ABSTRACT

Post-liberalization of the Indian economy, many Indian firms have started exporting their products and services to other countries. Since, the last decade, firms have also been increasingly investing in other developing and developed economies. This trend of internationalization, in terms of increasing exports and outward foreign direct investment (FDI), can be explained, to certain extent, by the changing institutional context in India. For example, there is an increase in inward FDI also in India post liberalization. The resulting increase in foreign investments and the number of foreign multinational corporations (MNCs) operating in India has affected the ownership structure of the firms and the competition amongst them. This increasing market competition has encouraged Indian firms to seek strategic assets and resources in the foreign markets to gain competitive advantage over their competitors (Gubbi, Aulakh, Ray, Sarkar, and Chittoor, 2010).

It is interesting to see that within same industry, some firms have gone for foreign expansion while others have not. The difference in firms' approaches towards foreign expansion can be due to various reasons like lack of certain resources or/and capabilities required for internationalization, perceiving more risk towards internationalization, or unable to see opportunities in foreign expansion etc. Sometimes, in-spite of having the capabilities to go for foreign expansion, some firms are not able to do so as the managers of these firms face hurdles which do not let these managers implement foreign expansion strategy (Hoskisson, Eden, Lau, and Wright, 2000). For example, it is possible that managers of the firms may not be getting sufficient support from the shareholders for implementing internationalization. Alternatively, some firms may have tried to expand in foreign markets but failed in their earlier attempts, that is discouraging such firms to further expand their operations. In this dissertation, we will attempt to address these issues; firstly, we examine what types of owners (institutional investors, corporate owners, family owners) encourage or discourage internationalization, secondly, we examine what governance measures (like board structure) a firm takes after it enters foreign markets to make its' strategy more implementable, and thirdly, we examine the impact of certain organizational characteristics on the internationalization-performance relationship to know which of these characteristics are actually enhancing firms' performance after it enters the foreign markets. Therefore, the objective of this dissertation is to examine the interplay between

internationalization and governance characteristics of the Indian firms. This dissertation employs a multi-theoretic perspective and develops three interrelated essays.

The first essay examines the relationship between corporate governance characteristics such as ownership identity (a feature of ownership structure) and the firm's degree of internationalization (DOI), in a longitudinal sample of Indian firms. We analyze this relationship using two different modes of internationalization, namely, exports and foreign direct investment (FDI) and contribute to both the governance and international business literature streams in the following manner. Firstly, drawing from the agency theory and the resource based view of the firm, we argue that foreign corporate and foreign institutional shareholding is positively related to internationalization. This applies for both exports and FDI. On the other hand, family and domestic corporate ownership are argued to have an interesting dichotomy, that is, it is positively related to the firm's export intensity but negatively related to the firm's degree of FDI. The empirical results indicate support for our conjectures. Moreover, we argue that there is a positive relationship between domestic institutional ownership and internationalization, but weak empirical support for this conjecture indicates that these investors are playing passive role in influencing firms' strategies. Finally, the use of two theoretical lenses stemming from the agency and resource based view streams enables us to provide a more composite understanding of the underlying nature of the relationship between ownership structure and internationalization and discern their mutually reinforcing or mitigating effects.

The second essay examines the influence of firms' internationalization on corporate governance elements such as CEO compensation, CEO duality and board structure, in a sample of public Indian firms. Since emerging markets like India are also characterized by a large number of family owned and managed businesses, we also attempt to unravel the moderating influence of the family business on the internationalization-governance relationship. We utilize multidimensional and comprehensive measures to assess firms' degree of internationalization and to identify family business firms. The use of multiple theoretical lenses drawing from the information processing, agency and resource dependence streams in combination with a longitudinal analysis enable us to provide a more comprehensive understanding of the impact of internationalization on governance mechanisms. We find that the degree of internationalization positively influences CEO compensation whereas it negatively influences CEO duality, providing strong support for the information processing theory and agency theory. In addition, the positive influence of internationalization on board structure indicates support for the resource dependence theory. In addition, we also uncover compelling evidence that family businesses negatively moderate the underlying relationships between internationalization and governance mechanisms, indicating the presence of secondary agency problems. Therefore, on the one hand family businesses mitigate primary principal-agency problems; on the other hand, they exacerbate the secondary principal-principal agency problems.

The third essay explores the nature of the relationship between internationalization and firms' performance and provides interesting evidence on moderating role of the firms' characteristics in internationalization-performance relationship. First, we investigate two modes of foreign entry by firms: exports and FDI and how the extent of exports intensity and FDI affects the performance of firms. We theorize a negative linear internationalization-performance relationship with FDI and positive relationship with exports intensity. We find strong support for the negative linear relationship between FDI and performance using a balanced panel data set analyzing data of internationalizing firms from India. Second, we integrate the role of organizational characteristics in influencing the internationalization-performance thereby attempting to find out some of the reasons for differences in the performances of the firms. We find empirical evidence that firms' characteristics like group affiliation, size and age matter and can have influences on the internationalization-performance relationship. In particular, it is positively moderated by group affiliation and log of age, which signify deeper resource based and legitimizing effects. We found partial support for the positive moderating effect of the size on internationalization-performance relationship. These results are indicative of the relevance and the need to forge a more robust understanding of the role various organizational characteristics play in influencing the internationalization-performance relationship.