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Role of Network Capabilities in Internationalisation of New Ventures in Emerging Economies: A Contingent Effect of industry Concentration and Liberalisation

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Title: Role of Network Capabilities in Internationalization of New Ventures in Emerging Economies: A Contingent Effect of Industry Concentration and Liberalization

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Abstract:
Internationalization of new venture (INV) is the interest of inquiry for the last more than 20 years. Though many researchers have looked at different factors and their impact on speed, scope, and intensity of internationalization in new ventures, still this stream of research is at nascent stage ., The study examines the role of firm's network capabilities (business group affiliation) and its impact on internationalization in the new venture in emerging economies. It also explains that how industry concentration and liberalization of economy change relationship between business group affiliation and internationalization in emerging economies. Based on a dataset of new ventures from 67 industries founded in India during the transition period of 1994 to 2014, our results suggest that ventures with business group affiliation focus on domestic market, the focus changes from domestic market to international when there is high industry concentration and with the liberalization of the economy.

Keywords: International New Ventures, Business Groups, Emerging Economies

INTRODUCTION

Oviatt and Mcdougall (1994) initiated research in International Business (IB) on firms that internationalize rapidly after inception. They termed these kinds of firms international new ventures (INVs). Later, the concept of INV presented by Oviatt and Mcdougall (1994), was studied by researchers under four labels; INVs, Born Global, Accelerated Internationalization and International Entrepreneurship (IE) (Zahra, 2005). Researchers have looked at the role of entrepreneurs characteristics (demographic, cognitive), firm factors and industry factors on internationalization of new ventures (Saiyed, 2016) but this research field is still at its nascent stage (Zahra, 2005).

INVs face libabilities of newness, liabilities of smallness and liabilities of foreignness. INVs in emeging economies also need to overcome infrastructure and resource constraints of their environment (Saiyed & Fernhaber, 2017). Multiple factors and sources may help INVs to gain resources in terms of information, knowledge, relations, contacts, and capabilities which are useful for their early internationalization (Bloodgood et al., 1997; Contractor et al., 2005; Federico et al., 2009; Kundu & Renko, 2005; Mcdougall et al., 2003; Reuber & Fischer, 1997; Shrader et al., 2000; Westhead et al., 1997; Eli-Renko et al., 2002). Researchers found that human capital like entrepreneur's education (Contractor et al., 2005; Kundu & Renko, 2005), international experience (Bloodgood, Sapienza, & Almeida, 1996; Westhead et al., 1997), industry experience (Cannone & Ughetto, 2014; Federico et al., 2009; Mcdougall et al., 2003; Westhead et al., 1997), prior start-up experience (Federico et al., 2009; Mcdougall et al., 2003; Shrader, Oviatt, & Mcdougall, 2000), marketing and technical capabilities (Contractor et al., 2005; Kundu & Renko, 2005; Mcdougall et al., 2003; Shrader et al., 2000) international experience of top management team (Reuber & Fischer, 1997) affect internationalization in new ventures. Researchers also found a relationship between social capital (Federico et al., 2009; Yli-renko et al., 2002) and early internationalization of new ventures. Though many researchers have studied firm factors and their impact on INVs, this research stream requires more attention of the researchers. Keupp and Gassmann(2009) in their review paper stated that "Future research should emphasize the study of capabilities and resource configurations of entrepreneurial firms that internationalize—irrespective of firm size" (p.618). There is limited knowledge on the relationship between firm-level factors especially network capabilities and rapid or early internationalization of firms, how network capabilities enable firms to go for early internationalization.

In a recent review of the international entrepreneurship research in emerging economies, Kiss and colleagues (2012) observed that less than half of the studies had identified an industry focus and those that did focus almost exclusively on the manufacturing sector. The authors argue that examining a greater variety of industry contexts can enhance our understanding of the relationship between industry level variables and internationalization patterns. This is especially important because new ventures pay particular attention to the external environment for ensuring they are on the right path, and the industrial economics literature suggests that a venture's strategy is influenced both by internal and external factors. In the case where the external environment is not only dramatically different from more developed countries but is also changing as emerging economy transitions, there is a need to dig further into understanding the role that industry structure plays.

Environment and industry factors play a big role in strategic choices made by new ventures especially in the context of INVs. To enhance our understanding of new venture internationalization in emerging economies, we, therefore, explore the role of a key aspect of industry structure that serves as a measure of firm rivalry and power, namely industry concentration (Caves, 1987; Porter, 1980). While many measures of industry structure exist, there has been limited insight to date as to the role of industry concentration, which is surprising given that industry concentration is theorized to be the most important element of industry structure in the field of industrial organization. Although new ventures tend to form in less concentrated industries (Robinson, 1998), there is still variance within these industries that leads to mixed implications for performance (e.g. Biggadike, 1979, Kunkel, 1991, McDougall, Robinson & DeNisi, 1992).

Environment and Industry factors may have a moderating effect on the relationship between organizational variables and international entrepreneurship. A moderating relationship is appropriate when thinking of effects of strategic and environment factors because, according to strategic choice approach, certain organizational characteristics may promote or inhibit international entrepreneurship activities in the different business environment (Shaker A Zahra & George, 2002). Peiris, Akoorie, & Sinha (2012) stated in their review paper that, future research can focus on integrating domestic and international environment (regarding markets, industry, competition, culture, and institutions) into IE. The moderating effect of environment is considered at every phase and stage of integrated IE model created by Peiris et al. (2012) after reviewing IE literature of two decades. This was also proposed by Shaker A Zahra and George (2002), that industry factors affect organizational factors and internationalization of new ventures at every stage, so it is required to study industry factors and environmental factors as moderators and their effects on organizational factors and early internationalization in new ventures.

Recent calls by researchers(Jones, Coviello, & Tang, 2011; Kiss, Danis, & Cavusgil, 2012; Peiris et al., 2012) showed that it is necessary to study IE and INVs in a different context, especially emerging markets. Though India is a very important emerging market, only 6 out of 189 studies reviewed in Kiss et al. (2012) recently had used India as a context. So we ask following questions in this paper?, How does network capabilities influence new ventures internationalization within emerging economies? Does this relationship change due to industry factors (industry concentration)? Does this relationship change over time as the economy transitions post-liberalization? Combining network theory, resource based view with industrial organizational theory, we offer hypotheses. Our hypotheses are tested within an unbalanced panel of new ventures that were founded post-liberalization within India between 1994 and 2014.

The study tries to understand the role of firm's network capabilities in terms of business group affiliation and their impact on INVs. This is the first contribution of the study. Exploring the moderating effect of industry (industry concentration) and environment (effect of liberalization) on network capabilities and internationalization in new ventures is the second contribution of the study. A growing trend of entrepreneurship in India in IT, tourism and other sectors makes India a very interesting context. So, the third contribution of the study is it explores industry and firm antecedents in emerging market context especially India. Usage of secondary data and archival data is a rare phenomenon in INV and IE literature. The Very limited study used longitudinal panel data (Cavusgil & Knight, 2015; N. E. Coviello & Jones, 2004; Marcus Matthias Keupp & Gassmann, 2009; Peiris et al., 2012; Zahra & George, 2002). The last contribution of the study is the usage of secondary data to explore direct and interaction effects.

LITERATURE REVIEW

International New Ventures

Oviatt and Mcdougall (2005) defined "international new venture as a business organization that from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (p.31). This definition has some limitations, as this definition puts emphasize on age. It is difficult to find the inception of some new ventures because it is difficult to find gestation period of some new ventures. Some new ventures are spun off from a large group or are results of restructuring. So the study would focus on the new ventures that had internationalization in their first six years of inception (Fernhaber et al., 2007; Mcdougall et al., 2003; Zahra, 2005).

Resource stocks, tangible and intangible are critical for firms. As per resource based view, resources that are valuable, rare, inimitable and non-substitutable can give a competitive advantage to firms (Barney, 1991). Resources limit market entry and level of profits firms can generate (Wernerfelt, 1986). Firms with large resource base skip stages of internationalization (Johanson & Vahlne, 1977). New Ventures with unique resource stocks have a greater proclivity towards internationalization compared to new ventures without these resources (Bloodgood et al., 1996). According to Nowiĕski and Rialp (2013), INVs from transition and emerging economies have tangible and intangible resource constraints. So resources are very important for INVs.

For Born Globals that overcome liability of newness and foreignness and internationalize, the future discussion could be exploring questions like "What factors at the industry and firm levels support these companies in managing such multiple tasks? What specific resources, capabilities, orientations, and strategies enhance their performance? How do they overcome inherent liabilities to achieve legitimacy in foreign markets?"(Zander et al., 2015,p.11). There is limited knowledge on the relationship between firm-level factors & capabilities and rapid or early internationalization of firms, how these factors and capabilities enable firms to go for early internationalization. "Future research should emphasize the study of capabilities and resource configurations of entrepreneurial firms that internationalize—irrespective of firm size" (Keupp & Gassmann, 2009, p.618). There is also a need for research which integrates internationalization theory and network theory, resource based view, knowledge based and dynamic capability theories (Rialp et al., 2012). Detailed reviews of studies in emerging markets showed that resources and capabilities have the direct effect of IE processes in emerging market context(Kiss et al., 2012).Firm-level resources like unique assets, R&D spending, network and reputation; and Firm-level factors like; age, size, venture origin, location, growth orientation, etc. have been studied. Therefore, there are competing explanations of resources and capabilities and their effects in INV literature. There is also need to have an extension of IB and strategy literature by studying some of the resource and capability variables in INV context. Therefore, resources and capabilities are very critical factors for INVs, and they need to be studied different contexts so it can complement and extend existing research. Though researchers have studied technology capabilities and advertising capabilities, network capabilities have not got enough attention of researchers.

Network Theory Perspective in INVs

Network relations trigger and motivate SMEs' internationalization intentions, influence firm's market selection, and entry mode decision. They also help to gain access to relationships and channels, resulting in initial credibility in foreign markets. They can minimize costs and risks related to internationalization and influence internationalization pace and pattern (Ng & Zain, 2006). Networks help create experiential knowledge that is helpful for internationalization (Mejri & Umemoto, 2010). Social capital embedded in local and foreign contacts help entrepreneurs and top management teams to acquire resources. They also enable firms to transfer technology and products in foreign markets with fewer transaction costs (Federico et al., 2009; Schwens & Kabst, 2009; Yli-renko et al., 2002). Entrepreneur's traits, knowledge base, alertness, and network are critical for early internationalization, and these factors may explain the decision of early internationalization in new ventures (Evers, 2011). Social and Business Networks are pulling factors for new venture internationalization. Social ties help entrepreneurs and firms to identify opportunities and customers and overcome initial difficulties during internationalization process. Due to business networks (customer, partners, suppliers) also new ventures are pulled into internationalization (Evers, 2011).

Network Capabilities

"Markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns" (Johanson & Vahlne, 2009; p.1411). The business environment is observed as a web of relations (a network), and this network of formal and informal relations is important for firm's internationalization. (Johanson and Vahlne,2009) Researchers have found the influence of network on internationalization, choice of markets and modes of entry. The network provides opportunities for learning and building trusts and commitment that are helpful for firms' internationalization. So, insidership is important for internationalization and outsidership to create liability. Technology-based firms use alternate governance structures to overcome liabilities of foreignness, newness, and size (Oviatt & McDougall, 1994). This alternate governance structure like a network helps INVs during their pre-entry phase (Schwens & Kabst, 2011). Coviello & Munro (1997) found, formal and informal networks facilitated internationalization among small software firms. These networks help for foreign market selection, mode of entry, product development, and market diversification activities. Al-Laham & Souitaris (2008) studied German Biotech firms and found, building research alliances with local research institutes and being the part of network helped them to build international research alliances. Fernhaber and Li (2013) derived from prior research that networks provide connections and opportunities, resources, and key information for international markets. They found relations with alliance partners and geographically proximate firms help new venture internationalization. Similarly, Spence et al., (2011) found that international network helped new Canadian entrepreneurs for their early internationalization. Networks help to reduce financial barriers for INVs (Baum et al., 2011). Local networks help SMEs in developing the exchange of contacts and of practices that are useful for their international business. (Aldrich and Zimmer, 1986). Arif (2011) found that networks help entrepreneurs in finding opportunities, gaining knowledge, learning from experiences, and leveraging shared resources. These benefits help these developing market SMEs for their internationalization. Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella (2008)'s literature review on Born Global firms, focusing on their conceptual underpinnings argued that networks are one of the critical factors of Born Global firm's progress. Ng and Zain (2006) studied Malaysian firms and found that networks helped these firms for foreign market penetration. They also found that these firms select markets, choose the mode of entry, establish credibility, collect information, gain knowledge, reduce risks and cost through networks. Network relationships help them during difficulties, securing initial business, dealing with government officials, and protection of their intellectual property. Entrepreneur's formal and informal, business and institutional networks help Born Global firms to go for early acquisitions in Indian IT sectors (Varma, 2011). Business group affiliation is one of the types of network capabilities (Fernhaber & Mcdougall, 2005). Network Capabilities give three benefits: first they can provide business intelligence and information on institutions, buyers, supplier, and new business opportunities; second being associated with local business group and member of industry trade association, helps to increase legitimacy and credibility that help them to overcome liability of newness; and third they can have exchange relations with firms in foreign markets and networks help them to facilitate exchange relations (Fernhaber & Mcdougall, 2005). Network Capabilities in terms of Business group affiliation didn't get the attention of researchers studying INVs and IE, though Business Group Affiliation is widely studied the concept in International Business research especially in the context of emerging economies (Saiyed, 2016). Drawing from these arguments, we are studying network capabilities in terms of business group affiliation in this study.

Business Group as a Network Capability

Business groups are "a set of firms that, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action" (Khanna and Rivkin 2001, p. 47 in Chittoor et al., 2009). In Emerging markets where formal and informal institutional environment is weak, business groups can be useful to deal with institutional voids, to reduce the risk and to increase profitability. They have rich resource base and can easily access resources, capabilities, and capital due to their group-wide reputation (Gaur & Kumar, 2009). Yaprak & Karademir (2010) argued that Business Groups (BGs) are organizational forms that are embedded in institutional context and appropriately capture less developed emerging market environment. They provide foreign and domestic market resources resulting in a competitive advantage over domestic and foreign firms and help firms to expand into foreign markets. BG affiliated firms can take benefits of relational capital that BG invested in suppliers, distributors, government agencies. These firms gain competitive advantage through the relational capital, learning of BG network firms and shared experiences of managers. From an institutional perspective, it is argued that formal arrangements, informal ingredients, competitive advantages from entrepreneurship and innovativeness, the economic orientation of states in institutional context affect internationalization in emerging market BGs. Business Groups help emerging market firms in an institutional setting, for market structured factors and resource consideration for their internationalization. Based on market centered view, it is observed that market failures, domestic and foreign demands, supplier industries, industry isomorphism and competitive rivalry affect internationalization in emerging market business groups. With the evolution of markets, the traditional roles of BGs like filling institutional voids and working as intermediaries tend to decline but links with BGs can facilitate early internationalization before markets are sufficiently developed. Similarly, based on the resource-based view, organizational learning, resource access and appropriation, international experience and, administrative heritage affect internationalization in emerging market business groups. BG affiliation also helps affiliated firms to go for internationalization before they achieve sufficient readiness to enter international markets (Yaprak & Karademir, 2010). "Business Group affiliation will allow affiliated firms to move abroad more rapidly, with a wider range of markets, and through a greater array of entry modes when compared to independently structured firm" (Yaprak & Karademir, 2010, p.256).

As compared to non-affiliated firms, a business group affiliated firms can easily access resources and these resources help them undertake activities like a foreign investment that are riskier, long-term and require higher resource commitment (Gaur, Kumar, & Singh, 2014). Business Group affiliation has been found to have a positive effect on export sales in Indian Firms (Singh, 2009). Emerging markets business groups use their resources like managers' international work experiences for their international growth and show higher OFDI compared to other domestic firms. They are financially strong but need technology resources for their product market internationalization (Tan & Meyer, 2010). Business group affiliated firms are more likely to try FDI in Indian manufacturing firms (Gaur et al., 2014). Agnihotri (2013) found that Business group affiliation directly and positively affects acquisition decision of firms from emerging markets like India. However, some researchers found less internationalization orientation among business group affiliated firms. It is presumably because the services given by group to deal with institutional voids are more relevant in domestic markets than in foreign markets. The benefits from group's network are stronger in home markets, and there an opportunity and norm to buy and supply to other group firms (Carney, Gedajlovic, Heugens, Van Essen, & Van Oosterhout, 2011). Chittoor et al. (2009) found that, during periods of institutional change, independent firms internationalize more as compared to business groups affiliated firms in Indian Pharmaceutical sector. They also found that business group moderates the relationship between prior international resources of a firm and its international market entry. As per co-evolution theory (Carney et al., 2011), new ventures with the business group affiliated group have a stronger positive feedback loop in the domestic market due to a high level of embededness. Each firm can influence its industry based on its resources and capabilities and new ventures due to their affiliation can influence various institutions and industry conditions and these make very comfortable and positive environment to do business in the domestic market. This might be a reason; new ventures try to focus on domestic market during initial years. Besides, there are contradicting results of studies exploring the relationship between business group affiliation and internationalization in emerging economies, especially in India context. These studies have used mostly large publicly listed firms, not new ventures or smaller firms. So, we hypothesize:

H1: Business Group Affiliation of the firm is negatively related to degree of internationalization by new ventures in emerging economies

Influence of Industry Concentration on Network Capabilities

As per structure conduct performance theory, the structure of industry influences conduct of firms within the industry and their conduct decides performance of the firms. Reviewing the international entrepreneurship literature as a whole confirms the tendency for scholars to control for the effect of industry structure, while not necessarily increasing our understanding of how or the extent to which industry structure matters. The most common approach is to focus on single industries, with a heavy reliance on prior studies on manufacturing and high-technology industries. The fact that there is significance reaffirms the influential role of industry structure, although the exact nature is not explored beyond categorical areas.

When examining the role of industry structure, a useful strategy is to dig deeply into one aspect of industry structure while controlling for other possibilities. While the literature is scarce in these respects, a handful of studies do exist. For example, Andersson (2004) explored the role of the life cycle of an industry on firm internationalization. In comparing a set of five cases within the high-growth and mature industries, it was concluded that the international entrepreneurship literature was more relevant within the early stages of a firm's internationalization in a growing industry. The level of industry internationalization within a geographic proximity to the new ventures has also been found to be as influential to the new venture internationalization process (Fernhaber & Li, 2010). As the next step in moving forward the knowledge base of new venture internationalization, we consider the role of industry concentration. While there are many measures of industry structure, industry concentration was chosen as it is argued to be the most critical element of industry structure by industrial organizational economists. Although industry concentration has been identified as a likely influential driver of new venture internationalization (Andersson, Evers, and Kuivalainen, 2014; Fernhaber, McDougall & Oviatt, 2007), it has not yet been empirically or conceptually explored in an in-depth manner especially in the context of emerging economies.

Industry's clock speed moderates relationship between firm's strategic flexibility and firm's performance (Nadkarni & Narayanan, 2007). Industry characteristics might challenge firms and its managers. Industry growth, industry concentration, and knowledge intensity offer opportunities and threats for a new venture, as on one side industry growth help new ventures to identify and survive by focusing on a niche segment, on the other industry concentration, restricts entry of new ventures in the industry. Industry knowledge base also affects the survival of new ventures (Mudambi & Zahra, 2007). Industry characteristics affect INVs and moderate their strategy (Mudambi & Zahra, 2007; Zahra & George, 2002). Mudambi and Zahra (2007) found industry growth affects the survival of INVs and higher the industry growth higher survival of INVs. Industry factors influence firm's ability to organize dynamic capabilities and this relationship have not been explored empirically (Mudalige, 2015). This study also tries to explore if industry characteristics are moderating the relation between new venture's capabilities and internationalization. Many emerging economies liberalized in the 80s and 90s. Many multination firms enter into emerging markets post liberalization. These changes result in higher competition in emerging markets which forces firms with asset based ownership advantage to exploit foreign markets. The stronger the competition in home market forcing them to learn about strategic short coming and fill them internationally. Therefore the home country industry competition moderates relationship between ownership advantages (technological capabilities, management capabilities and business network and ties) and international new venturing (Yiu et al., 2007). In addition, the argument could be, in highly concentrated industries firms may not be able to exploit their network, technology and marketing resources and capabilities to appropriately exploit domestic market opportunities due to a high level of competition. These situations make new ventures to explore foreign markets to overcome competitive disadvantage in domestic markets (Yiu et al., 2007). Therefore hypotheses are

H2: Industry concentration moderates relationship between Business Group Affiliation and degree of internationalization by new ventures in emerging economies. As Industry concentration increases, new ventures with business group affiliation tend to show higher internationalization intensity.

Influence of Liberalization on Network Capabilities

Liberalization has a huge impact on the economy of any country. As a country opens its economy, it brings a drastic change in the economy. The difficulty in examining emerging economies is that, by definition, an emerging economy is in transition. Although deregulation may occur at one point in time, the actual institutionalization of such practices and how they impact the economy takes time and is often gradual (Child & Tse, 2001; Lu, Xu, & Liu, 2009). Thus, a relationship estimated at one point of time may change when measured at a subsequent time. Research supports this by demonstrating how the influence of factors such as affiliation with business groups has differed in terms of its performance implication as India transitioned (Chittoor, Kale & Puranam, 2015). By examining a single country over time as it transitions, we are able to uniquely consider how the impact of key variables—such as industry concentration—differs as the country transitions in terms of its openness. Liberalization in the emerging economies like India has multiple effects. Many foreign firms enter the market which was earlier restricted to the local firms. Many restrictions related to trade and businesses are relaxed, so it leads to many entrepreneurial activities and emergence of new ventures. Liberalization also leads to the creation of many institutions in the country (Saiyed, 2016).

As we discussed, business groups help affiliated firms to fill or overcome institutional voids and give competitive advantage compared to non affiliated firms. So new ventures which are affiliated with the business group can leverage resources and capabilities of business groups to survive and compete in domestic markets. With liberalization, slowly as institutions are formed, benefits of affiliation are not that strong, also as many domestic new firms and foreign firms enter the market, it makes domestic market more competitive (Saiyed & Fernhaber, 2017), so new ventures with business group affiliation do not enjoy the competitive advantage which they were enjoying earlier in the domestic market, so with liberalization, they try to explore other foreign markets using resources and capabilities of the business groups. Based on above arguments, the next hypothesis is

H3: The liberalization within an emerging economy moderates the relationship between Business Group Affiliation of the firm and degree of internationalization by new ventures in emerging economies. As an emerging economy evolves post-liberalization, the business group affiliated firms tend to show the higher intensity of internationalization.

EMERGING MARKET CONTEXT: INDIA DURING TRANSITION

While having followed a socialist economic policy since 1947, India initiated reforms in 1991 with the intent to accelerate economic growth and eradicate poverty. As summarized on the Economic Diplomacy Division's website for the government of India, the reforms impacted industrial policy, trade policy, and the financial sector. Most of the central government controls were dismantled and all but three industries deregulated. Restrictions on the import policy for foreign technology were lifted. Import licensing was phased out and duties were reduced. Over time, the financial system has been deregulated and exposed to international financial markets. The government of India started software technology parks, electronics hardware technology parks, biotechnology parks, and export oriented units. It also introduced promotional schemes and incentives like Duty Drawback, Excise Duty Refund, Octroi exemptions, DEPB, Duty-Free Replenishment Certificate. Special Economic Zones, Free Trade, Warehousing Zones, and Deemed Exports (http://www.exim-policy.com/). All these measures boost Indian exports and imports post liberalization. As the figure shows below, the exports from India has grown consistently the following liberalization:

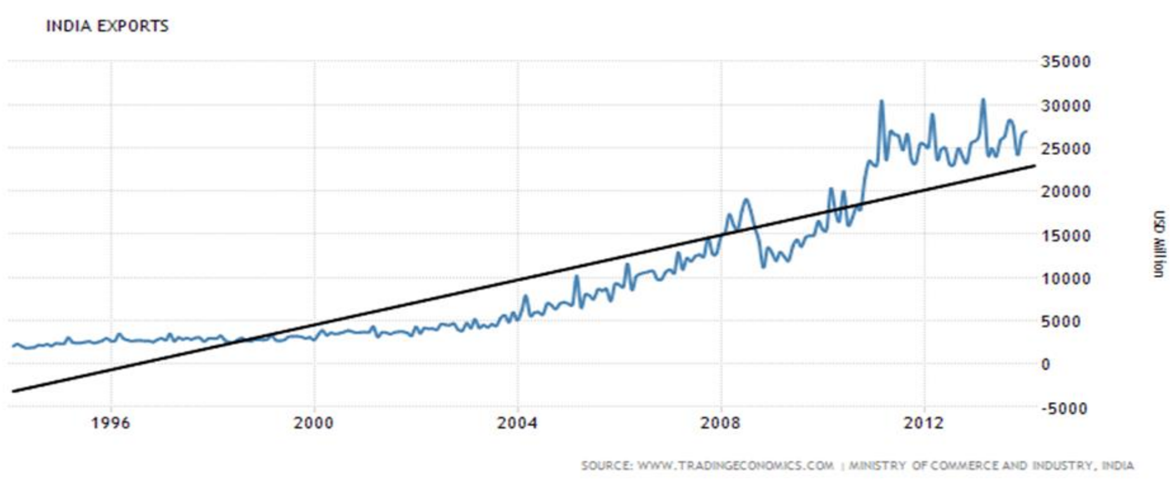

Figure 1: India exports

Relaxations of various policies and government restrictions following liberalization in 1991 within India encouraged local firms to consider internationalization. Many government incentive schemes, development of communication technologies, a large pool of educated, skilled manpower, and a large English-speaking population helped spur these initiatives. The government of India also started software technology parks and special export zones to encourage Indian firms' internationalization. Many Indian firms had learned from developed-country MNCs through collaboration, partnerships, alliances, joint ventures, mergers, and acquisitions. In the past two decades, following liberalization, the motives of overseas expansions include access to foreign technology, sourcing of raw materials, and aspirations for global leadership, market access, investing to enhance the global competitiveness by takeovers and maintaining continuous supplies (Pradhan, 2007; Saraswathy, 2010; Singh, 2011; Subramanian and Morris, 2010). Liberalization of the policy regime, stronger financial markets, emergence of capabilities (specially developed during the closed economy era) and abilities to compete in world markets are catapulting Indian companies for their rapid growth in overseas investment and acquisitions The underlying factors helping the expansion of Indian foreign direct investment vary across industries and firms (Nayyar, 2008). Pattnaik and Elango (2009) found that Indian firms lacking ownership-specific advantages try to build capabilities by leveraging the international experience of their parent and foreign networks during their international expansion. Luo and Tung (2007) and Hawawini and Schill (1982) in Tolentino (2010) discussed the springboard perspective, which considers international expansion as a platform for acquiring strategic assets to overcome domestic institutional and market conditions and challenges. Thus, the home country external environment affects ownership and competitive advantages of firm internationalization.

These developments make India a very interesting context for scholarly inquiry, especially for understanding why and how new ventures within India were able to internationalize (Contractor et al., 2005; Karthik, Upadhyayula, and Basant, 2015; Kundu and Renko, 2005; Majumdar et al., 2010; Varma, 2011). Though India is a very important emerging market, few have focused on India to study new venture internationalization (Kiss et al., 2012), suggesting India also provides an under-researched context.

RESEARCH METHODOLOGY

Sample

Following the opening of the economy in 1991, the Indian government established market institutions such as the Securities and Exchange Board of India (SEBI) and the National Stock Exchange. Based on prior research (Chittoor et al., 2015), we considered the transitional period of 1994-2014 for our study because the impact of liberalization started after the formation of market institutions, and the momentum increased in the mid-1990s. Given our interest in both firm and industry-level characteristics on the internationalization of new ventures, we used data from the Prowess and Industry Outlook databases of the Centre for Monitoring Indian Economy (CMIE), which is widely used by management and economic researchers (e.g. Agnihotri, 2013; Chittoor et al., 2015; Chittoor, Sarkar, Ray, and Aulakh, 2009; Narayanan and Bhat, 2011; Pradhan and Abhraham, 2005; Pradhan, 2007).

Firm-level data from 1994 to 2014 was attained through the Prowess Database. Given that we were interested in new ventures, we considered the first six years of inception (Zahra, 2005). Thus, a panel dataset was created comprising six years from the year of incorporation for each firm incorporated starting in 1994. Aggregate industry-level data was collected from the Industry Outlook and Prowess CMIE database. To take into account year-to-year industry fluctuations, each industry indicator was calculated based on a three-year average. The industry data was then matched with the firm-level data. Prowess collects data from reported sources like income statements, balance sheets, annual reports, news, company websites, details given to SEBI, etc. As the database had many private firms, there were multiple incidents of firm's not reporting data on variables in some years. Only firms with complete data on all the variables needed were included (Chittoor et al., 2009). The final dataset included 191 new ventures with 377 observations representing 67 industries. Ninety-one ventures had a single observation, while the remaining had at least two and up to five years of observations. Following previous studies, a one-year lag was used between the independent and dependent variables in the study (Bhaumik, Driffield, & Pal, 2009; Pattnaik & Elango, 2009).

Dependent Variable

New venture international intensity: Building on previous studies (Contractor et al., 2005; Kundu and Renko, 2005; Naudé and Rossouw, 2010; Spence, Orser and Riding, 2011), we considered the extent to which the new venture relied upon export sales. Specifically, we took export sales as a percentage of total sales (Contractor et al., 2005, Contractor, et al., 2007; Naudé and Rossouw, 2010).

Independent Variable

Business group affiliation: Network capabilities in terms of business group affiliation help new ventures to leverage resources and capabilities of their affiliated firms and parent organization. They also can use the relational capital of affiliated firms, and these relations bring credibility to new ventures in new foreign markets. These benefits might influence the internationalization process in new ventures. Through this variable, we are also able to distinguish between affiliated (diversifying) new entrant from an unaffiliated one, given that research suggests that industry concentration affects affiliated and unaffiliated firms differently (Basant and Saha, 2010). As CMIE Prowess also gives information on a parent company's name, we determined whether a firm had business group affiliation, and dummies were used to express this variable; 1 shows affiliation with a business group, and 0 shows no affiliation (Agnihotri, 2013; Gaur, Kumar and Singh, 2014; Gaur and Kumar, 2009; Singh, 2009).

Firm-Level Control Variables

Size: Size reflects how resourceful the firm is, and a firm's ability to internationalize might be based on its size in terms of its resourcefulness. The natural log of total assets is a well-established indicator for measuring a firm's size.

Age: Age might influence the internationalization process, and is commonly used as a control variable (Bruneel, Yli-Renko, and Clarysse, 2010; Sapienza, Autio, George and Zahra, 2006; Zahra, Ireland and Hitt, 2000). Age is measured as the number of years elapsed since incorporation. As the Prowess database gives information on the incorporation year, the study calculated the number of years from incorporation to find a firm's age, which ranges from one to six years.

Technology capabilities: Technology capabilities help new ventures to develop innovative products and services. These capabilities create a potential for innovation-driven entry into foreign markets and therefore might affect internationalization strategy in new ventures. Technology investments to improve processes and practices and thereby reduce costs of production can also facilitate internationalization that is driven by lower costs. Following previous studies (Bloodgood, Sapienza, and Almeida, 1996; Fernhaber, McDougall and Shepherd, 2009; Pradhan, 2004), these capabilities were measured by taking R&D expenditures as a percent of total sales.

Marketing capabilities: Marketing capabilities help new ventures to overcome their liabilities of foreignness and smallness. They help them to sell their products and services in foreign markets, so these factors might affect internationalization of new ventures. Selling and distribution expenses measure marketing capabilities/product differentiation (Pradhan, 2004). We similarly used selling and distribution expenses as a percent of total sales to measure a firm's marketing capabilities.

Firm's entity type: Entity type affects a firm's resource endowment and its degree of risk aversion, which in turn affects its internationalization strategy (Fernández and Nieto, 2006). Sourced through Prowess, we created a dummy variable where 1 indicates a public firm and 0 indicates that it is privately held (Pradhan, 2004; Pradhan, 2007).

Industry-Level Control Variables

Industry: The industry sector might also affect the internationalization process in new ventures. Services can be easily transferred compared to products, so new ventures in the service sector might have early internationalization compared to ventures in the manufacturing sector. We have created a dummy variable, whereby 0 indicates a manufacturing industry and 1 for a service industry (Contractor et al., 2005; Kundu and Renko, 2005; McDougall, Oviatt and Shrader, 2003; Spence et al., 2011).

Industry concentration: Industry concentration was measured using the Herfindahl–Hirschman Index (HHI Index) (Basant and Mishra, 2013). The CMIE Industry Outlook database produces the HHI index for all Indian industries. Market share of a firm is defined as the ratio of the firm's sales to total industry sales (Basant and Mishra, 2013). HHI index in CMIE is taking 4 concentration ratios. To avoid the effect of year-to-year fluctuations, we have used a three-year average of the HHI index.

Macro Environment Control Variable

A number of years since liberalization: Following prior research (Chittoor et al., 2015; Chittoor et al., 2009), we created a measure of the years since liberalization. This allows us to capture the dynamic effects of industry concentration on internationalization. The variable is created based on the elapsed number of years between liberalization and the year in which the data was extracted (Amburgey, Kelly, and Barnett, 1993), using positive integer numbers 1 to 20 with 1994 serving as the starting baseline year of 0.

ANALYSIS & RESULTS

The summary statistics and correlation coefficients are provided in Tables 1 and 2, respectively. The average technology capabilities of the ventures were 3.57% of total sales, while marketing capabilities were slightly higher at 7.20% of total sales. Industry concentration exhibited a mean of 0.09 with a standard deviation of 0.13. As shown in Table 2 shows correlation matrix and variables were not found highly correlated.

Table 1: Summary Statistics

Variables	Mean	SD	Min	Max
International Intensity	12.41	22.20	0	80.34
Industry (Service)	0.13	0.34	0.00	1.00
Entity Type (Public)	0.91	0.28	0.00	1.00
Firm's Size	6.66	1.84	-0.92	11.63
Firm's Age	4.57	1.39	1.00	6.00

Firm's Technology Capabilities	3.57	13.69	0.00	100.00
Firm's Marketing Capabilities	7.20	10.02	0.00	100.00
Industry Concentration	0.09	0.13	0.00	0.56
Time Clock	7.82	5.40	1.00	19.00
Business Group Affiliation	0.50	0.50	0.00	1.00

Table 2: Correlations

	1	2	3	4	5	6	7	8	9	10
1. International Intensity	1.00									
2. Industry (Service)	0.00	1.00								
3. Entity Type (Public)	0.02	0.04	1.00							
4. Firm's Size	0.09	-0.26***	-0.02	1.00						
5. Firm's Age	0.02	0.02	0.00	0.08	1.00					
6. Technology Capabilities	0.30***	0.03	-0.05	-0.10*	-0.06	1.00				
7. Marketing Capabilities	-0.13*	0.11*	-0.11*	-0.03	-0.13*	-0.05	1.00			
8. Industry Concentration	-0.18***	-0.27***	-0.13*	0.25***	-0.09	-0.09	-0.03	1.00		
9. Time Clock	-0.01	-0.07	-0.07	0.33***	-0.06	0.15**	0.09	0.07	1.00	
10. Business Group Affiliation	-0.04	-0.01	0.08	0.16**	-0.18***	0.105*	0.06	-0.07	0.21***	1.00

Note: Correlations with the absolute value greater than 0.10 are statistically significant at the p<0.05 level, n=377

Table 3: Tobit Regression Results (Dependent Variable: International Intensity)

	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coef.		S.E.	Coef.		S.E.	Coef.		S.E.	Coef.		S.E.	Coef.		S.E.
Control Variables															
Service Industry	-2.68		(5.53)	-2.53		(5.56)	-3.45		(5.64)	-0.29		(5.61)	-1.43		(5.74)
Entity Type	-0.16		(6.61)	0.48		(6.66)	0.59		(6.77)	0.48		(6.78)	0.58		(6.86)
Size	4.03	***	(0.94)	4.17	***	(0.99)	4.68	***	(0.98)	4.59	***	(0.98)	4.57	***	(0.97)
Age	0.11		(1.12)	-0.13		(1.14)	0.26		(1.13)	-0.34		(1.12)	-0.04		(1.08)
Technology Capability	0.58	***	(0.12)	0.59	***	(0.12)	0.61	***	(0.13)	0.58	***	(0.11)	0.60	***	(0.12)
Marketing Capability	-0.73	***	(0.22)	-0.73	***	(0.22)	-0.81	***	(0.23)	-0.75	***	(0.21)	-0.82	***	(0.22)
Industry Concentration	-35.63	***	(9.63)	-37.00	***	(10.16)	-79.97	***	(16.35)	-39.78	***	(9.99)	-79.08	***	(63.73)
Time Clock	-0.365		(0.30)	-0.31		(0.30)	-0.45		(0.31)	-1.26	*	(0.51)	-1.27	*	(0.51)
Independent Variables															
Business Group Affiliation				-3.53		(3.35)	-10.43	*	(4.37)	-15.83	**	(5.77)	-20.68	***	(6.03)
Business Group Affiliation x Industry Concentration							77.78	***	(18.9)				71.79	***	(18.9)
Business Group Affiliation x Time Clock										1.58	*	(0.63)	1.38	*	(0.63)

Constant	-27.53	***	(1.71)	-27.40	***	(1.66)	-26.93	***	(1.66)	-27.12	***	(1.64)	-26.72	***	(1.63)
Log Likelihood Chi Square	-1241.1		0.02	-1240.5		0.02	-1235		0.03	-1237.1		0.03	-1232.5		0.03

† p<0.10; * p< 0.05; * p < 0.01; *** p<0.001 (n=377)

A Tobit model was used to examine the relationship between the intensity of internationalization and firm and industry factors. Otherwise referred to as censored regression, a Tobit model takes into account whether there is left or right censoring in the dependent variable. In the case of our analysis, left censoring with a threshold of zero was used. As a high level of heteroskedasticity was found, bootstrapping heteroskedasticity regression models were applied. Tests for multicollinearity were administered. The variance inflation factors (VIF) were computed for all the variables in the base model, and all were below the threshold of 10 as suggested by Neter, Kutner, Nachtsheim, and Wasserman (1996). Higher VIFs were observed in the interaction variables. However, as noted by Allison (2012), high VIFs can be ignored if caused by the inclusion of powers or products of other variables.

Table 3 shows Tobit Regression Results. There were five models run for the analysis. The first model included the control variables, while in the second model independent variable business group affiliation was added. The interaction between business group affiliation and industry concentration and business group affiliation and liberalization were added in the third and fourth mode respectivey. The fifth model has all control variables, independent variable, and interaction effects. Hypothesis 1 puts forth hypothesis between business group affiliation and new venture internationalization intensity. The results showed business group affiliation had a negative non-significant ($\beta = -3.53$, ns) effect on the international intensity. So, the results are not supporting the hypothesis H1 fully. The results support arguments of Chittoor et al. (2009) that during intuitional change independent firms are less likely to internationalize and also contradicts findings of Singh (2009) business group affiliation has a negative effect on export performance in new ventures.

Hypothesis 2 suggests that industry concentration moderates relationship between business group affiliation and degree of internationalization in new ventures. As shown in Model 3, the interaction between business group affiliation and industry concentration is positive significant ($\beta = 77.78$, $p<0.001$). Thus Hypothesis 2 is supported. The results are interesting as we can see the relationship between business group affiliation and international intensity changes due to the effect of competition and rivalry in the industry. The results also show there is the positive significant effect ($\beta = 1.58$, $p<0.01$) of time clock on business group affiliation and degree of internationalization. The

Hypothesis 3 which exploring moderating role of liberalization (time clock) on business group affiliation and international intensity, is also supported.

DISCUSSION

Many researchers have highlighted the importance of studying resources and capabilities and their effects on incidence and intensity of internationalization by new ventures (Jones et al., 2011; Keupp & Gassmann, 2009; Peiris et al., 2012). There are competing explanations of resources and capabilities and their effects in INV literature. There is also need to have an extension of IB and strategy literature by studying some of the resource and capability variables in INV context. Therefore, resources and capabilities are very critical factors for INVs, and they need to be studied different contexts so it can complement and extend existing research. To address this gap, this study explored the relationship between firm's network capability (business group affiliation) and new venture internationalization in the context of India. Our results suggest that firms with business group affiliation tend to focus on domestic market, as parent company/group companies help them to fill institutional voids, and provide resources and competencies required to compete in the domestic market. As industry concentration increases and rivalry and competition increase, a business group affiliated firms tend to explore the international market with the support of affiliated firms, and they can leverage resources, connections and credibility, and reputations of affiliated firms in foreign markets. Similarly, as the country liberalized, slowly institutional framework is developed, legal system is more structured, and institutional void reduces, many new firms and established firms compete in the market, and benefits from affiliated companies when there is high institutional void reduces slowly, so these firms leverage resources of affiliated firms to explore new markets as their importance reduces in the local markets.

We contribute to the existing literature in a variety of ways. Foremost, our findings emphasize that the transitional nature of the institutional environment in a liberalizing economy needs to be taken into account when studying emerging economies, and further emphasizes that research findings in one emerging economy at one point in time may not always be generalizable. As noted by Kiss and colleagues (2012), the generalizability between countries classified as emerging economies can be difficult. We further posit that generalizability within a single country cannot be assumed across time. This was the case, for example, with the effect of business groups on performance, which was found to shift in the time period following liberalization in India (Chitoor, Kale and Puranam, 2015). Thus, there may be a need to retest relationships as economy transitions.

Second, we expand the conversation regarding the role of network capability and new venture internationalization, with a focus on business group affiliation. In doing so, we help reconcile competing perspectives and demonstrate that taking into account resources and capabilities are important. Although it was not empirically tested prior to this study, the role of industry and liberalization as moderators in capability and internationalization relation in INV literature. Our explorations show that the interplay between industry competition and rivalry, degrees of openness, the building of competitive pressures, and institutional transitions in a liberalizing economy and growth of domestic markets and its impact on internationalization strategies of new ventures provides new insights into the new venture internationalization literature.

A third and somewhat related contribution is our addition to the knowledge base on emerging economies. Our paper responds to multiple calls to expand the limited focus on emerging economies and especially India (Jones et al., 2011; Kiss et al., 2012; Peiris et al., 2012). Given the significance of stage of transition, the results suggest that the antecedents of new venture internationalization may indeed be different in emerging versus more developed economies. So, as suggested by researchers (Acedo & Jones, 2007; N. E. Coviello & Jones, 2004; Marcus Matthias Keupp & Gassmann, 2009), this paper integrates IB and Strategy literature with INV theory and rather than focusing on only firm level factors, it follows a multilevel research approach linking industry and macro environment (transition of economy) factors in INV literature.

Lastly, from a methodological standpoint, we contribute through our unique dataset using a secondary source that allows for an examination of new venture internationalization over the time period of 1994 to 2014. The use of panel datasets is relatively rare (Coviello & Jones, 2004; Keupp & Gassmann, 2009) in both the IE research stream as well as when studying new ventures in emerging economies. Again, our results suggest the need for future research to dig further into this realm.

LIMITATIONS AND FUTURE RESEARCH OPPORTUNITIES

Despite the contributions to both the international entrepreneurship and emerging-market literature, the study is not without limitations and opportunities for future research. Foremost, we have utilized the incorporation year (Coviello, 2006; Hashai & Almor, 2004) as the year when these ventures were registered with the Registrar of Companies. Since we have many private companies, and the Prowess database does not have information about the establishment years of many private firms, the second limitation is that the study does not differentiate firms that are independent or spun off from large organizations. The study focuses on domestic industry and environment condition and has not looked at host country industry and environment condition due to data availability. Yet, it represents an interesting area to examine moving forward. This study identifies multiple opportunities for future research. One intriguing possibility is to extend the analysis across countries. Except for one (Cannone & Ughetto, 2014), cross-country multilevel analyses are not available. So similar studies in other unexplored developing countries (Terjesen, Hessels, & Li, 2013) and comparisons with existing results will be a good future contribution. The second possibility is to study other industry factors like industry evolution, industry business model innovation and industry network dynamics/cluster, and their effects on new venture internationalization. These are suggested in recent review papers (Andersson et al., 2014; Evers et al., 2015). Researchers can also focus more explicitly on how environmental factors, especially macro environmental factors (such as GDP, exchange rates, interest rates, etc.) affect new venture internationalization. We have focused on only one dimension of internationalization, namely exporting activity. Future researchers can also include other modes of internationalization like investments, collaboration, etc., and study how various firm and industry factors affect internationalization in emerging market contexts. Researchers can study how these factors affect the scope of internationalization and choice of markets in emerging economies.

CONCLUSION

In conclusion, the purpose of this study was to shed further insight into the firm's resources and capabilities on new venture internationalization in an emerging-economy context. Our results confirm the presumed complexity associated with firm's capabilities, any industry analysis. We found that industry structure changed the firm's capability and internationalization relations in new ventures in India. As India transitioned post-liberalization, we also found that the nature of the relationship between firm's capability and new venture internationalization changed. This study not only opens the door to future research into the role of firm's capabilities, environment industry structure but also recognizes that emerging economies are not static and that the subsequent influencers for new venture internationalization can similarly shift.

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