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The OFDI Patterns and Firm Performance of Chinese Firms: The Moderating Effects of Multinationality Strategy and External Factors

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ABSTRACT

The purpose of this paper is to examine how multinationality strategy, home political influence, and host-country risk explain the performance consequences of OFDI patterns of firms in the most important emerging economy, China. Two main patterns of OFDI ('born global' natured multiple simultaneous and IP-natured gradually growing) have been dominant in China during its first OFDI as a latecomer. In contrast to the conventional IP argument, we hypothesize that the multiple simultaneous pattern of a born-global nature leads to better performance. We also hypothesize that firm multinationality strategy and home political influence play greater roles in enhancing the performance effect of the multiple simultaneous pattern than another pattern, i.e. IP-natured gradually growing pattern. Using panel data of 4,619 observations from 261 Chinese publicly listed firms from 1991-2011, we find a superior performance effect for the multiple simultaneous pattern. Further, we find a greater moderating effect of firm multinationality strategy and home political influence affecting the OFDI and performance relationship undertaken by the multiple simultaneous pattern than by the gradually growing pattern. Our study extends understanding of OFDI patterns in emerging economies and suggests that the analysis of performance consequences should focus on external and firm factors that may facilitate the performance effect.

Key words: OFDI pattern, multinationlaity strategy, home political influence, performance effect

1. INTRODUCTION

The process of China's integration with the global economy began with its 'go global' policy of the 1990s (Buckley et al, 2008) and prospered after the 2001 WTO accession and the 2008 Olympics in Beijing. As latecomers to the global economy, some Chinese firms follow the internationalization process (IP) model, going international in small, incremental steps; others have a more 'born global' nature, taking a large step from their first outward foreign direct investments (OFDI). Studies of the pattern of OFDI generally examine the dimensions of pace, speed, and regularity; however, the sole explanation of each single dimension has produced incomplete findings. Accordingly, there is a need for a more synthesized conceptualization of the patterns of OFDI (Buckley et al, 2007; Wang et al, 2011).

The patterns of OFDI are indeed a crucial key to understanding how and why China has become the most important emerging economy (EE), rapidly internationalizing in a short period of time, and how much Chinese firms benefit from choosing a proper pattern for their first OFDI. The success of China calls for exploration of pattern choice and firm performance effect by EE firms in general and Chinese firms in particular. Therefore, we sort OFDI into two patterns: (1) multiple simultaneous OFDIs characterized by fast speed and sudden onset, and (2) gradually growing OFDIs with a slower speed and more regular rhythm. The performance effect of OFDI patterns, in turn, are worthy of further consideration, as the outcomes of the two different patterns have been debated.

The empirical literature on patterns of OFDI has produced mixed and contradictory findings of their consequences (Lu et al, 2014; Hashai, 2011; Barkema & Drogendijk, 2007). The wide variety of results implies that there may be factors outside the examined nexus of pattern performance that affect the nature of this relationship. While the international business (IB) literature posits that firm- and country-level factors can trigger OFDI, it has overlooked the role of crucial 'antecedents' in explaining the OFDI and its performance. By logical extension, the reasons for choosing a specific pattern of foreign expansion should also predict the outcomes of the firm. We fill the gap by looking at the ways in which firm-level multinationality strategy and country-level (dis)advantages can affect the relationship between the pattern of OFDI and the performance of the firm.

As latecomers to the global economy, Chinese firms may differ from those of advanced economies in their motives and attitudes when deciding their multinationality strategy. For instance, some Chinese firms take a large step in internationalization by investing in countries so as to seek to mitigate their late arrival or gain support from the environment. Thus, for EE firms with relatively little internationalization experience, the effect of OFDI patterns on performance is

contingent on firm-level multinationality strategy. Early literature on OFDI from developed economies largely focused on the external factors of the host side (Henisz & Zelner, 2005). Recent research has begun to pay attention to the role of home support (Wang et al, 2012). However, the IB literature needs to devote more attention to consider both host and home factors at the same time (Lu et al., 2014; McGahan & Victor, 2010), as well as the firm-level multinationality strategy, when investigating the phenomena in EEs.

Further, the findings suggested for advanced economies may not apply to EE, as they are fundamentally and institutionally different in terms of country environment and motives of internationalization (Morck, Yeung & Zhao, 2008). Against this background, this paper aims to examine the different performance effect of the pattern of OFDI and its implication for the Chinese pattern of OFDI, focusing particularly on how different multinationality strategies, home political influence, and host-country risk moderate the effect of the pattern of OFDI on firm performance.

Using a comprehensive sample consisting of 4,619 project-firm-half year paneled observations, collected from the annual reports of 261 publicly listed Chinese firms, we examine the patterns of OFDI and firm performance, and the condition of host and home environment, and multinationality strategy. To understand the first wave of OFDI in China, we choose the time period of 1991–2011, when China initiated its first go-global policy. We then divide the Chinese OFDI into two patterns based on specific criteria. We find that the multiple simultaneous pattern of Chinese OFDI is indeed distinctive in certain superior performance, and the existence of the moderating roles of multinationality strategy and home political influence need to be rooted within the general IB theory when explaining new phenomena in EE such as China. Our study extends the literature on the pattern of OFDI-performance relationships and further suggests that the analysis of the performance consequences of OFDI patterns should focus on home-specific factors and firm strategies that may facilitate the performance effect of the typical pattern of China's OFDI.

2. THEORY AND HYPOTHESES DEVELOPMENT

We review the literature and then hypothesize (H1) to test the performance effect of the two patterns, multiple simultaneous and gradually growing, of OFDI in Chinese to explain its first wave of OFDI in the face of huge turmoil, economic reform, and economic recovery in recent years. The realization of the advantages of patterns is subject to firm and environment contingencies. Multinational strategy, home political influence, and host-country risk as moderators are reviewed and hypothesized in H2-H4.

2.1 The patterns of OFDI

The literature on patterns of OFDI has studied the nature of foreignness, speed, and regularity. From the perspective of foreignness, IP (Johanson & Vahlne, 1977, 1990) and the born-global approach (e.g. Bell, McNaughton, & Young, 2001; Knight & Cuvisgil, 2004) depict a dichotic process of international expansion. For instance, Kalinic and Forza (2012) classified expansion into two models: gradualist (gradual commitment) and born-global (a quick expansion after inception). The well-known IP approach suggests that firms internationalize in small, incremental steps, conceptualizing the foreign expansion as a sequential and path-dependent commitment process to overcome the liability of foreignness (Li, 2007). An alternative view has suggested that firms can be born global—that is, that they internationalize soon after their inception. The concept can be referred similarly to the viewpoint that firms without prior OFDI experiences begin to engage in OFDI very rapidly. These international experience-constrained firms even invest in a diversified geographical and operational scope (Hashai, 2011) at the same time to enjoy the advantage of foreignness (Kostova & Roth, 2002; Nachum, 2010).

The literature discusses the speed of internationalization in terms of small and large steps (Barkema & Grogendijk, 2007; Lu et al, 2014; Casillas & Moreno-Menéndez, 2014). The interchangeable term ‘pace’ (Vermeulem & Barkema, 2002) is used to define the nature of speed, namely that faster expansion refers to the large amount of expansion a firm undertakes within a given period of time, while a slower speed implies limited expansion actions within a given time period. From the perspective of regularity, internationalization can be regular and irregular (Vermeulem & Barkema, 2002). Regularity expresses in the way that subsidiaries have expanded in a rhythmic, regular fashion. Irregular rhythm involves large peaks of rapid expansion followed by long periods of inactivity.

To capture the definition of the pattern of Chinese OFDI more completely, we synthesize the nature of ‘speed’ and ‘rhythm’ to define the ‘pattern’ of OFDI, which used to be separately studied in literature. We, accordingly, classify two patterns: a multiple simultaneous pattern and a gradually growing pattern. The multiple simultaneous pattern is characterized as having fast speed and sudden onset. That is, firms choosing this pattern for OFDI usually have multiple subsidiaries to establish simultaneously in a given period of time. This pattern is characterized not only as having a fast speed, but also by a simultaneous jump into several new institutional settings. It evolves into large peaks of rapid expansion from the beginning investment followed by relatively stable increased investment. In contrast, the gradually growing pattern is characterized by a slower speed and regular rhythm. That is, firms engage in foreign expansion and confront foreignness gradually and incrementally in a rhythmic,

regular fashion.

2.1.1 The benefits and costs of the two patterns

For the pattern of multiple simultaneity, from an international portfolio perspective, empirical results have supported the fact that gains can be realized in a jump investment, which creates a low correlation among the several international markets (e.g. Longin & Solnik, 1995), resulting in a more stabilized return. In this regard, the pattern leads MNEs to learn quickly from its environment and respond appropriately to host requirements (Kostava & Zaheer, 1999) because the benefit of legitimacy is achieved by developing a variety of country institutional profiles of the multiple countries in which MNE operates. In a race, latecomers of China MNEs (CMNEs) that possess resources that can be replicated at low marginal cost can enter multiple markets simultaneously (Vassolo, Anand & Folta, 2004). The pattern also realizes the benefits of rapid entrepreneurship internationalization, such that an entrepreneur in an international network (Oviatt & McDougall, 2005) allows the firm to internalize in a quick, born-global fashion (Lopez, Kundu & Ciravegna, 2009). Past research has found a positive performance effect of born-global enterprises (Zhou, Wu & Luo, 2007; Knight & Casusgil, 2004; Kalinic & Forza, 2012; Lopez, Kundu & Ciravegna, 2009).

The costs of adopting this pattern to a firm lie mainly in the liability of foreignness. First, MNEs have difficulty absorbing the amount of expansion, given the bounded rationality and limited cognitive scope of top management (Vermeulen & Barkema, 2002). Second, firms that reach a certain degree of OFDI within relatively few years have little time to evaluate internationalization experience, assimilate it, and apply it to commercial ends (Kalinic & Forza, 2012). Finally, this pattern puts firms at risk of the liability of foreignness (Zaheer, 1995), particularly when the host environment is unfamiliar and internationalization is time-compression-diseconomy (Dierickx & Cool, 1989). Scholars doing empirical research in this area suggest that an infusion of incremental elements into the born-global mode, such as ‘born regional’ (Lopez, Kundu & Ciravegna, 2009) or ‘sequencing born global’ (Hashai, 2011), would be a feasible internationalization path. As compared to internationalization in a larger step, Barkema and Drogendijk (2007) empirically find that a smaller step of internationalization that stresses the balance between exploitation and exploration in an incremental strategy would be a suitable strategy for Dutch firms.

The gradually growing portfolio pattern involves focusing on the essence of sequentially growing foreign investments, viewed as a sort of application of IP from the aspect of incremental commitment. Initial investments involving a few countries along with later investments in more and more countries allow the MNEs to build up

a learning curve in foreign environments and exploit the early-developed capability of coordinating with local suppliers, customers, and government institutions for later investments. The gradually growing pattern also accumulates experiences with products and processes adaptation, which can be applied to incoming local circumstances (Johansson & Vahlne, 1990; Belderbos, Capannelli & Fukao, 2001; Song, 2002). This valuable pattern results in an incremental expansion of foreign investments after uncertainty is resolved and opportunities for expansion materialize.

The IP-based internationalization-performance relationship has been studied extensively in the context of firms from developed countries, with mixed and contradictory findings (Contractor et al., 2003) on a linear and monotonic relationship (Hitt, Hoskisson & Kim, 1997). More complex models include U-shaped (Ruigrok & Wagner, 2003), inverted U-shaped (Chen & Wang, 2014), and S-shaped (Lu & Beamish, 2004).

2.1.2 The performance effect of OFDI patterns

Prior literature provides abundant evidence of the positive relationship between the 'gradualist pattern' of internationalization and performance (e.g. Hitt, Hoskisson & Kim, 1997). From the perspective of portfolio theory, the extent to which OFDI in different countries can create value for the MNEs by providing growth and switch options (e.g. Li & Rugman, 2008) explains the superior performance effect of multiple simultaneity pattern rather than a gradually growing pattern for China. With its speed, scope of foreignness, and sudden onset rhythm, the multiple simultaneous pattern grants more value from the growth and switch options of the portfolio for Chinese firms choosing multiple onset OFDIs. The gradually growing pattern, by contrast, stresses that a stepwise process takes place in foreign countries, assures learning accumulation and has a positive performance effect (Johanson & Vahlne, 1977). However, there is a steadier and more stabilized stream of revenues and grants from accessing strategic resources secured through rapid expansion under the multiple simultaneous pattern, especially for late-coming China, which wishes to catch in the race.

Given the theoretical argument and empirical investigation about the specific forms and paths of CMNEs that choose to go global rapidly after inception, there is a benefit of a set of simultaneous and overlapping OFDIs in different countries (Hashai, 2011). The study can further imply that CMNE performance may improve through the multiple simultaneous pattern because rapid expansion during the initial stage of internationalization allows CMNEs to quickly exploit advantages developed in China, including low-cost manufacturing advantages and good relationships with host governments, and benefit from a variety of local preferential treatment and the 'new entrant advantage' (Chen & Wang, 2014).

The performance effect of the pattern of multiple simultaneous OFDIs is different from the pattern of gradually growing OFDIs from the point of view of flexibility (Kalinic & Forza, 2012). Expansion in various countries with potentially divergent macroeconomic developments, under the pattern of multiple simultaneous OFDIs, can provide greater flexibility, allowing more opportunities with low correlation provided initially by several multiple projects (Tang and Tikoo, 1999; Lee & Makhija, 2009). For instance, the China State Construction Engineering Corporation started 10 OFDI projects since its first internationalization in 2006. The pattern of multiple simultaneous OFDIs grants greater intra-temporal flexibility at each period as the pattern of growing investments only enjoys the intra-temporal flexibility at later periods. With these considerations in mind, we assume that the pattern of multiple simultaneous OFDIs will lead to a greater performance effect for Chinese firms than will the pattern of gradually growing OFDIs:

H1: The performance effect of the multiple simultaneous pattern of China is superior to that of the gradually growing pattern.

2.2 Contingencies of the relationship between the pattern of OFDI and firm performance

The inconsistent conclusions of prior studies, whether for the born-global pattern, IP pattern, or another pattern context of OFDI, imply that there are important weaknesses in the current conceptualization of the nature of the relationship between the pattern of OFDI and firm performance. Some studies suggest that the relationship between the pattern of OFDI and firm performance may be context dependent. For instance, scholars (e.g. Wind & Douglas, 1981; Ghertman, 1988; Butler & Joaquin, 1998) found that the returns of MNEs influence decisions of later foreign investment. As such, scholars should go beyond the direct nexus between the pattern of OFDI and firm performance and focus on the exogenous influence that may shape how, and in what ways, firms benefit from the specific pattern of OFDI.

2.2.1 Multinationality

On this subject, the previous literature has suggested that the effect of OFDI pattern on performance is contingent upon an array of firm- and country-specific idiosyncrasies. First, multinationality—the accumulated learning experience of internationalization—captures the firm's level of variety and number of host countries involved, thus measuring the extent of MNEs' geographical-investment divergence. Besides the direct linear multinationality-performance relationship (Katrishen & Scordis, 1998), the role of multinationality is multi-faceted. The multinationality strategy of a firm may determine the speed of OFDI. For example, multinationality

can buffer firms from the uncertainty of unknown local countries, enabling them to speed up their pace of OFDI. Similarly, as the pervious experiences of international entrepreneurs inform their attitude about 'born global' (Zander, McDougall-Covin & Rose, 2015), firms led by such entrepreneurs with rich personal international experience are more likely to be able to reach performance effect.

The literature also has argued that multinationality is critical in leveraging firm competence in the internationalization process (Lu & Beamish, 2004). Such multinationality strategies enable firms to support OFDI implementation and compete locally by incrementally increasing premiums and achieving superior performance (Wang et al., 2012)

For OFDI of China, multinationality serves as a moderator. Multinationality strategy better stabilizes profit for the OFDI pattern of fast speed and sudden onset of expansion because environment factors, goods, and factor markets in different countries with various level of economic development indicate a lower correlation (Buckley, 1985) than the steady growth mode. Moreover, the performance of CMNEs would benefit from broad international experience and a diverse knowledge base (Eriksson, Majkgard & Sharma, 2000), particularly because the advantage of foreignness resulting from familiarity with several host countries with shared political institutions when they undertake their rapid expansion along with multiple local institutions.

The extent to which the multinationality strategy helps OFDI access different location-specific resources (Vachani, 1991) and unique unrelated boundary-spanning competitive advantage (Qian et al., 2008) is more superior under the multiple simultaneous pattern than under the gradually growing pattern. As compared to the gradually growing pattern featured by gradual replication of certain value-chain activities in an increased manner (Allen & Pantzalis, 1996; Dunning, 1998; Doukas, Pantzalis & Kim, 1999), Chinese firms rapidly investing in several foreign projects at a time will be more able to realize firm performance when they operate in geographical diversification that renders the benefit of multinationality in a dispersed network (Lee & Makhija, 2009). Accordingly, we propose the following hypothesis:

H2: The difference of performance level between the pattern of multiple simultaneous OFDIs and the pattern of gradually growing OFDIs will be enlarged by the multinationality strategy of the Chinese firm.

2.2.2 Home political influence

The institutional literature also highlights that the home institution may moderate the environment–strategy configuration in the context of an EE (Peng, Tan & Tong,

2004). Schwens, Eiche and Kabst (2011) examined the moderating impact of home political influence on the relationship between decision-making criteria and entry mode choice. Henisz (1998) also demonstrated the moderating impact of home political hazards on the relationship between contractual hazards and entry mode choice of MNEs.

The influence of home politics should be considered in a dyadic relationship between the home and host countries in a matrix (Table 1). The performance consequence depends on the quality of the dyadic relationship when both the influence of the home and host countries are in strong positions (Cell 1). A positive and friendly relationship between the host and home countries, in terms of the political sphere and human considerations, leads to a positive 'foreign performance' and enhances the effect between pattern and foreign performance. In contrast, a negative and unfriendly relationship, in terms of regulatory requirements, inaccessibility to markets, and lesser home country supply, leads to a negative 'foreign performance' and lessens the effect between pattern and foreign performance.

On the contrary, when both the home and host political influence are weak (Cell 4), the dyadic relationship between the home and host countries play a trivial role in affecting the relationship between pattern and foreign performance.

In Cell 2, MNEs actually face institutional 'duality' (Kostova & Ruth, 2002), as they need to gain legitimacy from institutions of host and MNE itself. When the structure and composition of the host institution and its legitimacy requirement are in a stronger position (Kogut, 1991), MNEs may try to gain host legitimacy to secure a performance effect. Under such circumstances, the firm performance effect is mainly determined by the will and tendencies of the host country.

Table 1 The dyadic political influence between the home and host countries

		Home political influence	
		Strong	Weak
Host political influence	Strong	*Cell 1* The quality of the dyadic relationship determines the political influence.	*Cell 2* Host country determines the political influence.
	Weak	*Cell 3* Home country determines the political influence.	*Cell 4* No or less political influence.

In Cell 3, the home political influence is overwhelming, since it is in a strong

position and the host political influence is in a weak position. Our hypothesis is developed based on the circumstance on Cell 3. In this case, the home political influence may have a moderating impact on the relationship between the pattern of multiple simultaneous OFDIs and performance. The asymmetric home political influence can facilitate OFDI by supplying well-established institutions at home to compensate for the less accumulated prior experiences that rapid expansion often lacks. The Communist Party in China (Meyer & Nguyen, 2005; Wright et al., 2005), for example, continually issues dense guidelines that cover countries and industries in which the Chinese government support CMNEs' rapid OFDI. Meanwhile, the Chinese central government encourages and facilitates firms to comply with diplomatic policy in exchange for favorable financial support and other favorable treatment. Therefore, the Chinese policy may help to enhance risk-taking capabilities and reduce the pressure on a firm to rely on prior experience to deal with local uncertainty (Cui & Jiang, 2012), particularly when the Chinese government aims to connect with 'the Third World', usually the least developed economies.

The literature on the foreign expansion of China has found that OFDI policies associated with rapid expansion achieve better overall performance when complying with home policies (Wang et al., 2012; Cui & Jiang, 2012). When the knowledge required for a successful entry is institutionally embedded at the home government, then, the support of the Chinese government may foster firms to springboard rapidly at the initial OFDI with a large step and without having accumulated prior international experience (Luo & Tung, 2007). Moreover, the impaired performance, resulting from too many simultaneous foreign expansions and lack of prior international experiences, is reduced when a firm complies with or actively uses home-country government bargaining power (Lu et al., 2014).

Pooling together the foreign performance resulting from the relatively stronger bargaining power of the home country and domestic performance gained from the shielded and favored relation with the home government, overall firm performance eventually may turn positive as a result of the moderating effect of accommodating home political objectives (Wang et al., 2012). This probably explains why the home political influence has a stronger enhancing effect on the relationship between the home-favored multiple simultaneous pattern than the gradually growing pattern and firm performance. Thus, based on these discussions, the following hypothesis is suggested:

H3: The different performance level between the pattern of multiple simultaneous OFDIs and the pattern of growing OFDIs will be enlarged by China's political influence when the home country has asymmetrically greater political influence

than the host country.

2.2.3 Host country risk

Rasheed (2005) demonstrated a moderating (lessening) effect of host condition on entry mode and performance. Schwens, Eiche and Kabst (2011) also studied the moderating influence of host country risk on the relationship between international experience, proprietary know-how, strategic importance, and SME entry mode choice. Political instability, economic and currency fluctuations, financial crises, and similar events, therefore, can exacerbate the unpredictability of the host country environment and consequent performance (e.g. Anderson & Gatignon, 1986; Erramilli & D'Souza, 1995).

A CMNE that takes incremental OFDI may have impaired performance if the host risk becomes an obstacle that is difficult to overcome. The literature shows that the positive relationship between the gradually growing pattern of China's OFDI and the performance effect may be lessened by the political instability of the host environment. Drastic economic changes in the business environment are detrimental to business interests. The risk that a country may not be able to repay its foreign liabilities are risks that the return to investment may suffer (Asiedu, 2002; Busse, 2007). Local well-established market-supporting institutions are able to provide support service to OFDI and an efficient common infrastructure is able to reduce transactional uncertainty (McEvily & Zaheer, 1999). On the contrary, the host country risk implies that CMNEs will have lower profitability resulting from ill-established local institutions and perhaps even a lower probability of survival.

Casillas and Moreno-Menéndez (2014) point out that it is only through incremental and time-consuming learning-by-doing processes of conducting business abroad that a firm may gain crucial knowledge about host countries to overcome the liability of foreignness. In this way, the performance effect of the pattern of multiple and simultaneous OFDIs that CMNEs take may confront a greater lessening effect by host country risk than the pattern of gradually growing OFDIs does, as prior experience that accumulated on the process of incremental process is a key factor distinguishing the gradually growing pattern from the multiple simultaneous pattern.

The unfamiliarity and discrimination costs associated with the foreign operations are expected to be high in a risky host country in which CMNEs cannot gain stable profit for their local operations. Such increased perceived host risks may, in turn, increase the reliance on accumulated experiences gained in an incremental growing pattern. Thus, the superior performance effect of the multiple simultaneous pattern is, again, much lower than the pattern of gradually growing OFDIs.

Thus, lacking an accumulated learning curve resulting from adopting the pattern

of multiple simultaneous OFDIs limits the synergy of investing in high-risk countries to obtain resources, skills, or knowledge. On the basis of the arguments, we propose:

H4: The difference of performance level between the pattern of multiple simultaneous OFDIs and the pattern of growing OFDIs of China will be shortened by the host-country risk.

3. THE TWO PATTERNS OF CHINESE OFDI

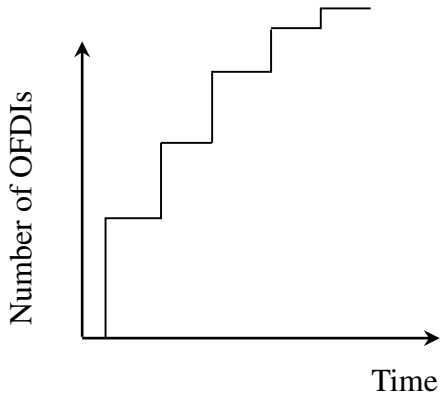
The Chinese OFDI began surging in China after 1990, encouraged by national policies, ranging from Deng Xiaoping's tour of South China in 1992 to the government-led 'go global' initiative instigated in the 1990s and 2000s. Chinese firms responded by starting their internationalization not only with the traditional IP pattern of gradually growing OFDIs but also with a born-global-based pattern of multiple simultaneous OFDIs. Two decades ago, China was an insignificant OFDI country, but it is now becoming an important source of global investment. Prior to the 1990s, Chinese OFDIs were regarded as being state-owned, since private firms were legally prohibited. Central and provincial governments controlled the appearance of CMNEs, either directly (by administrative fiat) or indirectly (via economic policy and other measures) designed to advance the economic development agenda (Buckley et al., 2007). However, after the 1990s, administrative controls were relaxed, and approval processes and procedures were streamlined (Sauvant, 2005). The process of accelerated outward investments, liberalization, and growth makes China one of the top three countries contributing most to the globally OFDIs. The United Nations Conference on Trade and Development reported a growth rate of 3,700% of China's OFDI from 2001 to 2010 and forecasts US$150 billion OFDI of China for 2016. This makes China the perfect arena to perform a natural experiment.

Figure 1 shows that the pattern of multiple simultaneous OFDIs involves high-speed expansion from the beginning. It reaches larger OFDIs from the beginning to the end during the period (Figure 1-a). Thus, it expresses a rhythm of sudden-onset regularity characterized by large peaks of rapid expansion followed by long periods of less activity or inactivity (Vermeulen & Barkema, 2002; Figure 1-b). A colored track projects the pattern of expansion over the years in Figure 1-c. For example, the China Wuyi (in light purple) started with 10 projects in 1991 and remains at a similar level for the following decade. Merchants Bank (in blue) started with five projects in 1991 and grew to 11 in 2011.

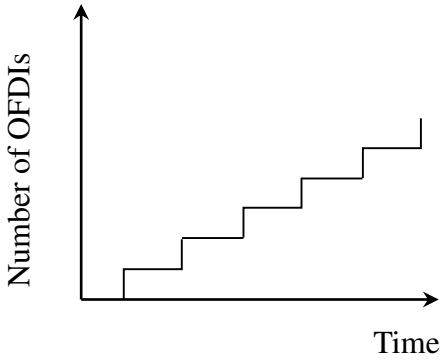
Figure 2 shows that the pattern of gradually growing OFDIs involves a slower speed of expansion from the beginning. It reaches a smaller amount of OFDIs from the beginning to the end of the period (Figure 2-a). Thus, it expresses a regular,

rhythmic expansion (Figure 2-b). A colored track projects the pattern of expansion over the years in Figure 2-c in which all firms started with only one project when they began to conduct OFDI, followed by gradual growth.

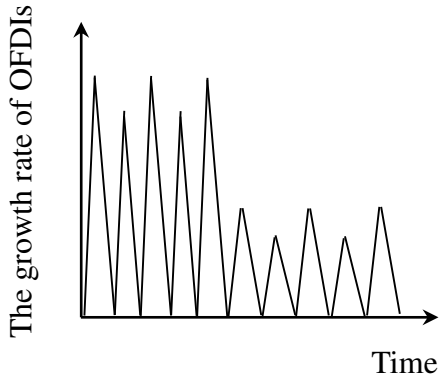
(1-a) Speed of the multiple simultaneous pattern



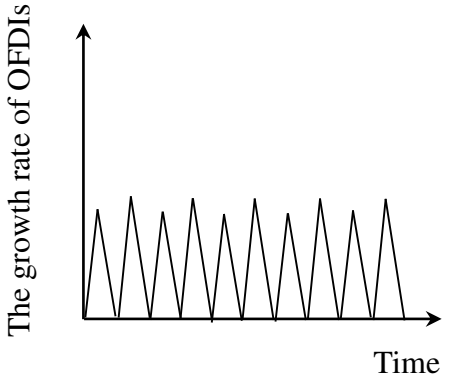
(2-a) Speed of the gradually growing pattern



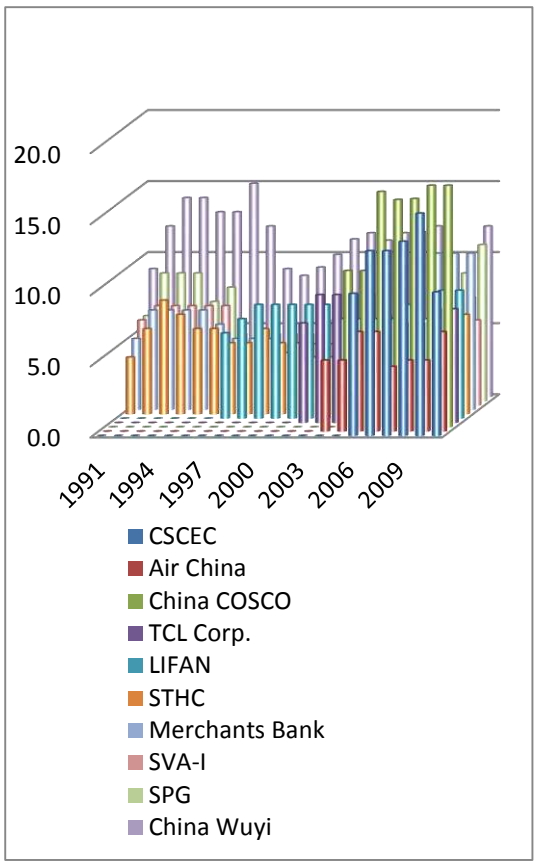
(1-b) Rhythm of the multiple simultaneous pattern



(2-b) Rhythm of the gradually growing pattern



(1-c) Number of OFDIs of a firm per year under the multiple simultaneous pattern



(2-c) Number of OFDIs of a firm per year under the gradually growing pattern

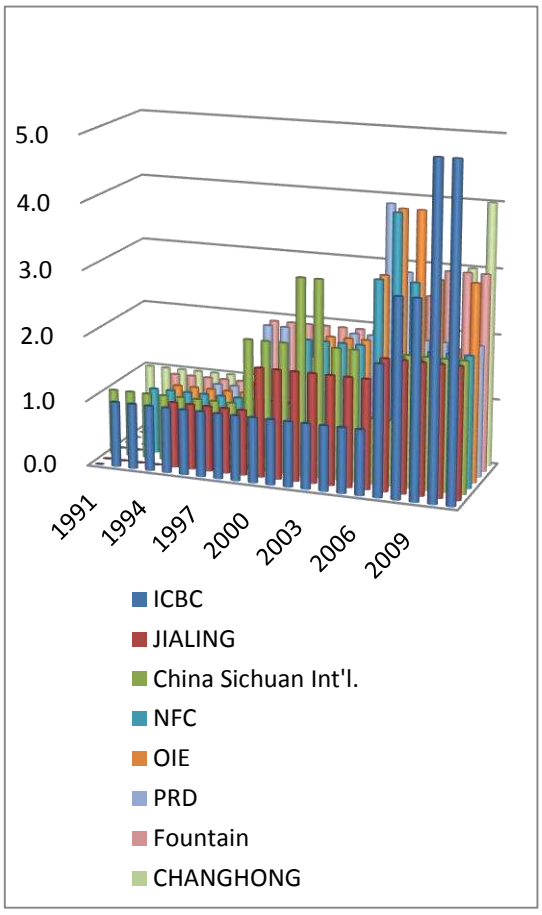


Figure 1: The multiple simultaneous pattern/ Figure 2: The gradually growing pattern

Data sources of Figure 1c and 2c: TEJ (listed firms on the Shanghai Stock Exchange and the Shenzhen Stock Exchange)

4. METHODOLOGY

4.1 Data

We chose the study duration of 1991-2011 because the previous foreign expansion before 1991 was not purely a firm decision but rather was decided by the tightly controlled central and provincial government exerting the influence of the Communist Party. However, the 'go global' policy of the 1990s brought tremendous change. Under the free will of private firms, state-owned enterprises (SOEs) and government-owned enterprises (GOEs) to go global or not, the OFDI since the 1990s can be considered the OFDI initiative of Chinese firms. There are two patterns (multiple simultaneous and gradually growing) witnessed during this wave.

There are 1,633 public list firms reported on the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE). Among them, 324 firms had OFDIs during the study period. After deleting the data of 63 firms (579 observations) whose pattern

did not meet the criteria of the two patterns, our sample consists of project-firm-half year paneled data of 4,619 observations from 261 Chinese listed firms operating in 69 countries over the world from 1991-2011.

To test the moderating effect of home political influence under the circumstance of asymmetric bargaining power between the stronger home country (China) and weaker host countries (H3), our empirical analysis is based on a subsample that only includes the OFDI projects invested in the least developed economies. The reason for choosing this dataset is twofold. First, the least developed economies show the least bargaining power against China, the largest and most profoundly influential emerging economy in the world. Second, China has specific foreign policies favoring the least developed economies via tools of politic favors, economic aids, and infrastructure developments so as to compete with the United States, Russia, and Taiwan in diplomatic affairs.

To estimate the model, we employed a one-period lag for each independent variable. Data was mainly obtained from the dataset of the *Taiwan Economic Journal*, whose database provides systematic information on Chinese firms' OFDIs from 1991 to 2011 (Lu et al., 2014; Chen & Wang, 2014).

To serve the objectives of the study, we collect the data of the host country risk and exchange rate stability from the monthly publication of the International Country Risk Guide (ICRG). The ICRG dataset measures are widely used by both practitioners and academics (Dante Di Gregorio, 2005) to capture the various dimensions of country risks and identify potential volatility. The measures represent a composite measure of country risk rating, which consists of an aggregate of political risk, economic risk, and financial risk per year during 1991-2011.

4.2 Model

In order to submit our framework to statistical testing, we employ regression analysis and estimate a model that represents the key relationships predicted by our theoretical analysis.

$$Y_{ijt} = D_i + A_j + X_{ijt-1}\alpha_1 + Z_{ijt-1}\beta_1 + ((X-\overline{X})_{ijt-1} * (Z-\overline{Z})_{ijt-1})\,\gamma + C_{ijt-1}\,\delta + \varepsilon_{ijt}$$

where Y_{ijt} is firm performance related to project i of firm j at time t, D_i is the coefficient for the fixed effect of project, A_j is the coefficient for the fixed effect of firm, X_{ijt-1} is the pattern of Chinese OFDI for project i of firm j at time $t-1$, Z_{ijt-1} denotes the three moderators–multinationality, home political influence and host country risk for project i of firm j at time $t-1$, $((X-\overline{X})_{ijt-1} * (Z-\overline{Z})_{ijt-1})$ are terms of mean-centered interactions between the OFDI pattern and each of the three moderators for project i of firm j at time $t-1$, C_{ijt-1} represents the set of control variables for project i of firm j at time $t-1$, and ε_{ijt} is the error term which has zero

mean and is independently and identically distributed across firms and time. While the X *ijt-1* is used to test H1, the three mean-centered interaction terms ((X-$\overline{X}$) *ijt-1* * (Z-$\overline{Z}$)*ijt-1*) are employed to test H2, H3, and H4, respectively.

As the paper employs a panel data set, it can be estimated by either fixed effects (FEs) or random effects (REs) models. While both models allow us to purge any unobserved time invariant firm-specific and project-specific effects, it is possible that they may produce significantly different results. A Hausman specification test is thus implemented to compare the two models. The test rejects the REs model at the 1 percent level (p=0.008). We have thus employed the FEs model. In addition, to control for panel heteroscedasticity, we employ the generalized least squares (GLS) to estimation. The GLS estimators are more efficient than the ordinary least squares to our model (Rothaermel et al., 2006). To avoid the multicollinearity of interaction terms of continuous variable, we first mean-centered the interaction terms (Aiken and West, 1991).

4.3 Measures

4.3.1 Dependent Variable

'Annual sales on capital' is used to measure firm performance. This accounting-based profitability measure was chosen largely due to data availability and also due to the fact that many previous studies have used this measure (e.g. Grant, 1987; Haar, 1989; Stefan et al., 2010). Although many other studies have used foreign sales on sales for performance, official data of sales of Chinese MNEs were not widely reliable. Cui and Jiang (2012) have pinpointed that the reliability should be the first consideration when studying China.

4.3.2 Independent Variable

We adopt *the number of starting projects of OFDI* and *the sum of project number of every period of a firm* ($\sum_{t=1}^{42} m_t$) to measure the 'speed' of OFDI. For 'rhythm', we adopted two measures: *The sum of project number of the first eight periods of a firm* ($\sum_{t=1}^{8} m_t$) and the absolute difference (|σ2-σ1|) of the summed standard deviation of project number of every period between the prior 21 periods ($\sigma 1 = \sum_{i=1}^{21} d_i$) and the former 21 periods of a firm ($\sigma 2 = \sum_{i=22}^{42} d_i$).

If the firm (1) started with more than two OFDI projects at the initial period and more projects later on, (2) had the sum of project number of every period greater than 88, (3) had the sum of projects of the first eight periods greater than 15, and (4) had an absolute difference of summed standard deviation of project number between the prior and former 21 periods greater than 0.5, then the observations of the firm are classified as a pattern of multiple simultaneous OFDIs and coded 1.

If the firm (1) started only one OFDI project at the initial period and more projects later on, (2) had the sum of project number of every period lesser than 88, (3) had the sum of projects of the first eight periods lesser than 15, and (4) had an absolute difference of summed standard deviation of project number between the prior and former 21 periods lesser than 0.5, then the observations of the firm are classified as a pattern of gradually growing OFDIs and coded 0.

4.3.3 Moderator variables

The commonly used measure of *multinationality* appearing in the literature includes a count of the number of countries in which a firm invests across geographic countries (Hitt, Hoskisson & Kim, 1997). Therefore, we chose to operationalize a firm's multinationality in terms of the number of investment countries a firm invested its international activity in (Hitt, Hoskisson & Kim, 1997; Wiersema & Bowen, 2008) for a given half-year.

Many scholars recently adopted the measure of state share of a firm as a proxy for *home political influence* in China (Wang et al., 2012; Cui & Jiang, 2012). The political influence of the Chinese government over firms is achieved not only by being a controlling shareholder influencing corporate and business decisions through its control over shareholder meetings and the board of directors (Cui & Jiang, 2012) but also to give Chinese firms access to resources or subsidies if the firm moves in the direction that the government desires (Luo, Xue & Han, 2010; Rugman & Li, 2007). Therefore, we adopt the state share of CMNEs for a given half-year as a proxy for the home political influence of China.

Host country risk is measured in accordance with Cosset and Roy (1991), who determined the indexes in 10-points scaling of political instability, economic situation, and financial system to invest in each country as the average risk in each country. Similar to Oetzel, Bettis and Zenner (2001), we measure the host country risk by a simple average of three values (political, economic and financial risk) as a composite indicator of risk value for a given host country of the project and year.

4.3.4 Control variables

Following previous studies, we control for a number of variables that may also influence performance. We control the *firm size* effect in terms of the logarithm of employee numbers and logarithm of capital in RMB (e.g. Chang & Thomas, 1989). *Firm age* is also included and measured by year. *Product diversity* is measured by number of products of a firm for a given period (Chang & Thomas, 1989; Palich, Cardinal & Miller, 2000), while *equity structure* is measured by foreign share (Jensen, 1989).

We also consider the *industry effect* (Chang & Thomas, 1989; Palich, Cardinal, & Miller, 2000) caused by the national policy of China. We create a dummy variable for observations that belong to 10^{th} and 11^{th} development policies-favored industries, i.e., the 3^{rd}-graded service industry, such as business, real estate, financial, and other service industries; and 10^{th} and 11^{th} development policies-not-favored industries, i.e., the 1^{st}-graded agriculture industry and the 2^{nd}-graded manufacturing industries, such as agriculture, forest, fisheries, livestock, heavy industries, etc. If the project of a firm at a given time is in the policy-favored industries, then it is coded as 1; otherwise, 0. Exchange rate is important to foreign sales, especially if official exchange rates of China are under- or over-evaluated. We therefore include the variable of *stability of exchange rate* by adopting a 10-point scale of variability of exchange rate per year of China from the dataset of ICRG.

The attributes of each OFDI project are measured by *project age*, *project size* (i.e. the logarithm of OFDI cost in thousand RMB), *project gain or loss (the logarithm of profit in thousand RMB)*, and the *strategy orientation* of the OFDI project. We account for strategy orientation of the OFDI by including a dummy *market-seeking orientation* (Dunning, 1993). When OFDI takes place in the host countries of Hong Kong, Macau, Taiwan, Japan, South Korea, Singapore, European, and North America (Buckley et al., 2007; Philippe Gugler & Bertram Boie, 2008), it is coded 1, denoting market-seeking orientation of strategy. When OFDIs take place in host areas such as Middle Asia, Saudi Arabia, Africa, Oceania, Central and South America, Southeast Asia, India, and Russia (Ruben, 2012; Buckley et al., 2007; Sindzingre, 2013; Yun, 2014), it is coded 0, denoting a resource-seeking orientation.

According to 'World Economic Outlook (2015), the *economic development* of each host country is also classified and measured by two dummy variables denoting advanced economies (1,0), developing economies(0,1), or least developed economies (0,0).

5. RESULTS

Table 2 first presents means and standard deviations for variables for the analysis examining descriptive statistics. Referring to pattern of OFDI of China, there are 1,778 (38.5%) paneled observations of 26 firms belonging to the pattern of multiple simultaneous OFDIs. In observations of this pattern, a firm starts with 4.92 projects on average and have averaged 146.5 summed projects during the research period that is greater than the average (105) of the total firms. Firms belonging to the pattern of multiple simultaneous OFDIs have an average of 30.3 summed projects for the first four years. Firms of this pattern have an absolute difference of summed standard deviation of project number between the prior and former 21 periods ($\left| \sigma 2 -\right.$

$\sigma 1|$=1.25) greater than the average of total firms, 0.56.

There are 2,841 (61.5%) paneled observations of 235 firms belonging to the pattern of gradually growing OFDIs. Firms of this pattern all started with only one project and have averaged 62.5 summed projects during the research period, which is lesser than the averaged 105 of total firms. The firms have an average of 9.87 summed projects for the first four years. The firms have an absolute difference of summed standard deviations of project number between the prior and former 21 periods ($|\sigma 2 - \sigma 1|$=0.33) lesser than the average of total firms 0.56.

Among the 69 host countries, the CMNEs in the research sample have a substantially *multinationality* strategy with an average country number of 2.92, ranging from 1 to 15. The 10-point score for host country risk is also indicated, with an average of 6.07. The distribution among the developed, developing, and least developed economies is 2,640 (57.2%), 1,761 (38.1%), and 218 (4.7%). The average performance effect is 0.05 in average, which means every dollar of capital brings 0.05 sales.

The mean logarithm of firm employee numbers and firm capital is 3.64 and 9.07. The mean firm age is 24.03 years. The mean of number of products and foreign share is 5.07 and 1.25. There are 2,914 (63%) observations of the OFDI belonging to the industry that government policy favors and 1,705 (37%) observations belonging to the industries that government policy does not favor. A Chinese firm usually has 3.75 OFDI projects on average. The stability of the exchange rate is quite good (8.45). The mean logarithm of project size and project gain is 3.50 and 3.53. The mean project age is 7.46 years, which means that the average project has a positive performance and survives more than seven years. There are 2,936 (63.6%) observations of the OFDIs belonging to the strategy of market-seeking orientation and 1,683 (36.4%) observations belonging to the strategy of resource-seeking orientation. The prevalence of market-seeking strategy orientation is consistent with trends in China's foreign policy in recent decades.

There are 111 GOEs/SOEs (42.5%) and 150 private firms (57.5%) from China in our sample. Further, the home political influence, in terms of state share, appears an average of 32.86. Some CMNEs achieve a ratio of 100% home government owned. For testing home political influence (H3), the data of the subsample consists of 218 observations of 13 firms (4.7%).

Table 2 also provides information regarding the correlations matrix among variables. As can be seen, most of the correlations are small, and there is no single correlation above 0.4. The average variance inflation factors (VIFs) is well below the acceptable threshold of 10 (Neter, Wasserman, & Kutner, 1985), indicating that our data does not suffer from serious problem of multicollinearity.

Table 2 Descriptive statistics and Pearson correlation matrix

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	VIF
1.Firm size (Log of employee)	3.64	0.85	1	0.283	-0.303	0.276	0.055	-0.003	0.032	0.121	0.242	-0.131	0.050	0.268	0.338	0.033	-0.020	0.273	3.591
2.Firm size (Log of firm capital)	9.07	0.69		1	-0.373	0.316	0.113	-0.060	0.037	0.208	0.367	-0.171	0.030	0.288	0.364	0.038	0.001	0.155	4.835
3.Firm age	24.03	15.59			1	-0.107	-0.090	-0.060	-0.033	-0.085	-0.098	0.180	0.042	0.197	0.304	0.002	-0.007	0.048	1.539
4.Product diversity (number of firm products)	5.07	2.32				1	-0.046	-0.018	0.016	0.055	0.195	-0.029	-0.026	0.188	0.155	0.118	0.002	0.053	1.408
5.Equity structure (foreign share)	1.25	4.35					1	0.059	0.035	-0.018	-0.062	0.128	0.057	0.056	-0.056	0.082	0.076	-0.088	1.093
6.Industry effect (dummy)	0.63	0.46						1	-0.010	0.033	0.002	-0.029	-0.011	0.104	-0.107	-0.094	-0.039	0.069	1.179
7. Stability of exchange rate	8.45	1.15							1	-0.032	0.094	0.035	0.206	0.048	0.022	0.006	0.316	0.007	1.448
8.Project size (Log of investment cost)	3.50	1.02								1	0.346	-0.017	-0.091	-0.024	0.109	-0.008	-0.085	0.057	1.479
9.Project gain or loss	3.53	1.18									1	0.129	-0.034	0.253	0.209	-0.067	0.079	0.053	1.801
10.Project age	7.46	3.26										1	-0.016	0.063	-0.015	-0.085	0.002	-0.035	1.289
11.Market-seeking orientation (v.s. Resource-seeking orientation)	0.64	0.48											1	0.053	-0.014	0.081	0.319	-0.033	2.264
12.Pattern of OFDI	0.35	0.48												1	0.382	0.170	0.086	0.007	3.077
13.Multinationality (number of host countries)	2.92	2.68													1	0.095	0.016	0.076	2.055
14.Home political influence (state share)	32.86	28.85														1	0.073	0.133	1.094
15.Host country risk	6.07	0.68															1	-0.078	2.743
16.Firm performance Annual sales/capital)	0.05	0.01																1	

Table 3 Regression results of GLS (Fixed effects; Dependent variable: Annual sales/capital)

	Model 1	Model 2	Model 3	Model 4
1. Firm size	0.647***	0.658***	0.661***	0.675***
2. Firm size	0.333***	0.282**	0.287**	0.300**
3. Firm age	-0.017	-0.047	-0.047	-0.060
4. Product diversity	0.054	0.070	0.060	0.048
5. Equity structure	-0.111*	-0.100*	-0.092*	-0.095*
6. Industry effect	0.225***	0.202***	0.204***	0.196***
7. Stability of exchange rate	0.017	0.021	0.030	0.045*
8. Project size	-0.072	-0.091	-0.103	-0.082
9. Project gain or loss	0.116**	0.125**	0.127*	0.098*
10. Project age	-0.003	0.014	0.018	0.024*
11. Market-seeking orientation	0.365**	0.341***	0.329**	0.298**
12. Host country dummy 01	0.013	0.091	0.068	0.013
13. Host country dummy 02	-0.339*	-0.253*	-0.279*	-0.346*
14. H1: Pattern of OFDI (X)		0.123*	0.164***	0.209**
15. Multinationality (Z1)			0.469**	0.574**
16. Host country risk (Z3)			-0.006	-0.017
17. H2: (X-$\overline{X}$)* (Z1-$\overline{Z1}$)				0.489***
18. H4: (X-$\overline{X}$)* (Z3-$\overline{Z3}$)				-0.027
Observations	4619	4619	4619	4619
F-statistic	16.812***	15.169***	12.580***	10.861***
R^2	0.313	0.360	0.462	0.545
Adjusted R^2	0.300	0.355	0.433	0.513

*P<0.1, **P<0.05, ***P<0.01

Table 4 Regression results of H3 (Fixed effects; Dependent variable: Annual sales/capital)

	Model 1	Model 2	Model 3
1. Firm size	0.547**	0.530**	0.528**
2. Firm size	-0.327	-0.306	-0.326
3. Firm age	-0.048	-0.045	-0.062
4. Product diversity	0.279***	0.273***	0.298***
5. Equity structure	0.042	0.041	0.051
6. Industry effect	-0.046	-0.039	-0.024
7. Stability of exchange rate	-0.093	-0.095	-0.087
8. Project size	0.276***	0.274***	0.262***
9. Project gain or loss	0.105*	0.104*	0.104*
10. Project age	0.198***	0.196***	0.197***
11. H1: Pattern of OFDI (X)		0.431**	0.336**
12. Home political influence (Z2)			0.197**
13. H3: (X-$\overline{X}$)* (Z2-$\overline{Z2}$)			0.106**
Firm number of sample	13	13	13
Observations	218	218	218
F-statistic	15.018***	13.743***	11.414***
R^2	0.342	0.393	0.468
Adjusted R^2	0.317	0.375	0.436

*P<0.1, **P<0.05, ***P<0.01

To specify the proper data for testing H3, we test H1, H2, and H4 in Table 3 and H3 in Table 4.

Table 3 shows the result of the data population of 4,619 observations of 261firms, with the sample containing data on having invested in the developed, developing, and least developed host economies. Model 1 includes only the control variables. The *pattern of OFDI* is introduced to Model 2. The value of the adjusted R^2 is higher in Model 2 than in Model 1 (0.355>0.300). Further, in Hypothesis 1, we hypothesize that the performance effect caused by the two patterns is different. The results supported H1, that the performance effect of the pattern of multiple simultaneous OFDIs is indeed significantly better than the performance effect of the pattern of growing OFDIs (β=0.209**) when CMNEs, as latecomers, tried to catch up in the race of internationalization. This proves that the pattern of OFDI is indeed a crucial key to understanding how and why China, as the most important EE, has rapidly internationalized in a short period of time, and how much a MNE of EE benefits from choosing a unique pattern different from the traditional way that developed countries did for their first OFDI.

Models 2-4 present the results for H2 and H4 pertaining to the interaction effects. Following the usual practice in moderated regression analysis (Wang et al., 2012), we enter two-way interactions in Model 2-4 successively. The Adjusted R^2 value of each model is increasing, indicating that the addition of an interaction term in each case does indeed increase the explanatory power of the model.

In Hypothesis 2, we hypothesize the enlarging effect of multinationality strategy of CMNE upon the pattern of OFDI-performance relationship. As shown in the Model 4 (see Table 3), the mean-centered interaction term $(X-\overline{X})^*(Z1-\overline{Z1})$ (pattern of OFDI*number of country invested) is positive and significant (β=0.489***). Therefore, Hypothesis 2 receives support. CMNE's rapidly globalization will be more able to realize firm performance when operating multinationality in a dispersed network where geographical diversification renders a benefit.

In Hypothesis 4, we hypothesize that the difference between the performance effects caused by different patterns will be shortened by host country risk. As shown in Model 4 (see Table 3), the mean-centered interaction term $(X-\overline{X})^*(Z3-\overline{Z3})$ (pattern of OFDI *host country risk) is not significant (β=-0.027). Thus, the result does not support H4. Our finding does not support the view that China's investing in risky locations under the pattern of multiple simultaneous investments breed lower levels of performance. Therefore, we could not corroborate that the difference between the levels of performance effect caused by different OFDI patterns of China will be shortened by the level of host-country risk.

Table 4 is the result from the data of 218 observations of 13 firms, with the

sample containing only the data on investment in least developed host economies. Model 1 includes only the control variables. We did not include the control variables of market-seeking orientation and host country dummies, as the subsample is among the group of least developed economies and the group of resource-seeking orientation. The mean-centered interaction term of *home political influence* is introduced in Model 3. The value of the adjusted R^2 is higher in Model 3 (0.436) than in Model 1 (0.317) and Model 2 (0.375).

In Hypothesis 3, we hypothesize that the enlarging effect of Chinese political influence upon the pattern of OFDI-performance relationship when China is in strong position of political influence against host countries that are least developed economies. As shown in Model 4 (see Table 4), the mean-centered interaction term (X-$\overline{X}$)* (Z2-$\overline{Z2}$) (pattern of OFDI *state share) is positive and significant (β=0.106**). Thus, the finding strongly supports H3. The moderating role of the home political influence of China is contingently enhancing CMNE's firm performance when CMNE adopts the pattern of multiple simultaneous OFDIs rather than the gradually growing pattern.

To explain the moderating effects of multinationality and the home political influence better, we present these relationships in Figures 3a and 3b. Besides testing the performance effect of different patterns of OFDI in China, this paper argues that the pattern of the OFDI-performance relationship is subject to the multinationality strategy of the firm and relative power of the external home institution. We can expect a stronger positive performance effect when a CMNE adopts its OFDI in a faster and fulminant pattern along with a firm's multinationality strategy and assistance from home political influence.

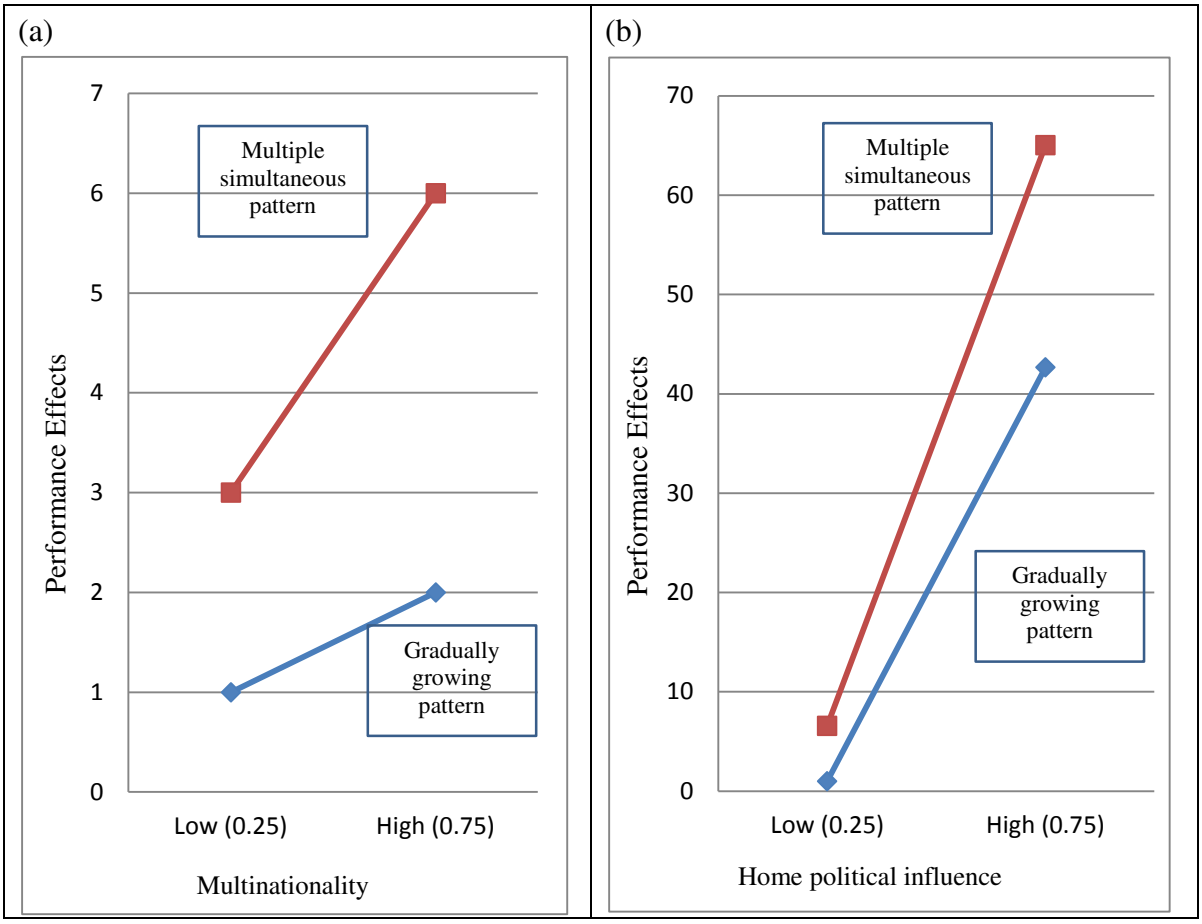


Figure 3. Moderating effects: (a) interaction effects of the pattern of OFDI and multinationality and (b) interaction effects of the pattern of OFDI and home political influence.

5.1 Robustness checks

Although our use of a lag structure may reduce endogeneity, if any, there still might be unobserved effects that influence both OFDI patterns and their performance outcomes. We adopt the following measures to test the stability of the main results. First, we reduce concerns about endogeneity by incorporating several variables that account for firm and project characteristics. We include seven firm-level and six project-level control variables that should help to alleviate the potential problem of endogeneity. Second, we also employ the mixed-effect models, containing both fixed effects and random effects, to estimate the regressions. The results are qualitatively the same. Third, we estimated a full model (see all Model 4), including the independent variable, moderating variables, and interaction terms. The results pertaining to those interaction terms are qualitatively similar to those in the hierarchical models. Fourth, we replaced annual sales/employee numbers as the dependent variable. The results remain qualitatively consistent with those reported in the paper.

Finally, to further correct the bias resulting from the feature of the three-dimension panel (Xijt; project, *i*; parent firm, *j*; time, *t*), we generate the variable 'panel size', which denotes the number of foreign projects a firm has at the same period for each observation. The panel size indicates the dispersion of the variance of investing size of a firm at a given time period. The significance of the variables in Table 5 suggests that the unobservable factors that are accommodated by the statistical model are corrected for unobserved heterogeneity caused by the three-dimension panel.

Table 5 Regression results of GLS (Fixed effects; Dependent variable: Annual sales/capital)

	Model 1	Model 2
1. Firm size	0.674***	0.520*
2. Firm size	0.294**	-0.344
3. Firm age	-0.059	-0.116
4. Product diversity	0.050	0.237**
5. Equity structure	-0.096*	0.107*
6. Industry effect	0.198***	0.432*
7. Stability of exchange rate	0.046*	-0.048
8. Project size	-0.083	0.221**
9. Project gain or loss	0.097*	0.132*
10. Project age	0.023*	0.111**
11. Panel size	0.157*	0.294*
12. Market-seeking orientation	0.297**	
13. Host country dummy 01	0.004	
14. Host country dummy 02	-0.357*	
15. H1: Pattern of OFDI (X)	0.200**	0.294*
16. Number of country invested (Z1)	0.623**	
17. Host country risk (Z3)	-0.016	
18. H2: (X-$\overline{X}$)* (Z1-$\overline{Z1}$)	0.492***	
19. H4: (X-$\overline{X}$)* (Z3-$\overline{Z3}$)	-0.026	
20. Home political influence (Z2)		0.243*
21. H3: (X-$\overline{X}$)* (Z2-$\overline{Z2}$)		0.132**
Observations	4619	218
F-statistic	11.273***	10.572***
R^2	0.525	0.556
Adjusted R^2	0.502	0.528

*P<0.1, **P<0.05, ***P<0.01

Even though some values of the observations that are in the forms of two-dimensioned panel data (X*jt* or X*it*) are fixed, the overall values of the dependent

variable that can be estimated by panel regression varies, as shown in Figure 4.

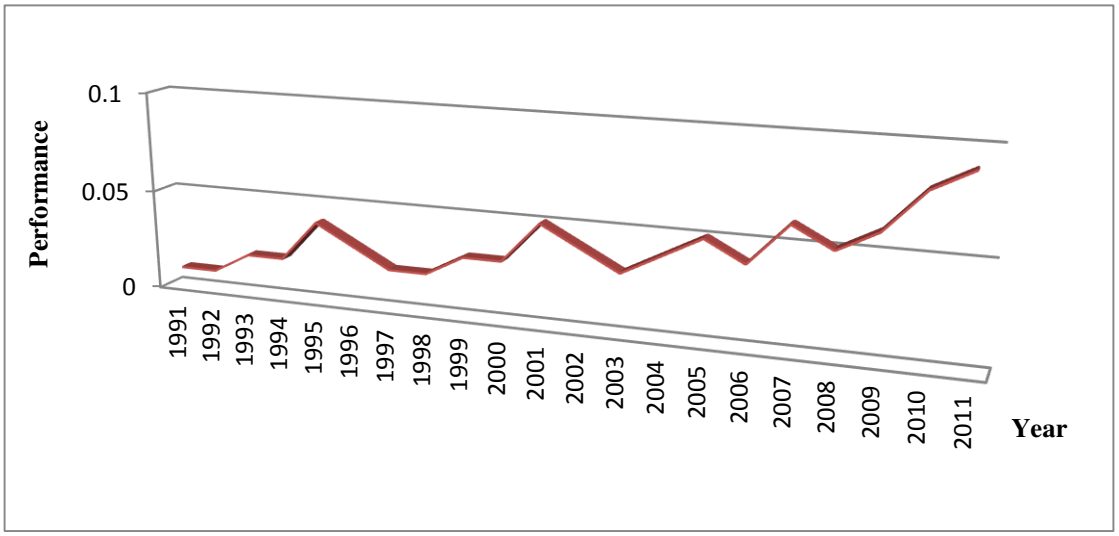


Figure 4 The values of the dependent variable of all observations

6. CONCLUSION

This paper conceptualizes and tests how different patterns of OFDI in China, namely multiple simultaneous and gradually growing patterns, may affect CMNE performance. This study, accordingly, is the first attempt to synthetically conceptualize the pattern of OFDI from the extant concepts of speed and rhythm in the Chinese context. Moreover, this paper examines the importance of multinationality strategy and home political influence and the extent to which they moderate the effect of pattern of OFDI on firm performance. Employing a novel panel data set of Chinese firms, the findings largely support the explanation for EEs.

6.1 Theoretical implications

Our study adds to the internationalization literature by showing that how much a CMNE benefits from where it expands into foreign markets depends on how it arrived there. We developed and tested a theory for EEs regarding how various characteristics of the pattern of OFDI influence how much OFDI contributes to CMNE performance. Consistent with the predictions, we found that the born-global view-based pattern of China, with its high speed and sudden onset rhythm, brings better a performance effect for CMNEs. In the current discussion of the IP approach versus the born-global approach, the literature predominantly suggests that the incremental and steady rhythm of foreign investments based on the accumulation of internationalization experience (Lopez, Kundu & Ciravegna, 2009; Hashai, 2011) may be a proper solution, particularly for firms of advanced countries. Our findings, by contrast, have attempted to address the necessity of reconsidering various patterns of OFDI in China

and other EEs in similar situations. This study reveals that the mechanism through which the OFDI pattern is created as a strategy for CMNEs needs extensive exploration so that a specific theory of EEs can be elaborated.

This creates the need to reconcile the born-global theory-based explanation in the internationalization of EEs. Such a focus is theoretically important because it allows us to recognize a more insightful conceptualization of internationalization theory for EEs such as China. This is particularly true in terms of identifying an investment framework for the comparison of foreign investment patterns based on the scope/scale of the initial OFDI and the speed of foreign expansion of latecomers of large emerging economies. This study also marks the first attempt to synthesize the definition of how a firm goes international. A few studies have shown that the new context shown in OFDI patterns of EEs may accrue overall performance effects. We conceptualize the pattern of China OFDI by incorporating the concepts of speed and rhythm to reach a more complete picture of the dynamics of internationalization. With our model, we offer a theoretical explanation of this mechanism by specifying how the pattern of OFDI of EEs adds meaning to internationalization.

In addition to the theory of OFDI, this article has important implications for the IB of EEs. Internationalization theory has offered schemes of external and internal determinant factors and has suggested that future studies should move toward the more integrated framework when investigating the internationalization of China or EEs, such as the roles of moderator or mediator. These ideas have been widely discussed and examined in developed countries, but scholars have offered little explanation as to how, and the extent to which, both firm strategy and environmental context moderates the effects of the pattern of OFDI on the performance of China and similar EEs. Employing a novel panel dataset of newly CMNEs, we believe our model provides a useful step toward the development of such a framework in EEs. In the course of internationalization, our findings suggest that academic research should move beyond a simplistic and universalistic view of the pattern of the OFDI-performance relationship and focus on contingency factors that either facilitate or constrain the relationship.

Our findings indicate that the performance effect of a multiple simultaneous OFDIs depend on the importance of firm's multinationality strategy. A learning curve accumulated from present multinationality can offset the need for prior international experience in EE firms' OFDI activities. It is important that experiential learning from diverse geographical and foreign institutions other than traditional accumulated learning escalated from countries of similar psychic distance may be important for studies of specific internationalization episodes and situations. Our findings consequently mean that our model exaggerates the born-global nature of the

internationalization process. These contingency factors help firms of EEs, such as late-coming Chinese firms, engage in internationalization all at once instead of in an incremental fashion.

Furthermore, we extend prior theories that view home government involvement as either a functional complement or a side effect suffering from a negative relationship between host and home countries for foreign ventures by showing that the home state, in circumstance of asymmetric influence that gives it greater bargaining power, can indeed be a supplemental resource that helps MNEs compete in international markets. By conceptualizing Chinese political influence in a relatively dyadic relationship as having a supplement role, CMNE performance emerges as an important consequence of firms' rapid foreign expansion. Recognizing that CMNEs internationalize in a pattern of multiple simultaneous foreign OFDIs and are influenced by multiple institutional forces (Yaprak & Karademir, 2010), our study therefore shifts the debate from whether home political influences matter for internationalization to the question of how and under what conditions they can be used to improve the firm performance effect. Our study also suggests that MNEs may better improve the performance of multiple simultaneous foreign OFDIs than growing foreign investments when the home institution is in a strong position relative to a weaker host country. Hence, this study enriches our understanding of how EE firms internationalize in distinctive macro and micro contexts.

Finally, using the context of China arguably opens up opportunities to develop novel insights, theories, and perspectives that may be generalizable to identical home institutions of EEs. Since CMNE, in many respects, presents the most complex type of institutional and societal-political coordination system a firm faces, a theory developed within it is more likely to be applicable to other similar EEs as compared with attempts to generalize or put down roots in broad IB theory. As China develops rapidly, the scope and scale of Chinese OFDI merits ongoing analysis by international business scholars (Peng, Wang & Jiang, 2008; Wang et al., 2012), for it is a manifestation of the economic, organizational, and managerial transformation in the country and its relationship with the rest of the world.

6.2 Managerial implications

A number of specific recommendations for practicing managers about how to enhance CMNEs' performance could be derived from our theory. Our model suggests that the multiple simultaneous pattern of OFDIs can improve CMNEs' overall performance, while CMNEs undertake their initial international expansion in rapid multiple fulminant investments simultaneously. The new pattern of multiple simultaneous OFDIs can be viewed as focusing on the resources already possessed by

the MNEs to be deployed in multiple markets simultaneously.

The multinationality strategy, based on the competitive advantages of knowledge transfer, resource sharing, and product bundling from various countries, enables the firm to extend boundary-less competitive advantages to other overseas markets. By the strong support of experimental learning accumulated from multinationality, adopting a means of rapid speed and sudden onset of foreign expansion will benefit the overall performance of a firm of large EEs not by appropriating rents in overseas markets (Barney, 1991; Tseng et al., 2007) but by leveraging home country resources and exploiting valuable resources from other host countries (Wang et al., 2011).

Our results imply that Chinese firms are able to use institutional factors to compensate for the rapid and sudden-onset expansion pattern of OFDI, which is usually characterized by lack of experience about foreign markets. Seeking China's political support when choosing a pattern for foreign expansion may be an important strategy that helps firms deal with exogenous and endogenous uncertainty and resources.

We suggest that firms' legitimacy in their home country, strategy of OFDI, and pattern of OFDI are strongly connected. The strengthening effect of external resource connection and firm strategic orientation toward OFDI contributes to the way to internationalize (Globerman & Shapiro, 2009; He & Lyles, 2008; Zhang, Zhou & Ebbers, 2011).

6.3 Limitations and Future Research Directions

There are limitations to our study, which also provide direction for future research. Our data compare the two patterns in explaining the Chinese OFDI and firm performance, which leads to a new direction, namely that the comparison model incorporating the patterns of born-global-based and IP-based OFDI is worthy of future attention in EEs. As the patterns of OFDI vary significantly across different economies, our focus on China could raise some concerns regarding the generalizability of the formation, path, and rhythm of internationalization in emerging markets similar to the institutionalization of China.

Future research could also consider how much a firm's benefits from having foreign subsidiaries depends on the quality of the dyadic relationship between host and home countries, i.e., the country-of-origin effect that may constrain or encourage foreign profitability. Future studies could also consider the dynamic strategy of pattern choice and firm performance; thus, the model could be expanded to include time-varying variables that reflect the dynamics.

Theorizing on the OLI paradigm of internationalization, especially those from EEs, needs to pay greater attention to when and how a home-specific location

advantage exists. Moreover, although institutions can have a profound impact on internationalization strategy, the institutional environment can also be influenced by MNEs themselves (Cantwell, Dunning & Lundan, 2010). These relationships, both positive and negative, involve complex mechanisms (Boddewyn & Brewer, 1994). Examining the mechanisms that shape these reciprocal, co-evolving relationships between MNEs and home or host countries would be a fruitful avenue for further research.

Interdependencies between the Chinese government and MNEs are increasingly leading to greater concentration, implying that CMNEs may have fewer discrepancies in internationalization strategies. In contrast, future research should investigate the response of an MNE when a government gradually loses scope for autonomous policies in the condition of a weak connection between CMNEs and political party.

Furthermore, although most MNEs are regulated by different government contexts, the way in which firms are affiliated with government and the nature of such relationships may vary across countries. To understand why MNEs in various levels of government affiliations adopt different means of international expansion, a useful extension would be to employ comparative research and examine the role of home country across EEs.

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