive choice). This indicates the potential for the integration of the

concepts of institutional distance and ladder with traditional internationalization theory, especially in the domain of the decision-making process of international managers (Elia et al., 2021). In doing so, the internationalization pathway of the EMNEs (e.g., where to go, how to enter, reinvestment) can be further theorized based on a firm-environment typology that consists of firm's springboard motives, and the institutional distance between the home and host markets.

Specifically, we enrich the literature on the institutional perspective of EMNE internationalization (Kostova et al., 2008; Meyer & Peng, 2016; Xu & Meyer, 2013), especially the institution-based view (IBV) of EMNEs (Peng et al., 2008). The IBV suggests that EMNEs' strategies and performance are influenced by institutional pressure. We extend this contention to include the institutional environments of both home and host markets and use institutional distance and its directions as the two explanatory factors to explain EMNEs' intents to conduct aggressive/radical FDI such as M&As in both advanced and developing economies. Our results show that positive and negative institutional distance (i.e., different directions as the firm climbs on the institutional ladder) can lead to either capability building or leveraging motives, which provides a new lens to theorize the patterns of EMNEs' evolution of becoming traditional MNEs (e.g., from springboard M&A to market-driven M&A).

MANAGERIAL AND POLICY IMPLICATIONS

Our research has several important managerial and policy implications. In terms of managerial implications, EMNEs that are catching up with foreign rivals via springboarding will need to be increasingly ingenious in their strategies, and progress from a "catch-up" via strategic asset seeking to capability building and leveraging (Williamson, 2016). Our research implies that EMNEs need to be cognizant of various dimensions of institutional distance (in particular legal protection against arbitrary and unpredictable government actions) as they select acquisition targets abroad. They also need to understand regulatory risks inherent in cross-border M&A even in advanced economies with relatively sound transparency of regulations and good recourse mechanisms for dispute settlement.

Furthermore, managers need to be aware that 100% and majority-ownership shares are not always appropriate for capability-leveraging acquisitions, and may be better suited to capability-building than capability-leveraging acquisitions. This is in line with research on ownership share and FDI performance showing the pitfalls of majority or full ownership (Gomes-Casseres et al., 2019; A. Li et al., 2020). Hence, an integrated approach is needed in acquisition target and market selection, with a consideration given to ownership share and overall company strategy. M&A should be used as an enabler of well-defined strategies, and approached with a portfolio mindset, where deals with different motives in different countries both accelerate strategy and diversify risk. Despite record global cross-border M&A activity in 2021, EMNEs need to expect and manage headwinds including a greater regulatory scrutiny and geopolitical risk.

In terms of policy implications, legal and regulatory environment is one of the most important factors affecting FDI, according to the World Bank (2020). Particularly following the COVID-19 pandemic, trade and investment policies are in a state of flux, with changes toward more restrictive regimes, which were under way, often accelerating (Baldwin & Evenett, 2020). Since the pandemic has shown the (perceived) challenges of relying on global supply chains (Gereffi, 2020) and FDI, EMNEs (and AMNEs) will likely face a changing and potentially more hostile regulatory environment related to cross-border M&A. Policy makers need to evaluate the impact of various types of FDI regulations (especially legal protection) on EMNEs' capability building and leveraging M&A to their countries (Santander & Vlassis, 2021; Wang & Li, 2021).

LIMITATIONS AND FUTURE RESEARCH

This study has several limitations which may serve as opportunities for future research. First, the sample firms are relatively large EMNEs (active in M&A) from important (and relatively large) emerging markets. Although our sample is quite representative of the overall emerging markets, limitations in terms of firm and country size need to be recognized. Future research may address springboard motives of SMEs and of firms from (smaller) frontier markets. Second, while we have framed our ideas on springboard motives with references to EMNEs, the springboard perspective may be relevant to the internationalization of advanced economy firms as well (Luo & Tung, 2018). An inclusion of a comparison group of AMNEs or testing our hypotheses on springboard MNEs from selected advanced economies may be an interesting avenue for future research. Third, while we focus on the FDI regulatory dimension of institutional distance, other dimensions of distance (Beugelsdijk et al., 2020; Jensen et al., 2022) may be included to extend our model. Fourth, there are opportunities for unpacking the microfoundations of decision making in cross-border M&A with a more process-based view, to shed light on how CEOs and top management teams form the rationales for strategic M&A and implement capability building, leveraging and transfer (Záborský et al., 2022). While we based our operationalization of motives on rationale statements (Rabier, 2017), we would like to encourage further research refining the concepts of capability-building and leveraging springboard motives. Finally, our research focused on the M&A motives rather than post-M&A integration and its relation to capability transfer in MNEs (Ai & Tan, 2020), an area suitable for future research.

REFERENCE

- Ai, Q., & Tan, H. (2020). Uncovering Neglected Success Factors in Post-Acquisition Reverse Capability Transfer: Evidence from Chinese Multinational Corporations in Europe. *Journal of World Business*, 55(3), 101053.
- Arikan, I., Arikan, A. M., & Shenkar, O. (2021). Revisiting Emerging Market Multinational Enterprise Views: The Goldilocks Story Restated. *Journal of International Business Studies*, 1–22.
- Baldwin, R., & Evenett, S. J. (2020). *Covid-19 and Trade Policy: Why Turning Inward Won't Work*. CEPR Press.
- Belsley, D. A., Kuh, E., & Welsch, R. E. (2004). *Regression Diagnostics: Identifying Influential Data and Sources of Collinearity* (vol. 571). John Wiley & Sons. (Original work published 1980)
- Beugelsdijk, S., Ambos, B., & Nell, P. C. (2020). Conceptualizing and Measuring Distance in International Business Research: Recurring Questions and Best Practice Guidelines. In *Research Methods in International Business* (pp. 449–498). Palgrave Macmillan.
- Bloomberg. (2020). *China's Corporates are Gearing Up in Europe for M&A Bargains*. <https://www.bloomberg.com/news/articles/2020-04-07/china-s-corporates-are-gearing-up-in-europe-for-m-a-bargains>.
- Buckley, P. J. (2020). The Theory and Empirics of the Structural Reshaping of Globalization. *Journal of International Business Studies*, 51(9), 1580–1592.
- Buckley, P. J., Elia, S., & Kafourous, M. (2014). Acquisitions by Emerging Market Multinationals: Implications for Firm Performance. *Journal of World Business*, 49, 61–632.
- Buckley, P. J., Munjal, S., Enderwick, P., & Forsans, N. (2016). Cross-Border Acquisitions by Indian Multinationals: Asset Exploitation or Asset Augmentation? *International Business Review*, 25(4), 986–996.
- Chapman, K. (2003). Cross-Border Mergers/Acquisitions: A Review and Research Agenda. *Journal of Economic Geography*, 3(3), 309–334.
- Chen, S. F. (2008). The Motives for International Acquisitions: Capability Procurements, Strategic Considerations, and the Role of Ownership Structures. *Journal of International Business Studies*, 39(3), 454–471.
- Chhabra, A., Popli, M., & Li, Y. (2021). Determinants of Equity Ownership Stake in Foreign Entry Decisions: A Systematic Review and Research Agenda. *International Journal of Management Reviews*, 23(2), 244–276.
- Child, J., Rodrigues, S. B., & Frynas, J. G. (2009). Psychic Distance, Its Impact and Coping Modes. *Management International Review*, 49(2), 199–224.
- Choi, J. J., Lee, S. M., & Shoham, A. (2016). The Effects of Institutional Distance on FDI Inflow: General Environmental Institutions (GEI) versus Minority Investor Protection Institutions (MIP). *International Business Review*, 25(1), 114–123.
- Col, B., & Sen, K. (2019). The Role of Corporate Governance for Acquisitions by the Emerging Market Multinationals: Evidence from India. *Journal of Corporate Finance*, 59, 239–254.
- Cuervo-Cazurra, A., Luo, T., Ramamurti, R., & Ang, S. H. (2018). The Impact of the Home Country on Internationalization. *Journal of World Business*, 53(5), 593–604.
- Cui, L., Meyer, K. E., & Hu, H. (2014). What Drives Firms' Intent to Seek Strategic Assets by Foreign Direct Investment? A Study of Emerging Economy Firms. *Journal of World Business*, 49(4), 488–501.
- De Beule, F., Elia, S., & Piscitello, L. (2014). Entry and Access to Competencies Abroad: Emerging Market Firms Versus Advanced Market Firms. *Journal of International Management*, 20(2), 137–152.
- Deng, P., & Yang, M. (2015). Cross-Border Mergers and Acquisitions by Emerging Market Firms: A Comparative Investigation. *International Business Review*, 24(1), 157–172.

- Dikova, D., Panibratov, A., & Veselova, A. (2019). Investment Motives, Ownership Advantages and Institutional Distance: An Examination of Russian Cross-Border Acquisitions. *International Business Review*, 28(4), 625–637.
- Dunning, J. H. (1988). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions. *Journal of International Business Studies*, 19(1), 1–31.
- Eden, L., & Miller, S. R. (2004). Distance Matters: Liability of Foreignness, Institutional Distance and Ownership Strategy. In *Theories of the Multinational Enterprise: Diversity, Complexity and Relevance* (pp. 187–221). Emerald Group Publishing.
- Elia, S., & Santangelo, G. D. (2017). The Evolution of Strategic Asset-Seeking Acquisitions by Emerging Multinationals: The Role of Home- and Host- Country National Innovation Systems. *International Business Review*, 26(5), 855–866.
- Elia, S., Greve, P., Vallone, T., & Castellani, D. (2021). The Micro-Foundations of Industrial Diversification Through Foreign Acquisitions: The Multifaceted Role of CEO Experience. *Long Range Planning*, 54(6), 102104.
- Enderwick, P., & Buckley, P. J. (2021). The Role of Springboarding in Economic Catch-Up: A Theoretical Perspective. *Journal of International Management*, 100832.
- Fagan, D., & Williams, B. (2020). Intersection of National Security with M&A: The Committee on Foreign Investment in the United States: Why Does the United States have Laws that Regulate M&A Activity from a National Security Perspective, and Why are Those Laws Now Getting More Attention? *Tax Executive*, 72, 32.
- Gaffney, N., Karst, R., & Clampit, J. (2016). Emerging Market MNE Cross-Border Acquisition Equity Participation: The role of Economic and Knowledge Distance. *International Business Review*, 25(1), 267–275.
- Gaur, A., Malhotra, S., & Zhu, P. (2022). Institutional Distance and Ownership in Foreign Acquisitions. *Journal of International Management*, 28(2), 100917.
- Gereffi, G. (2020). What Does the COVID-19 Pandemic Teach Us About Global Value Chains? The Case of Medical Supplies. *Journal of International Business Policy*, 3, 287–301.
- Gomes-Casseres, B., Jenkins, M., & Záborský, P. (2019). Profitability of Joint Ventures Abroad: Explaining a New Empirical Puzzle. In *Frontiers of Strategic Alliance Research: Negotiating, Structuring and Governing Partnerships* (pp. 322–336). Cambridge University Press. <https://doi.org/10.1017/9781108236188.020>.
- Grøgaard, B., Colman, H. L., & Stensaker, I. G. (2019). Legitimizing, Leveraging, and Launching: Developing Dynamic Capabilities in the MNE. *Journal of International Business Studies*.
- Hassan, I., Ghauri, P. N., & Mayrhofer, U. (2018). Merger and Acquisition Motives and Outcome Assessment. *Thunderbird International Business Review*, 60(4), 709–718.
- Hennart, J. M. (2012). Emerging Market Multinationals and the Theory of the Multinational Enterprise. *Global Strategy Journal*, 2(3), 168–187.
- Hernández, V., & Nieto, M. J. (2015). The Effect of the Magnitude and Direction of Institutional Distance on the Choice of International Entry Modes. *Journal of World Business*, 50, 122–132.
- Hertenstein, P., & Alon, I. (2022). A Learning Portal Model of Emerging Markets Multinationals. *Global Strategy Journal*, 12(1), 134–162.
- Hope, O. K., Thomas, W., & Vyas, D. (2011). The Cost of Pride: Why Do Firms from Developing Countries Bid Higher? *Journal of International Business Studies*, 42(1), 128–151.
- Jensen, C., Záborský, P., & King, D. R. (2022). Cross-Border Acquisition Performance Insights from Predictive Modeling. In *Acquisitions and Corporate Strategy: Alliances, Performance, and Divestment* (pp. 157–176). Routledge.

- Konara, P., & Shiroadkar, V. (2018). Regulatory Institutional Distance and MNCs' Subsidiary Performance: Climbing Up vs. Climbing Down the Institutional Ladder. *Journal of International Management*, 24(4), 333–347.
- Kostova, T., Beugelsdijk, S., Scott, W. R., Kunst, V. E., Chua, C. H., & van Essen, M. (2020). The Construct of Institutional Distance Through the Lens of Different Institutional Perspectives: Review, Analysis, and Recommendations. *Journal of International Business Studies*, 1–31.
- Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional Theory in the Study of Multinational Corporations: A Critique and New Directions. *Academy of Management Review*, 33(4), 994–1006.
- Kostova, T., & Zaheer, S. (1999). Organizational Legitimacy Under Conditions of Complexity: The Case of the Multinational Enterprise. *Academy of Management Review*, 24(1), 64–81.
- Kumar, V., Singh, D., Purkayastha, A., Popli, M., & Gaur, A. (2020). Springboard Internationalization by Emerging Market Firms: Speed of First Cross-Border Acquisition. *Journal of International Business Studies*, 51(2), 172–193.
- Landis, J. R., & Koch, G. G. (1977). The Measurement of Observer Agreement for Categorical Data. *Biometrics*, 33, 159–174.
- Lebedev, S., Peng, M. W., Xie, E., & Stevens, C. E. (2015). Mergers and Acquisitions In and Out of Emerging Economies. *Journal of World Business*, 50(4), 651–662.
- Li, A., Burmester, B., & Záborský, P. (2020). Subnational Differences and Entry Mode Performance: Multinationals in East and West China. *Journal of Management & Organization*, 26(4), 426–444.
- Li, J., Li, P., & Wang, B. (2019). The Liability of Opaqueness: State Ownership and the Likelihood of Deal Completion in International Acquisitions by Chinese Firms. *Strategic Management Journal*, 40(2), 303–327.
- Li, J., Li, Y., & Shapiro, D. (2012). Knowledge Seeking and Outward FDI of Emerging Market Firms: The Moderating Effect of Inward FDI. *Global Strategy Journal*, 2(4), 277–295.
- Lin, X., Li, Y., Wan, X., & Wei, J. (2020). Market Reaction to the International Acquisitions by Chinese Firms: The Role of Potential Intelligence Sourcing and Preannouncement. *Chinese Management Studies*, 14(4), 915–934.
- Liou, R. S., & Rao-Nicholson, R. (2019). Age Matters: The Contingency of Economic Distance and Economic Freedom in Emerging Market Firm's Cross-Border M&A Performance. *Management International Review*, 59(3), 355–386.
- Liou, R. S., Brown, L. W., & Hasija, D. (2021). Political Animosity in Cross-Border Acquisitions: EMNCs' Market and Nonmarket Strategy in a Developed Market. *Multinational Business Review*.
- Lopez-Vega, H., & Lakemond, N. (2022). Tapping into Emerging Markets: EMNEs' Strategies for Innovation Capability Building. *Global Strategy Journal*, 12(2), 394–417.
- Luo, Y. (2002). Capability Exploitation and Building in a Foreign Market: Implications for Multinational Enterprises. *Organization Science*, 13(1), 48–63.
- Luo, Y., & Tung, R. L. (2007). International Expansion of Emerging Market Enterprises: A Springboard Perspective. *Journal of International Business Studies*, 38, 481–498.
- Luo, Y., & Tung, R. L. (2018). A General Theory of Springboard MNEs. *Journal of International Business Studies*, 49(2), 129–152.
- Luo, Y., & Wang, S. L. (2012). Foreign Direct Investment Strategies by Developing Country Multinationals: A Diagnostic Model for Home Country Effects. *Global Strategy Journal*, 2(3), 244–261.
- Luo, Y., & Witt, M. A. (2021). Springboard MNEs Under De-Globalization. *Journal of International Business Studies*, 1–14.
- Luo, Y., Xue, Q., & Han, B. (2010). How Emerging Market Governments Promote Outward FDI: Experience from China. *Journal of World Business*, 45, 68–79.

- Maksimov, V., & Luo, Y. (2021). International Springboard as an Entrepreneurial Act. *Journal of World Business*, 56(3), 101176.
- Malhotra, S., & Gaur, A. S. (2014). Spatial Geography and Control in Foreign Acquisitions. *Journal of International Business Studies*, 45(2), 191–210.
- Meyer, K. (2015). What is Strategic Asset Seeking FDI? *Multinational Business Review*, 23, 57–66.
- Meyer, K., & Peng, M. W. (2016). Theoretical Foundations of Emerging Economy Business Research. *Journal of International Business Studies*, 47, 3–22.
- Munjal, S., Bhasin, N., Nandrajog, D., & Kundu, S. (2022). Examining the Evolution of Emerging Market Multinational Enterprises' Competitive Advantages: Evidence from India. *Journal of Business Research*, 145, 732–744.
- Narula, R. (2015). The Viability of Sustained Growth by India's MNEs: India's Dual Economy and Constraints from Location Assets. *Management International Review*, 55, 191–205.
- Neuendorf, K. A. (2002). *The Content Analysis: Guidebook*. Sage Publications.
- Nicholson, R. R., & Salaber, J. (2013). The Motives and Performance of Cross-Border Acquirers from Emerging Economies: Comparison Between Chinese and Indian Firms. *International Business Review*, 22(6), 963–980.
- Noh, H., Kang, S., & Lee, S. (2019). Patterns of International Technology Acquisition in a Post Catch-Up Country: The Case of Korean Firms. *Asian Journal of Technology Innovation*, 27(1), 1–22.
- Peng, M. W., Wang, D. Y., & Jiang, Y. (2008). An Institution-Based View of International Business Strategy: A Focus on Emerging Economies. *Journal of International Business Studies*, 39, 920–936.
- Pinelli, M., Cappa, F., Peruffo, E., & Oriani, R. (2022). Acquisitions of Non-Controlling Equity Stakes: Agency Conflicts and Profitability. *Strategic Organization*, 20(2), 341–367.
- Piscitello, L., Rabellotti, R., & Scalera, V. G. (2015). Chinese and Indian M&As in Europe: The Relationship Between Motive and Ownership Choice. In *The Routledge Companion to Mergers and Acquisitions* (pp. 114–129). Routledge.
- Popli, M., & Ladkani, R. M. (2020). Value Constraining or Value Enabling? The Impact of Business Group Affiliation on Post-Acquisition Performance by Emerging Market Firms. *Management and Organization Review*, 1–31.
- Rabbiosi, L., Elia, S., & Bertoni, F. (2012). Acquisitions by EMNCs in Developed Markets. *Management International Review*, 52(2), 193–212.
- Rabier, M. R. (2017). Acquisition Motives and the Distribution of Acquisition Performance. *Strategic Management Journal*, 38(13), 2666–2681.
- Ramamurti, R. (2012). What is Really Different About Emerging Market Multinationals? *Global Strategy Journal*, 2, 41–47.
- Riela, S., & Záborský, P. (2020). Screening of Foreign Acquisitions and Trade in Critical Goods. *Asia Pacific Journal of European Union Studies*, 18(3), 55–83.
- Rui, H., & Yip, G. S. (2008). Foreign Acquisitions by Chinese Firms: A Strategic Intent Perspective. *Journal of World Business*, 43(2), 213–226.
- Santander, S., & Vlassis, A. (2021). The EU in Search of Autonomy in the Era of Chinese Expansionism and COVID-19 Pandemic. *Global Policy*, 12(1) 149–156.
- Scalera, V. G., Mukherjee, D., & Piscitello, L. (2020). Ownership Strategies in Knowledge-Intensive Cross-Border Acquisitions: Comparing Chinese and Indian MNEs. *Asia Pacific Journal of Management*, 37(1), 155–185.
- Shimizu, K., Hitt, M. A., Vaidyanath, D., & Pisano, V. (2004). Theoretical foundations of Cross-Border Mergers and Acquisitions: A Review of Current Research and Recommendations for the Future. *Journal of International Management*, 10(3), 307–353.

- Shirodkar, V., & Konara, P. (2017). Institutional Distance and Foreign Subsidiary Performance in Emerging Markets: Moderating Effects of Ownership Strategy and Host-Country Experience. *Management International Review*, 57(2), 179–207.
- Sun, S. L., Peng, M. W., Ren, B., & Yan, D. (2012). A Comparative Ownership Advantage Framework for Cross-Border M&As: The Rise of Chinese and Indian MNEs. *Journal of World Business*, 47(1), 4–16.
- Sutherland, D., Anderson, J., & Hu, Z. (2020). A Comparative Analysis of Location and Non-Location-Bounded Strategic Asset Seeking in Emerging and Developed Market MNEs: An Application of New Internalization Theory. *International Business Review*, 29(2), 101635.
- Tallman, S., & Fladmoe-Lindquist, K. (2002). Internationalization, Globalization, and Capability-Based Strategy. *California Management Review*, 45(1), 116–135.
- Tang, R. W., & Buckley, P. J. (2022). Outward Foreign Direct Investment by Emerging Market Multinationals: The Directionality of Institutional Distance. *Journal of Business Research*, 149, 314–326.
- Thenmozhi, M., & Narayanan, P. C. (2016). Rule of Law or Country Level Corporate Governance: What Matters More in Emerging Market Acquisitions? *Research in International Business and Finance*, 37, 448–463.
- Trautwein, F. (1990). Merger Motives and Merger Prescriptions. *Strategic Management Journal*, 11(4), 283–295.
- UNCTAD. (2020). World Investment Report. *International Production Beyond the Pandemic*. <https://unctad.org/webflyer/world-investment-report-2020>.
- Verbeke, A., Roberts, R. E., Delaney, D., Záborský, P., Enderwick, P., & Nagar, S. (2019). *Contemporary International Business in the Asia-Pacific Region*. Cambridge University Press.
- Wang, L., & Li, Y. (2021). The Negotiation of EU–China Comprehensive Agreement on Investment and Its Potential Impact in the Post-Pandemic Era. *Journal of Chinese Economic and Business Studies*, 1–8.
- Williamson, P. J. (2016). Building and Leveraging Dynamic Capabilities: Insights from Accelerated Innovation in China. *Global Strategy Journal*, 6(3), 197–210.
- World Bank. (2020). *Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty*. World Bank.
- Wu, B., & Deng, P. (2020). Internationalization of SMEs from Emerging Markets: An Institutional Escape Perspective. *Journal of Business Research*, 108, 337–350.
- Wu, J., Zhou, N., Park, S. H., Khan, Z., & Meyer, M. (2021). The Role of FDI Motives in the Link Between Institutional Distance and Subsidiary Ownership Choice by Emerging Market Multinational Enterprises. *British Journal of Management*.
- Wu, S., Fan, D., & Su, Y. (2021). The Co-Evolution of Global Legitimation and Technology Upgrading: The Case of Huawei. *American Business Review*, 24(2), 8.
- Xie, E., Reddy, K. S., & Liang, J. (2017). Country-Specific Determinants of Cross-Border Mergers and Acquisitions: A Comprehensive Review and Future Research Directions. *Journal of World Business*, 52(2), 127–183.
- Xu, D., & Meyer, K. E. (2013). Linking Theory and Context: ‘Strategy Research in Emerging Economies’ After Wright et al. (2005). *Journal of Management Studies*, 50(7), 1322–1346.
- Xu, D., & Shenkar, O. (2002). Institutional Distance and the Multinational Enterprise. *Academy of Management Review*, 27(4), 608–618.
- Yan, Z. J., Zhu, J. C., Fan, D., & Kalfadellis, P. (2018). An Institutional Work View Toward the Internationalization of Emerging Market Firms. *Journal of World Business*, 53(5), 670–682.
- Yan, Z. J., Zhu, J. C., Fan, D., & Kalfadellis, P. (2022). Multinational Enterprises and Home Country Institutional Pressure. *Journal of Management Inquiry*, 31(2), 165–180.

- Yildiz, H. E., & Fey, C. F. (2016). Are the Extent and Effect of Psychic Distance Perceptions Symmetrical in cross-Border M&As? Evidence from a Two-Country Study. *Journal of International Business Studies*, 47, 830–867.
- Yoo, D., & Reimann, F. (2017). Internationalization of Developing Country Firms into developed Countries: The Role of Host Country Knowledge-Based Assets and IPR Protection in FDI Location Choice. *Journal of International Management*, 23(3), 242–254.
- Yoon, H., & Lee, J. J. (2016). Technology-Acquiring Cross-Border M&As by Emerging Market Firms: Role of Bilateral Trade Openness. *Technology Analysis & Strategic Management*, 28(3), 251–265.
- Yoon, H., Peillex, J., & Buckley, P. J. (2021). Friends or Foes? Bilateral Relationships and Ownership Choice in Cross-Border Acquisitions by Emerging Market Firms. *British Journal of Management*, 32(3), 852–871.
- Zaheer, S., Schomaker, M. S., & Nachum, L. (2012). Distance Without Direction: Restoring Credibility to a Much-Loved Construct. *Journal of International Business Studies*, 43, 18–27.
- Zahra, S. A., Petricevic, O., & Luo, Y. (2022). Toward an Action-Based View of Dynamic Capabilities for International Business. *Journal of International Business Studies*, 1–18.
- Záborský, P., Sullivan-Taylor, B., Tisch, D., & Branicki, L. (2022). Antecedents of Risk and Uncertainty Management Capabilities: Insights from Multinational Enterprises in New Zealand. *Journal of Management & Organization*, 1–27.
- Záborský, P., Yan, Z. J., Sbaï, E., & Larsen, M. (2021). Cross-Border M&A Motives and Home Country Institutions: Role of Regulatory Quality and Dynamics in the Asia-Pacific Region. *Journal of Risk and Financial Management*, 14(10), 468.
- Zhang, H., & Yang, H. (2021). Cross-Border M&As and Technological Innovation: The Moderating Roles of Formal and Informal Institutional Distance. *Journal of Knowledge Management*.
- Zhang, Z., Lyles, M. A., & Wu, C. (2020). The Stock Market Performance of Exploration-Oriented and Exploitation-Oriented Cross-Border Mergers and Acquisitions: Evidence from Emerging Market Enterprises. *International Business Review*, 101707.
- Zheng, Y., Yan, D., & Ren, B. (2016). Institutional Distance, Firm Heterogeneities, and FDI Location Choice of EMNEs. *Nankai Business Review*, 7(2), 192–215.