Emerging-economy firms’ FDI motivations: the case of Indian pharmaceutical MNEs in Ireland

Rakhi Verma* and Louis Brennan

School of Business, Trinity College, Dublin 2, Ireland
Email: vermara@tcd.ie
Email: brennaml@tcd.ie
*Corresponding author

Abstract: The growing phenomenon of emerging-economy firms investing abroad, particularly in the developed countries, calls for an in-depth study of their FDI motivations. This study builds upon several studies that suggest that capabilities-based approach is central to the theory of the MNE. Employing a case study approach, we examine the FDI motivations of Indian pharmaceutical firms in Ireland. Our analysis reveals that the FDI motivations of the firms are associated with their degree of internationalisation, and both are sequential as well as evolutionary in nature. Based on this study, we propose a four stage pyramid model of FDI motivations. The findings from this study have both theoretical and policy implications in relation to emerging-economy firms undertaking FDI.

Keywords: FDI motivations; internationalisation; emerging economies; India; Ireland.


Biographical notes: Rakhi Verma holds a PhD in International Business from the School of Business at Trinity College Dublin. She obtained her MBA from ICFAI Business School, Pune in 2004. She is currently researching FDI from developing countries to the developed world. Her area of interest includes the theory, business strategy and practices of emerging market MNEs and the impact of outward foreign direct investment on developing countries, particularly India.

Louis Brennan is a Fellow of Trinity College and a Professor within the School of Business at Trinity College. He previously served as Director of the Institute for International Integration Studies at Trinity College Dublin. His areas of interest encompass global business, operations and global strategy and global supply chains. He has published extensively in these areas. He has lived and worked in a number of countries in Asia and Europe and in the USA.
1 Introduction

Increasing foreign direct investment (FDI) outflows and rapidly internationalising firms from emerging economies has become one of the most important features of the world economy. While this phenomenon is gaining increased attention in international business research, our understanding of what drives multinational enterprises (MNEs) from emerging economies to invest abroad is limited. Consequently, there has been renewed emphasis on treating emerging-economy firms as special actors within the global economy and studying them as agents of economic globalisation (Bongalia et al., 2007; Luo and Tung, 2007). A number of recent studies (Mathews, 2006; Yiu et al., 2007; Yang et al., 2009) have indicated that firms from emerging economies develop patterns of FDI that are different from developed-country MNEs. Guillen and Garcia-Canal (2009) suggest that MNEs from emerging economies are different from those from developed countries in terms of investment motivations, competitive advantages and speed of internationalisation, entry modes, expansion path and organisational adaptability. The fact that emerging economies have made substantial gains in terms of FDI outflows particularly in developed countries in recent years prompts an assessment of some major issues including the motivations behind emerging economy firms’ overseas investment. In particular, do these FDI motivations shape their path of internationalisation or vice versa?

Traditional views on FDI motivation for internationalisation are embedded in the exploitation perspective where firms engage in outward FDI to exploit their resources and capabilities overseas and/or to acquire complementary resources (Lall, 1983; Dunning, 1993). In contrast, recent studies present a fascinating perspective – foreign expansion of emerging-economy MNEs is motivated by considerations of gaining access to, and internalising, strategic resources (Yiu et al., 2007; Elango and Pattnaik, 2007; Barnard, 2008). Firms may engage in FDI to explore and augment their competitiveness rather than simply exploit their existing set of advantages. Makino et al. (2002) consider that asset exploration FDI motivation is more prevalent among the emerging market MNEs rather than asset exploitation. Emerging economies MNEs use FDI as a means to gain access to comparatively advantaged country specific assets in the host country (Makino et al., 2002). As international markets are becoming more competitive, firms from emerging economies are evolving and changing their strategy to compete successfully. Some of the emerging-economy MNEs have developed their own firm-specific assets and expanded their operations beyond other developing countries to developed countries. Studies also suggest that emerging-economy firms have a substantial catching up potential regarding their outward FDI compared with developed countries (Young et al., 1996). Makino et al. (2002) suggest that the asset-augmenting or competence-seeking FDI motivation of emerging economies MNEs challenges the existing conventional theory. More recently several studies have cited capabilities building through learning and acquiring tangible and non-tangibles as an important aspect while examining international businesses (Fatehi and Englis, 2012; Meyer and Thaijongrak, 2013; Cantwell, 2014).

Fatehi and Englis (2012) concluded that organisational learning alters the strategic intents or FDI motivations of MNEs. Cantwell (2014) suggests that MNEs have distinct capabilities. These capabilities are developed by acquiring the knowledge and ownership components drawn from their various investment locations and thus internationalisation
Emerging-economy firms’ FDI motivations

Emerging-economy firms’ FDI motivations increases MNE’s capability. In this study, we further explored FDI motivation in the context of MNEs internationalisation activities in various countries.

Cuervo-Cazurra and Ramamurti (2014) maintain that emerging country MNEs emergence does not fit well within existing theoretical arguments. Hence, studies are sought which can explain the internationalisation process of new MNEs from emerging countries such as China and India and identify underlying processes and limitations of existing models, which has been largely based on developed country MNEs so far. The various FDI motivations were derived with reference to UK and US companies investing overseas. There is no study which encapsulated the emerging country MNEs motivations, particularly in developed countries and the reason behind such motivations. In this study, we explore the FDI motivations of emerging country MNEs with the goal of gaining an in-depth understanding of their motivations. Motivations are at the core of the FDI decision and play an important role in determining the location and entry strategy. The primary research questions addressed in this paper are:

1. Do emerging-economy firms differ in their FDI motivation despite similarities in country of origin, industry sector and mode of entry and choice of FDI host country location?

2. If so, how and why do they differ in their motivations for their investments?

In order to address these questions, we focus on Indian pharmaceutical firms (representing emerging economy MNEs from a particular sector and emerging economy) investing in Ireland (representing developed countries). Using the population of Indian pharmaceutical firms which have entered Ireland via brownfield investments we examine the firms’ FDI motivation in a developed country.

The Indian pharmaceutical industry is a relevant context for several reasons. The rapid growth of the Indian economy in the last decade has bolstered the confidence of domestic enterprises to go across borders with relatively bold and aggressive investment methods in the early stages of their outward internationalisation. Outward FDI from India has increased substantially particularly over the past decade (Verma and Brennan, 2011a). Importantly, the pharmaceutical industry is one of the main drivers of India’s recent high export-led growth (Verma and Brennan, 2011b). Despite the challenges that high value, knowledge-intensive industries in emerging economies can face such as regulatory obstacles, excessive bureaucracy, weak product patent protection and expensive research equipment among others, the Indian pharmaceutical industry is sizeable. According to the Planning Commission Report published in 2011 by the Indian government, the Indian pharmaceutical industry is ranked third in terms of volume and 14th in terms of value globally. Today, the Indian pharmaceutical industry is not only fulfilling domestic demand, but also continues to engage in overseas markets through FDI. Although the role of Indian pharmaceutical players in international markets has been reported in the business press and journals (Chittoor and Ray, 2007), there is a lack of a systematic examination of the FDI motivations of Indian pharmaceutical firms.

This paper therefore intends to add to the body of research by analysing the FDI motivations of Indian MNEs in the developed world and to provide insights and contribute to the nascent but growing literature on capability building as internationalisation strategies of emerging economies MNEs. The rest of the paper is organised as follows. In the following section, we review existing literature around the
topic to develop a set of empirically testable hypotheses pertaining to FDI motivations by emerging-economy MNEs. We then describe the research methodology. The case study findings from Indian pharmaceutical firms in Ireland are presented in the next section, followed by a cross-case analysis. A discussion of the research findings follows. A number of conclusions based on this study are presented in the last section.

2 Previous literature on FDI motivation

FDI motivation for firms pertains to factors arising out of home and host country institutional environments. Many emerging market MNEs engage in outward FDI in order to escape from stifling regulatory constraints at the home country. They are motivated to overcome negative country of origin effects and acquire legitimacy in international markets (Deeds et al., 2004; Witt and Lewin, 2007; Cuervo-Cazurra and Ramamurti, 2014). Considering the host country location determinants, the eclectic paradigm offers a very structured understanding of firms’ FDI motivations. Dunning’s (1977) analysis is centred on the advantages that firms enjoy when they establish production operations abroad. It suggests four primary motivations for internationalisation –

1. foreign market-seeking FDI
2. efficiency-seeking FDI
3. resource-seeking FDI
4. strategic asset-seeking FDI.

It is worth mentioning here that strategic asset-seeking FDI is a subset of resource-seeking FDI (Buckley et al., 2007). Dunning (1993) asserts that strategic asset-seeking FDI stems from the increasing importance of intangible assets in the wealth creating process of the economy. It should be noted that the FDI motivation taxonomy is based on the OLI paradigm (Dunning, 1977). The OLI paradigm explains why (ownership advantage) and how (internalisation advantage) a firm decides to become a multinational and where (location advantage) it is more likely to invest.

Recently Buckley et al. (2012) tested the location advantages that attract Indian outward FDI. They included three FDI motives viz. market-seeking FDI, resource-seeking FDI, and strategic asset-seeking FDI in their study. They argued that as India has an abundance of low cost labour, it is unlikely that efficiency-seeking could be a motive for internationalisation in Indian outward FDI. They concluded that host country location factors such as market size and local intangible assets are important to Indian investors but natural resources were not major motives for Indian outward FDI. The study by Buckley et al. (2012) also found that the preference of Indian firms for overseas investment has shifted to rich countries where the largest markets and greatest concentration of intangible assets are found. In a recent study, Franco (2013) states that in the empirical literature an overlapping between resource-seeking and efficiency-seeking has been noted.

Another model that has longstanding support on internationalisation is ‘the Uppsala model’. The Uppsala model identifies an incremental or stages process to a firm’s internationalisation that is linked to geographic and psychic distance, with firms
Emerging-economy firms’ FDI motivations

beginning their international operations in locations geographically close to the home market and in (psychically close) countries where knowledge, relationships and experience have already been established through prior trade business and other interactions. Recently, Johanson and Vahlne (2009) revisited the Uppsala model and suggested that more than psychic distance, the outsidership of the firm is the root of uncertainty. It is noteworthy that the Uppsala model focuses on the ‘how’ aspect of firms’ internationalisation and offers practical insight into firms’ outward investment process in general.

Meyer and Thajongrak (2013) assessed the usefulness of the Uppsala model with regard to the recent strategies of emerging economy MNEs. They suggested that the popular stages models derived from the Uppsala model are not helpful, but the underlying process of experiential learning driving steps of increased commitment is an important element in explaining the evolution of these MNEs over time. They underscored the importance of the internal and external factors such as networks, acquisitions, human capital and the home country institutional environment that play an important role in firms’ learning during internationalisation.

From the literature we know that emerging-economy MNEs differ in their FDI motivations from developed country MNEs (Dunning, 2000; Cuervo-Cazurra and Genc, 2008). Peng et al. (2009) suggested the institution-based view as “the third leg of a strategy tripod”. They suggest that the institution-based view advances the understanding of industry-based and resource-based studies on the strategies of firms’ internationalisation. A recent study on the motivations of Chinese MNEs using a ‘strategy tripod’ (country, industry and firm-level) framework reports that firms from technology and R&D intensive sectors tend to be strategic asset seeking in their outward FDI; whereas, firms which are highly engaged in exports and firms operating in highly competitive sectors tend to be market-seeking in their outward FDI (Lu et al., 2011). Using the same ‘strategy tripod’ framework Yamakawa et al. (2008) conclude that the expansion of MNEs from emerging markets into the developed world is a complex phenomenon and needs further attention. They offered some propositions around the underlying logic behind outward FDI from emerging to developed economies. They included three benefits for emerging economies MNEs when they enter a developed country

1. enhanced learning opportunities
2. lower levels of institutional and country risk
3. greater market potential.

Studies have recognised that firms particularly from developing countries invest in developed countries not only to exploit but also to develop their firm-specific advantages or acquire necessary strategic assets in a host country (Makino et al., 2002). These studies suggest that a firm’s firm-specific advantages would arise not only from the possession of proprietary assets but also from the capacity to acquire, or the efficient coordination of, the complementary assets owned by other firms in a host country (Dunning and Narula, 1996; Dunning, 2000). Makino et al. (2002) stated that two critical factors that would influence the choice of location of FDI are an investing firm’s motivations and capabilities to engage in FDI. However, it is not clear what contributes to such motivations and capabilities and whether these stated motivations and capabilities of emerging economy firms are static in nature or evolve with time.
There have been a number of studies on FDI motivation on emerging economies MNEs. For example, based on secondary data, Pradhan (2008) studied a number of Indian pharmaceutical firms including Ranbaxy Ltd. and Wockhardt Pharmaceuticals. He concluded that these multinationals generally invest overseas to overcome the innovation limits in the home country. This study clearly states the reason behind outward FDI by pharmaceutical firms from India, but it does not throw any light on the factors that motivate the firm to invest in a particular location.

Child and Rodrigues (2005) suggest that Chinese investors prefer acquisition and organic mode of entry in a foreign location in order to address competitive disadvantages. They suggest that this is hugely supported by the Chinese government and its policy. Similarly, Deng (2007, 2009) argues that Chinese MNEs do not generally invest overseas to overcome institutional limitations but more often they invest for asset seeking reasons.

In a study by Chittoor and Ray (2007) on the Indian pharmaceutical industry, they used secondary data to explain why firms from the same macro-economic background pursue different strategies while exploring overseas markets. In this paper, we respond to their view that there is a need to understand the factors that make firms more or less explorative or exploitive in their internationalisation path.

It is well established that motivations are at the core of FDI (Deng, 2007), but the role played by FDI motivations is largely disregarded in the IB studies (Franco et al., 2008; Franco, 2013). We aim to fill this gap by conducting an in-depth analysis of FDI motivations of emerging economies MNEs in the developed world. Since different motivations and corporate strategies can lead to different entry modes and different internationalisation paths, it is instructive to focus on firms’ FDI motivations and the factors that drive them.

3 Hypotheses development

A motivation for FDI refers to the reason that gives an investing firm the impetus for investing abroad. Firms engage in FDI because they are motivated and have the capability in the form of ownership advantages (for example, resources and necessary skills) to do so (Makino et al., 2002). Based on our review of the literature, we develop a set of empirically testable hypotheses to guide subsequent research.

3.1 FDI motivation and ownership advantages

The eclectic paradigm states that a firm willing to invest abroad must possess ownership advantages in order to overcome the ‘liability of foreignness’. The ownership advantages can include both internally (within the firm) and externally generated capabilities and competences to exploit location advantages of a particular country (Dunning, 2006). A substantial body of evidence suggests that the possession of ownership advantages is an important and motivating determinant of foreign market entry strategy and FDI flows between countries (Caves, 1974; Clegg, 1987; Chen, 2008). With the rise of emerging-economy MNEs, an asset augmenting or asset-seeking perspective has been advocated to explain how these latecomers are employing international expansion to overcome their competitive disadvantages (Makino et al., 2002; Mathews, 2006; Child and Rodrigues, 2005). At the same time emerging-economy firms are engaged in accelerated and aggressive internationalisation (Luo and Tung, 2007; Bongalia et al., 2007). Firms may
also engage in FDI to enhance their competitiveness rather than exploiting their existing set of advantages. Dunning (2006) maintains that the asset-augmenting perspective does not conflict with the OLI (ownership, locational, internalisation) framework, since he argues that the investing firm has to already possess certain unique and at least some sustainable competitive advantage relative to that possessed by their foreign competitors. In other words, emerging economies firms’ accumulate tangible and intangible ownership advantages over the course of internationalisation, and use their accumulated ownership advantages further to acquire the resources and capabilities they lack. In order to better understand the motivation of Indian pharmaceutical firms in Ireland, we propose that:

**H1** The motivation of a firm’s investment decision in a particular location is influenced by the ownership advantages of the firm.

### 3.2 FDI motivation and industry sector

Porter (1980) proposed an industry-based view in which conditions within an industry, to a large extent, determine firm’s strategy and performance. The industry-based view advocates that the industry exerts pressure to which a firm must adapt in order to survive and prosper, and industry dynamics play an important role in the formation of competitive strategy of a firm (Lu et al., 2011). The greater the oligopolistic interdependence in an industry, the higher is the likelihood of OFDI, because of the imitative behaviour of rivals in investing abroad (Pradhan, 2004). The OFDI pattern may vary across industries depending on differences in government regulation and policy regime as they are related to specific industry sectors. Thus, the OFDI behaviour of a firm is likely to be influenced by the industry sector. Yamakawa et al. (2008) suggest that a high degree of industrial competition in emerging economies compel firms to replicate each other’s strategic decisions. They termed this behaviour ‘strategic cloning’. They suggested that investment in developed countries by emerging economies firms can be a result of such strategic cloning.

On the other hand, Kale and Little (2007) suggest that initially the Indian pharmaceutical industry thrived on imitation from foreign pharmaceuticals but later on, the players of Indian pharmaceutical industry adopted the ‘capability creation model’. Their study showed that the Indian pharmaceutical industry has followed a trajectory from duplicative imitation to creative imitation to move up the value chain of pharmaceutical research and development. They further suggest that this particular industry in India has learned to develop capabilities and resources which is quite instrumental in their overseas business venture.

A recent study by Athreye and Godley (2009) indicates that Indian firms, particularly those from the pharmaceutical sector, have a clear strategy of exploiting and leveraging global location advantages. The pharmaceutical sector is highly regulated. However the extent of such sectoral regulations varies between different countries. Changes in the regulation for a particular product can be a motivating factor for overseas investment by pharmaceutical firms. The MNEs studied in this paper share the same home and host country, thus they adhere to the same regulations in these locations. They have explored other overseas countries through FDI (both developing and developed countries) and have accumulated industry specific advantages in their course of internationalisation. The firms may choose to invest in a region or a country because of the absence of regulatory restrictions on their products. Thus, based on the above arguments, we hypothesise that:
H2 The motivation for a firm’s investment is influenced by sectoral regulations.

3.3 FDI motivation and degree of internationalisation

The measurement of the degree of internationalisation and the relationship between degree of internationalisation and performance are key issues in international business research (Sullivan, 1994). The term ‘degree of internationalisation’ was first used by Johanson and Vahlne (1977) to explain the internationalisation process while studying four Swedish firms in what is known as the Uppsala model. The Uppsala model explains the characteristics of the internationalisation process of the firm. It suggests that internationalisation of a firm is an incremental process. Exposure to international operations leads to greater development of knowledge about foreign operations that further facilitates commitments to such operations (Johanson and Vahlne, 1977).

Johanson and Vahlne (1977) emphasised the evolutionary development of the firm which is based on the gradual acquisition of knowledge of the foreign market. In a study of 794 Indian firms, Elango and Pattnaik (2007) found support for the Uppsala model, but they also emphasised that apart from knowledge benefits, Indian firms belonging to networks such as business groups can access scarce resources (e.g., financial capital, human capital, reputation).

Buckley et al. (2007) asserts that the central plank of international business theory is that motivation for FDI varies with the nationality of the investor. MNEs with different ownership advantages, linked to country of origin, invest abroad in different industries and locations (Dunning, 2006) and thus produce distinctive patterns of FDI. In addition, recent studies highlight the evolutionary nature of FDI motivations. For example, the World Investment Report (UNCTAD, 2006) has noted that the motivation can be mixed, complementary and evolutionary in nature. The motives for foreign production may also change with a firm’s degree of internationalisation (Dunning, 1993). The degree of internationalisation has increasingly become one of major parameters while assessing the firms’ performance as well. Kumar and Singh (2008) explored the relationship between the stage of an MNE’s growth and its performance. Studying 75 Indian MNEs, they found that in all three stages – early, growth and mature – the proposed model which links the degree of internationalisation to its performance was supported. However, we could not find any study linking FDI motivation to the degree of internationalisation. The observed evolutionary behaviour of FDI motivations signifies further modifications to the Uppsala theory. Therefore, certain assumptions and notions of the Uppsala model (i.e., deterministic sequential stages, commitment, state/change variables) need to be extended to incorporate the motivations and possible linkages between them. In this study, we hypothesise that:

H3 The motivation for a firm’s investment decision depends on the firm’s degree of internationalisation.
Emerging-economy firms’ FDI motivations

decision making (Figure 1). Figure 1 also presents a conceptual framework encompassing the above three hypotheses \( (h1, h2 \text{ and } h3) \) that offers an explanation for OFDI motivations while the home country institutional factors (India), host country location advantages (Ireland) and mode of entry (acquisition) remain constant.

**Figure 1** A conceptual framework incorporating the hypothesised relationships

![Conceptual Framework](image)

**4 Methodology**

**4.1 Research design**

Our unit of analysis in this study is the MNEs from the Indian pharmaceutical sector in the host country location of Ireland. Despite Ireland’s relatively high levels of inward FDI, it has a small number of Indian firms. The small population of Indian firms in Ireland facilitates an evaluation of such firms in an in-depth manner. We identified three Indian pharmaceutical firms operating in Ireland

1. Ranbaxy Ltd. (Ranbaxy henceforth)
2. Wockhardt Pharmaceuticals (Wockhardt henceforth)
3. Reliance Life Sciences (RLS henceforth).

The main advantage of this methodological approach is local groundedness which helps uncover latent and underlying issues within each single setting. In international business the need for theorising using case studies has been highlighted in pioneering academic journal articles (Ghauri, 2004; Welch et al., 2011). An exploratory methodology such as that incorporated in this study has been recognised as being particularly useful for researchers interested in examining strategies in emerging economies (Hoskisson et al., 2000). In the light of these arguments, the empirical study was designed to explore differences and similarities in the FDI motivations and behaviour of Indian pharmaceutical firms.
Initially our aim was to establish “what are the FDI motivations of Indian firms in Ireland”. In order to ascertain the motivation of Indian pharmaceutical case firms, we asked them to identify the most relevant factors in the context of the firms’ investment in Ireland. We therefore used a questionnaire survey, following a deductive research method. It is widely recognised in international business articles that EM MNEs use international expansion as a springboard to acquire strategic resources in the developed countries and/or reduce their institutional and market constraints at home while resource seeking and efficiency seeking have not found much support. We expected that strategic needs such as technical know-how etc. would be the most prevalent motivation among the three firms. However the questionnaire results exhibited different motivations. Along with the strategic and market seeking reasons, Indian firms found Ireland a destination where they can meet MNE’s resource and efficiency-related needs as well. The questionnaire responses led us to engage with our second research question in this paper, “why do firms have heterogeneous FDI motivations and how can this be explained”. The questionnaire responses were investigated further via explanatory case studies involving the use of interviews and secondary information were gathered from various sources including newspapers and business magazines on Indian pharmaceutical firms invested in Ireland. This led us to triangulate data collection methods (survey questionnaire data, responses from interviews and secondary data). We used an inductive research method in the later part of this study. We explored the genesis of the three case firms and followed each of their foreign investments and their motives. The inductive method allowed the research findings to emerge from the raw data collected through secondary sources, questionnaire and interviews, without the limitations imposed by structured methodologies. Owing to the nature of the research questions (what and why and how) in this study we used a combination of methods. Overall the themes that were central while designing the questionnaire and interview questions are summarised in Table 1:

<table>
<thead>
<tr>
<th>Theme of enquiry</th>
<th>Specific questions</th>
<th>Source of answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>How</td>
<td>What is the preferred mode of entry of Indian pharmaceutical MNEs in Ireland?</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>What</td>
<td>What are the reasons and motivations for investment in Ireland by Indian pharmaceutical firms?</td>
<td>Question and interviews</td>
</tr>
<tr>
<td>Why</td>
<td>Why are the motivations not aligned between the three pharmaceutical companies?</td>
<td>Interviews, business media, literature</td>
</tr>
</tbody>
</table>

Primary data was collected through two complementary methods
1 questionnaire
2 interviews

This mix of survey questionnaire and interview data allowed us to get rich insights into the FDI motivations and reasons for investments by Indian pharmaceutical firms in Ireland. In each case the fieldwork was conducted over a period of 12 months using the following data collection techniques.
4.1.1 Questionnaire

In order to ascertain the FDI motivations of Indian pharmaceutical MNEs operating in Ireland, a questionnaire was designed and administered to the executive officers of the firms. We identified three Indian pharmaceutical firms operating in Ireland. The senior executives of each unit were mailed a copy of the questionnaire with a cover letter indicating the purpose of the study. Follow-up telephone calls and a second mailing to non-responders yielded a 100% response.

We asked firms to evaluate the importance of resource seeking, efficiency seeking, strategic asset seeking and market seeking motives for their investment in Ireland along a five-point scale (1 = not important, 5 = extremely important). As the questionnaire survey entails collecting the opinion of the MNEs’ senior executives, we utilised descriptive statistics to give a more precise understanding of the importance of the factors identified by the respondents. For the resource seeking motive, we used four items:

1. macroeconomic conditions of Irish market such as tax structure and incentives
2. labour cost competitive advantage in Ireland
3. supply of raw materials in Ireland
4. better financing opportunities in Ireland.

We used four items for efficiency seeking motive

1. economies of scale and/or scope
2. better facilities and technology in Ireland
3. restructuring of your firm to eliminate financial risk
4. export promotion from India.

For market seeking we used following five items:

1. to enlarge existing market share and meet the growing demand in the Irish market
2. access to neighbouring EU countries
3. to follow the customers and for a better after sales service
4. saturated or lack of market in India
5. avoid the home country disadvantages due to government regulations.

To estimate the strategic asset seeking motive we used four items

1. brand name and goodwill of the acquired firm in Ireland
2. strengthening overall competitive position in India
3. access to local expertise with appropriate knowledge and technology
4. better R&D environment.

The formulation of the questionnaire content was informed by similar studies such as those by Bulatov (1998), Gang (1992) and Lu et al. (2011).
4.1.2 Interviews
The analysis of questionnaire responses informed the focus of the interviews and assisted in clarifying the internationalisation steps undertaken by the firms. A series of semi-structured open-ended interviews with the executives at the case firms were conducted. These informants were key high level executives/operations heads who had been involved with overseas investment in each of the firms for a number of years, and brought with them current knowledge as well as a historical perspective. We conducted in-depth interviews with two key informants in Ranbaxy (one in Ireland, one in Mumbai) and with one key informant in Wockhardt and RLS respectively (both in Ireland). The interviews was performed in two to four sessions, each session was about 30–45 minutes. The focus of the interviews revolved around explanations for the FDI motivations of the firms in Ireland and the advantages that the firm possessed for successful investment in Ireland. A summary of the initial questionnaire responses and a transcript of the interviews were sent to the participants in order to verify their responses. The interviews were open ended, however generally the respondents majorly spoke around their identified factors in the questionnaire. The interview provided us an opportunity to confirm the responses that we gathered from the questionnaire survey.

4.1.3 Secondary data collection
Secondary data are useful because they contain the seeds of the solution to the question raised in a case study (Cowton, 1998). Therefore, an extensive amount of secondary data was identified on the case firms including published company reports, press releases, features in business magazines and newspaper articles.

During the data collection we observed procedures that would enhance the validity and reliability of the research. To enhance construct validity, we relied on triangulation of the data gathered through questionnaire survey, interviews and secondary data sources such as business articles published in newspapers and business magazines. The external validity of each case study was improved by performing a comparative analysis of our findings. We interviewed the same respondents multiple times to ensure internal validity of each case study. The issue of reliability was addressed by following a standard interview protocol for each case study. We also assured the informants of their anonymity in order to promote candour for the study.

4.2 Data analysis
Once we received and analysed the completed questionnaires, we recognised that the three firms have three different set of motivations. The questionnaire responses were decoded by picking out the top reasons for selecting Ireland as their destination and were analysed further to gain an understanding of the cited FDI motivations of the case firms’ senior management. As the population size of our study was small we performed descriptive analysis instead of statistical analysis. The responses to the questionnaire highlighted the major FDI motivations of the case firms and a further analysis of these FDI motivations were performed using the data collected through the interviews conducted with the firms’ high level executives. The individual case level data were explored and subsequently compared with the goal of identifying and explaining key differences among the case firms. During each within-case analysis, we identified key
constructs and processes that appeared important in explaining the FDI motivations of Indian pharmaceutical firms. We then undertook cross-case analysis searching for similar patterns in the data across cases and also identified the differences between the cases. We compared our emergent findings with literature in order to develop a theoretical model that integrated existing theory and the fresh empirical evidence.

5 Findings

Table 2 summarises the FDI motivations of the case firms. Each of the three Indian pharmaceutical firms has a different set of motivations for their investments in Ireland. Despite this difference, market seeking is the common motivation across all the firms investing in Ireland. Although the Irish market is relatively small; Ireland provides access to the much larger European market as a member of the European Union. In order to understand why the case firms have different motivations for FDI in Ireland and the evolution of their FDI motivations, we uncovered the historical context pertinent to the FDI strategies adopted by the case firms. In the following subsections, we consider each of the case firms and analyse their FDI motivations in Ireland.

<table>
<thead>
<tr>
<th>Firms</th>
<th>Market seeking</th>
<th>Efficiency-seeking</th>
<th>Strategic asset-seeking</th>
<th>Resource-seeking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranbaxy</td>
<td>√</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wockhardt</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>-</td>
</tr>
<tr>
<td>RLS</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

5.1 Ranbaxy Limited

Ranbaxy is India’s largest pharmaceutical firm. Ranbaxy Laboratories Limited was established in 1961 and went public in 1973. The firm traces its roots to a chemist shop in Delhi. Ranbaxy was initially started in 1937 by Mr. Ranbir Singh and Mr. Gurbax Singh as a distributor for a Japanese pharmaceutical company ‘Shionogi’. Hence, the name Ranbaxy – coined from its first owners Ranbir and Gurbax. They sold the firm in 1952 to their cousin Bhai Mohan Singh. Later in 1967, Bhai Mohan Singh’s son Parvinder Singh significantly transformed the firm’s business and scale. Figure 2 contains the major internationalisation steps undertaken by Ranbaxy from its inception.

The success of Ranbaxy, a pharmaceutical firm with Indian origins, provides an ideal case to investigate the approaches and motives of MNEs from developing countries to developed countries such as Ireland. The participant in this study at Ranbaxy indicated ‘market-seeking’ as the prime motivation for their investment in Ireland (Table 2). The interview data further revealed that this motivation of Ranbaxy’s overseas investment with special reference to Ireland was driven by the accumulated ownership advantages. Ranbaxy initiated its internationalisation process in African and South East Asian markets, starting with Nigeria (1977), followed by Malaysia (1983), Thailand (1987), and China (1993) (Figure 2). Ranbaxy’s choice of these locations mirrored those of other Indian outward investors during the 1970s–1990s, which limited their internationalisation to countries that were geographically close and/or at stages of development similar to or
less than those of their home market (UNCTAD, 2006). The majority of FDI undertaken in developing countries by Ranbaxy was primarily to gain access to resources and to enlarge its market.

**Figure 2** Internationalisation of ranbaxy laboratories (see online version for colours)
Following a policy change by the USA Government in 1984 and the enactment of the Waxman-Hatch Act to ensure availability of less costly generic drugs, entry opportunities for Indian pharmaceutical firms within the USA were greatly increased. Ranbaxy entered into an agreement with the US-based Eli Lilly and Company in 1992 for a joint-venture in India to produce and market Lilly’s branded pharmaceuticals for the domestic market. At the same time, Lilly agreed to begin marketing Ranbaxy’s products in the USA. In this way, Ranbaxy gained wide-scale access into the world’s largest drugs market backed by the highly respected Eli Lilly. This enabled Ranbaxy to establish its regional headquarters in the USA in 1994 with the basic objective of undertaking sales, marketing and distribution support for its generic and branded prescription products.

To further ensure manufacturing support at a local level, Ranbaxy acquired the USA based Ohm Laboratories Limited in 1995. This acquisition provided Ranbaxy with the first FDA approved manufacturing facility in the USA. In 1996, it started a joint venture with another US-based Schein Pharmaceuticals for marketing ‘Ranitidine’. In 1998 Ranbaxy established a 100% subsidiary in the USA and started marketing products under its brand name. Subsequently, Ranbaxy acquired 13 established and well-recognised brands of the dermatology segment from Bristol-Myers Squibb in the USA. Within just four years of starting its US operations, Ranbaxy sales reached US$ 100 million in the USA.

In Europe, Ranbaxy began expanding its production facilities by setting up a subsidiary in the UK (1994) and in the Netherlands (1996). Ranbaxy’s interest in Europe further expanded in 1996 when it acquired an Irish company Rima Pharmaceuticals Limited (Rima). Rima was a producer of a wide range of pharmaceutical products for the Irish, UK and other European markets. The senior executive interviewed in Ranbaxy confirmed the importance of Ireland as a route into other European country markets:

“Expansion to European market is a key element of our internationalisation strategy. Acquisition of Rima is an important step forward in this direction.”
(Ranbaxy, Senior Executive, 2010)

The manufacturing plant in Ireland provided the backbone of Ranbaxy’s European business. With this acquisition, Ranbaxy got access to over 150 marketing licences for sale of products in the UK and Irish markets issued by the Medicines and Healthcare Products Regulatory Agency (MHRA) and the Irish Medicine Board respectively. Ranbaxy’s presence in the UK and Ireland provided the firm with a platform to expand further into Poland, Hungary, the Czech Republic and the Slovak Republic. In the recent past, Ranbaxy has been pursuing an aggressive acquisition strategy for the internationalisation of its operations. It continued to expand in Europe to further strengthen its strategic assets. For example, Ranbaxy acquired the German company Bayer’s generic business in 2000 and then the fifth largest generics firm in France RPG (Aventis) in 2004. In 2006, Ranbaxy acquired Terapia in Romania, Ethimed N.V. in Belgium and a large unbranded generic product portfolio of Allen S.p.A., a division of GlaxoSmithKline, in Italy. These acquisitions made Ranbaxy one of the world’s largest generics firms. Ranbaxy’s internationalisation strategies include joint-ventures, acquisition and Greenfield routes. As shown in Figure 2, Ranbaxy’s overseas investment started with joint ventures in developing countries followed by entry into the developed countries via acquisition. In addition to the USA and the UK, Ranbaxy targeted several other developed countries and new regions. Moreover, Ranbaxy has patented its innovative production processes all over the world. The experience gained in developed
countries also enhanced the firm’s regulatory skills needed to obtain approvals for its products. This extensive internationalisation by Ranbaxy has proved to be an importance source of learning for operating in international markets. This finding supports the study performed by Chittoor and Ray (2007) which suggests that Ranbaxy systematically identified, acquired and developed a set of new capabilities necessary to develop new products and succeed in both developing and developed markets.

An analysis of Ranbaxy’s internationalisation strategy indicates the sequential nature of its expansion-first prioritise market in the overseas country, then export via sales agents or form joint venture to understand dynamics, then set up an infrastructure and finally start expanding. It can be argued that overseas acquisitions by Ranbaxy have not only provided an enlarged market but also have augmented its intangible asset bundle including distribution and market networks.

Ranbaxy was involved in exporting its product to Ireland well before acquiring the Irish company Rima pharmaceuticals. Thus, its internationalisation behaviour can be explained by the Uppsala model which argues that firms’ incremental internationalisation can be described as one of overcoming psychic distance related to cultural distance (Johanson and Vahlne, 1977) as well as technological distance, economic distance, and institution distance (Tsang and Yip, 2007). In order to overcome the liability of foreignness in Ireland, Ranbaxy followed the sequence of entry modes from exports to mergers and acquisitions. The acquisition of Rima pharmaceuticals helped Ranbaxy to have access to the product licenses for the UK market and cut short registration services. In 2005, Ranbaxy generated revenues of about US $17 million from its Ireland unit. In 2008, Ranbaxy was taken over by the Japanese pharmaceutical firm ‘Daichi Sankya’. Overall, the evidence suggests that Ranbaxy extended its operations into the developed countries especially to the USA and Europe for strategic asset-and/or market-seeking motives.

5.2 Wockhardt Limited

Wockhardt Limited, with global headquarters in Mumbai, India, is a technology-driven pharmaceutical and biotechnology firm. It was established by the Khorakiwala family in 1959 as a small pharmaceutical distribution and selling entity. The firm set up its first formulation plant in 1977 and soon established a bulk drug plant in 1983. Figure 3 provides the details of internationalisation steps undertaken by Wockhardt.

In order to establish a strong presence in Europe, Wockhardt acquired the German firm Rhein Biotech in 1995 for manufacturing hepatitis B vaccine. This venture allowed Wockhardt to obtain the know-how and access to skilled human capital in Germany (Kumar and Satish, 2007). The second and third acquisitions of Wockhardt were UK-based Wallis Laboratory in 1998 followed by CP Pharmaceuticals in 2003, which transformed the company into a major player in the UK market. For Wockhardt, these acquisitions served as a platform to expand its footprint in Europe. In 2004, Wockhardt acquired the German company Esparma GmbH, which further increased its market share in Europe.
One of the most important internationalisation steps undertaken by Wockhardt was its fourth European acquisition in 2006 – the acquisition of Pinewood Laboratories in Ireland. This represented one of the biggest investments by an Indian firm in Ireland with the Wockhardt senior executive commenting that:
Pinewood Laboratories, established in 1976, was a highly regarded and recognised company in Ireland with over 200 prescription and over-the-counter products. The firm was the market leader in renal therapy products and had a strong brand name in many of its market segments. The questionnaire responses revealed that Wockhardt’s motives for investing in Ireland were efficiency-seeking (mainly for achieving economies of scale and scope, appropriate facilities and technology/product specialisation of the acquired firm in Ireland), strategic asset-seeking and market-seeking (export promotion). This acquisition gave Wockhardt access to Pinewood’s marketing, distribution system and customer base for its vast range of hospital products. The response from the Wockhardt senior executive highlighted that –

“The acquisition of Pinewood has provided us an opportunity to target the large customer base in the UK and Ireland. We are now able to market a wide range of products in this region.”

Wockhardt is targeting not only the UK and Irish market, but also other European countries. Market-seeking has been one of the major motivations, which is very clear from the statement made by the chairman of Wockhardt in a press release at the time of acquisition:

“This acquisition gives us a larger footprint in Europe spread over UK, Ireland and Germany. European business accounts for almost half of Wockhardt’s total sales.” (Habil Khorakiwala, Wockhardt Chairman, 2006)

It is important to note that Wockhardt’s expansion into Europe was based largely on acquisitions of FDA approved plants that has enabled the firm to increase its efficiency. For example, overheads could be reduced by combining production facilities. With each takeover Wockhardt was able to improve costs by 10–20%. Since Pinewood had a very efficient marketing distribution channel with more than 200 marketing authorisations, its acquisition increased Wockhardt’s efficiency and enabled the firm to deliver timely and competitively priced quality products backed by individual customer service. This gave Wockhardt a highly regarded and well-recognised brand name in the pharmaceutical industry.

As almost half of Pinewood’s sales came from the UK, the acquisition reinforced Wockhardt’s position in the UK and Ireland. It was also a strategic fit for product specialisation reasons as the firm achieved synergies through cross introduction of its products. For example, Pinewood’s liquids and creams business complemented its strengths in injectable and solid dosages. (The Economic Times, 2006)

Pinewood’s acquisition (with its established brand name and a very efficient market channel) has given Wockhardt a strong foothold in the European market. Wockhardt’s longstanding expertise in its products, purpose-built warehousing and expertise in logistics are among the major ownership advantages. Wockhardt does not seek resources in Ireland as sufficient resources lies with the firm in home and various overseas countries. The long history of the firm’s operations in the pharmaceutical sector suggests that resource-seeking may not be a motive for investments particularly in Ireland.
In-depth analysis of Wockhardt’s FDI motivations reveals that the firm has followed the incremental process of the Uppsala model. The firm was exporting before owning a manufacturing unit in Ireland. Initially, it established a trading subsidiary in 1993 and then followed the market by acquiring Pinewood Laboratories in 2006. The firm is continuing to acquire pharmaceuticals in Europe, indicating that Wockhardt is on the growth stage of its internationalisation path. Wockhardt has now reinforced its European presence by acquiring Negma in France in 2007, which has made Workhardt the largest Indian pharmaceutical firm in Europe with 1,500 employees based in the continent (Yeoh, 2011).

5.3 Reliance Life Sciences (RLS)

RLS, based in Navi Mumbai, India, was incorporated in January 2001 by the Reliance group. As illustrated in Figure 4, RLS has a very short history of FDI. In order to widen its customer reach in the developed markets and conduct multi-location clinical research/trials for its clients, RLS acquired a UK-based biotechnology company GeneMedix Plc. in 2007 with a manufacturing facility in Ireland. The acquisition deal was worth US$ 31 million.

Our analysis reveals four main motivations of RLS to invest in Ireland –

1. market-seeking
2. resource-seeking
3. efficiency-seeking
4. strategic asset-seeking.

Since its inception, RLS was highly cognisant of the USA and Europe as target markets for its quality products (RLS Press Release, 2009). RLS’s presence in Ireland is primarily motivated by market-seeking in the EU nations based on its strong competitive advantage. RLS’s motivation to invest in Ireland is to exploit its location advantages. Its Irish operation provides it with a gateway to many European markets.
By acquiring GeneMedix, RLS secured access to a large European market while satisfying an efficiency-seeking strategy for the firm. This provides RLS with a great opportunity to introduce its products into the EU through the GeneMedix marketing channels and also to leverage its own production capabilities by manufacturing the acquired firm’s products (Genemedix Press Release, 2007). This has enabled RLS to maximise the profit of the firm by operating from its home country which is quite cheap compared to Ireland.

The acquisition of GeneMedix provided RLS with significant resources such as infrastructure support, R&D facilities and commercial scale manufacturing capabilities to meet the market demand. The senior executive interviewed in RLS added that:

“Especially for developed markets, the first region we are focusing on is EU, where we are currently conducting clinical studies for two biosimilars in our Reliance GeneMedix Plc., Ireland subsidiary.” (RIL, Senior Executive, 2011)

Among several bio-pharmaceutical products, RLS manufactures and markets biosimilars (recombinant proteins and monoclonal antibodies). However, countries are reluctant to allow bio-similars because they contain living active ingredients and are relatively new, imposing a crucial challenge for its marketing. Since Europe has a policy to approve biosimilars products (The Economic Times, 2010), in contrast to the USA, RLS was motivated to invest in Ireland to target the European markets. This point was articulated by the senior executive interviewed in RLS:

“The US doesn’t worry us. There is a pathway in Europe, and the acceptance of our product in the European market gives us the confidence to take others to market.”

One of the distinguishing features of RLS is that it is a part of the largest private sector enterprise in India, participating in multi-sector businesses. Since RLS is an unrelated diversification of the of Reliance group, the firm seeks to increase its global competitiveness by acquiring the appropriate resources in the developed market. It should be noted that resources in terms of employees’ higher level skill, managerial skills and infrastructure are basic essentials for a pharmaceutical firm entering into the regulated markets of Europe and North America. The acquisition by RLS in Ireland has benefited the firm mainly through two types of resources. Firstly, RLS got access to a highly skilled and experienced workforce present in Ireland. Secondly, the manufacturing and R&D infrastructure present in Ireland with Good Manufacturing Practice (GMP) certification and commercial manufacturing licence has ensured that the quality of product will meet the highest standards in the industry.

In diversifying into a totally unrelated business, firms also aim to acquire idiosyncratic knowledge from incumbent firms to assure the success of their subsidiaries. The resource seeking element of RLS motivations supports Chang and Rosenzweig (2001) suggestion that firms often enter foreign markets to augment capabilities in a given line of business. Occasionally, they enter into lines of business where they are relatively weak, seeking to capture greater capabilities or competitive strengths. While the resource-seeking aspect of foreign investment may sometimes be present in incumbent lines of business (where they already compete), this motivation is observed when firms enter a market in a new line of business (where they do not yet compete at all). The acquisition of GeneMedix in Ireland also provided RLS with major strategic
assets such as brand name and the skilled management team of the acquired firm. With a well-recognised brand name of GeneMedix, RLS has been able to develop a scaling-up process that guarantees product quality whilst ensuring cost-efficiency from its world class manufacturing facility in the home country.

As indicated above, RLS was established only a decade ago and Ireland was its first destination for overseas investment, hence it has little internationalisation experience. Thus, the firm is in its early stage of internationalisation and a late mover in the global market place. The firm is pursuing an accelerated process of internationalisation and bypassing the stages of the Uppsala model. Moreover, the questionnaire responses and interviews revealed that the RLS were not exporting before their investment in Ireland. This is consistent with the study by Luo and Tung (2007) that suggests that emerging market MNEs can overcome their late mover disadvantage by using internationalisation as a springboard to actively participate in global competition and acquire strategic assets from MNEs. Importantly, further to market seeking motivation RLS managers quoted ‘various reasons’ behind their investment decision in Ireland.

In 2007, RLS established its subsidiary in Delaware, USA in the name of Reliance Clinical Research Services. The incorporation of this subsidiary allows RLS to conduct clinical research close to its clients. To support the launch of its bio-pharmaceutical products in both Europe and in the USA, the firm further plans to invest a total of US $68 million over the next few years.

6 Cross-case analysis

The growth of the European pharmaceutical market driven by an ageing population and sedentary life style, coupled with rising healthcare costs, has resulted in an increasing demand for generics. At the macro level, Europe is the second largest pharmaceutical market after the USA. To gain a critical mass in this potential market and to accelerate its pace in the generic business, Indian MNEs are targeting faster regulatory filings in the EU and encouraging generic substitution. In addition, Indian pharmaceutical firms are concentrating on their branded portfolio in Europe alongside the acquisition of generic brands in the EU to achieve their objectives. In order to identify similarities and differences in the internationalisation process and the motivations of Indian pharmaceutical firms in Ireland, we analysed the data across our three case firms. We used the cross-case analysis to seek a chain of evidence for the relationships on the basis of the framework presented in Figure 1.

Table 3 contains a comparison of the degree of internationalisation of the three cases – Ranbaxy, Wockhardt, and RLS. The degree of internationalisation is considered in terms of

1. international presence
2. number of overseas manufacturing plants
3. number of overseas operations
4. percentage revenue from overseas operations (Table 3).
Based on Table 3, it can be inferred that Ranbaxy is a mature international player with the highest degree of internationalisation as represented by its share of overseas turnover and most importantly having the greatest longevity as an overseas investor among the three case firms. Being the first mover in internationalisation, Ranbaxy has already achieved the strategic assets needed to operate in developed countries such as Ireland and thus market exploitation is the primary motive for the firm. This finding supports the study performed by Chittoor and Ray (2007) which suggests that Ranbaxy systematically identified, acquired and developed a set of new capabilities necessary to develop new products and succeed in both developing and developed markets.

Wockhardt is on the growing stage of internationalisation and so the firm is still engaging in overseas investments for strategic assets and increasing the efficiency of the firm’s capacity.

RLS is on its very early stage of the internationalisation path and is a late mover in the context of the internationalisation of the pharmaceutical industry. As a late mover firm, RLS has increasingly shifted its focus from simply accessing local markets and resources (such as skilled workforce, infrastructure) to efficiency-seeking, accessing knowledge intensive assets and other types of strategic assets that may be location-specific.

Interestingly, we identified that the Indian pharmaceutical firms have deployed distinctive modes of entry for investing in developed economies, in contrast to the developing economies. Figure 5 clearly shows joint-venture as the dominant mode of entry for Ranbaxy and Wockhardt for entering developing countries. However, both these firms have preferred acquisition as their mode of entry to the developed economies. This unique distinction has not been reported so far in the studies on Indian pharmaceutical industry.

All of the three case firms have ownership advantages albeit different in nature and magnitude. Thus, these case firms support the hypothesis $h1$ “the motivation of a firm’s investment decision in a particular location is influenced by the ownership advantages of the firm”. In the case of Ranbaxy the prime ownership advantage lies in its extensive international experience accumulated over three decades, in its low cost innovation, and its advanced product and process capabilities especially in the home country. Wockhardt has been the pioneer in biotechnology in its home country and has a large number of patents and possesses a multidisciplinary R&D capability based in its home country.
These factors have provided Wockhardt with sufficient ownership advantages to extend its operations overseas.

**Figure 5** Entry modes in developing and developed countries by the case firms (see online version for colours)

Whereas RLS is a very young firm compared to the other two case firms, it possesses very specialised products and a large production base in its home country. Owing to the nature of the pharmaceutical industry, the hypothesis $h_2$ “the motivation for a firm’s investment is influenced by regulations” is applicable to all the three case firms. However a more accentuated effect of industry can be seen in the case of RLS (Table 4). In the case of Ranbaxy and Wochardt, the firms benefited from the acquisition of high quality certified manufacturing facilities in Ireland which are essential for pharmaceutical firms to compete in the highly regulated markets of the advanced developed market. Operating in Ireland, RLS has an additional industry-specific advantage. The fact that unlike some other developed countries such as the USA and Canada, where the firm faced regulatory barriers in relation to its biosimilar products, Europe allowed firms such as RLS to produce and market these products.

As noted above, Ranbaxy has the highest number of overseas operations and market capitalisation and thus has the highest degree of internationalisation among the three case firms. Though Ranbaxy and Wockhardt were incorporated around the same time period, Wockhardt was a latecomer to internationalisation when compared to Ranbaxy. RLS stands to be a relatively new firm with very little international experience compared to the other two case firms. As can be seen from Table 4, the degree of internationalisation is reflected in their FDI motivation. We find that a firm such as RLS which is on the early stage of internationalisation is motivated to invest overseas for a variety of reasons. By contrast Ranbaxy which is a mature player in internationalisation is motivated by the single factor of market seeking. The analysis of the selected three firms supports the hypothesis $h_3$ “the motivation for a firm’s investment decision depends on the firm’s degree of internationalisation”.
Table 4  Firms’ degree of internationalisation (DOI) and FDI motivations

<table>
<thead>
<tr>
<th>Firms’ DOI</th>
<th>Market-seeking</th>
<th>Efficiency-seeking</th>
<th>Strategic asset-seeking</th>
<th>Resource-seeking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature</td>
<td>√</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>-</td>
</tr>
<tr>
<td>Early</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

Though not central to the goal of this paper, we also examined the applicability of the Uppsala model, which is the genesis of hypothesis h3, with the case firms. In Ireland, Ranbaxy and Wockhardt follow an evolutionary expansion path, demonstrating an experiential learning and increasing commitment to internationalisation over time, whereas RLS does not follow the incremental stage approach. Thus, the Uppsala model has limited applicability for those emerging market firms that have never exported overseas but have started overseas operations straightaway. It would be interesting to see how this firm behaves as it accumulates ownership advantage and as it goes through the path of internationalisation. A summary based on the earlier analysis of the comparative degree of internationalisation between the three case firms is presented in Table 5.

Table 5  Cross-case analysis

<table>
<thead>
<tr>
<th>Firm</th>
<th>Ranbaxy</th>
<th>Wockhardt</th>
<th>RLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership advantages</td>
<td>International experience, low cost innovation, advanced product and process capabilities in the home market</td>
<td>Pioneer in biotechnology in home country, large number of patents, multidisciplinary R&amp;D capability</td>
<td>Product specialisation, large production base at home country</td>
</tr>
<tr>
<td>Industry specific reasons</td>
<td>MHRA approved manufacturing units, product licenses for the UK market and easy registration services</td>
<td>Manufacturing facilities approved by FDA in Europe</td>
<td>Approval for bio-similar in the European market.</td>
</tr>
<tr>
<td>Degree of internationalisation</td>
<td>Mature</td>
<td>Growth</td>
<td>Early</td>
</tr>
</tbody>
</table>

7 Discussion

The assessment of motivation and why firms might differ in their FDI motivation are among the central issues in international business research. In the present study, we analysed three Indian pharmaceutical firms in Ireland. We explored the internationalisation behaviour of Indian firms within the holistic perspective of overall business growth strategies in Ireland.

We identified similarities and differences in the patterns, processes and pace of internationalisation among Indian pharmaceutical firms in Ireland. We were able to explain the different FDI motivations pursued by Indian firms in Ireland, given that their internationalisation contexts are similar in many respects. A number of key issues were investigated in depth. These included
Emerging-economy firms’ FDI motivations

1. firms’ genesis, growth objectives and international orientation
2. the history of acquisitions by the firms
3. the stimuli which influenced the choice of location, FDI motivations and strategies and subsequent operational decisions.

Interestingly, we observed that the case firms do not follow a generalised pattern of internationalisation, even if they belong to the same sector, home and host country. This supports previous observations by Kuada and Sorensen (2000), who argue that the internationalisation process is distinct for each and every industry and even for individual firms. The idiosyncratic nature of the firms was also observed in this study. In line with Teece et al. (1997), the case firms are idiosyncratic because throughout their history they accumulate different physical assets and, often more importantly, acquire different intangible organisational assets of tacit learning and dynamic routines. A firm’s history, strategy and organisation combine to yield the unique bundle of resources it possesses. The decisions made in the past and their paths of asset accumulation direct a firm to plan its future strategy (Collis, 1991). While the ultimate goal of growth and profit maximisation is the driving force of all the companies, their direct motives certainly arise from diverse backgrounds. In this study, we observed an important role of differences in FDI motivations among firms in shaping these choices.

According to the eclectic theory, a prerequisite for a firm to become international is the ownership of unique advantages that outweigh the disadvantages of being ‘foreign’ in overseas markets. The OLI advantages are adjusted according to the motivation of the firm. Dunning (2000) and Dunning and Zhang (2008) emphasise an alternative explanation of outward FDI. They suggest that in contrast to the objective of more effectively exploiting existing ownership advantages, some firms may wish to engage in FDI in order to augment their ownership advantages. Hence it may be firms’ asset augmenting capability as suggested by Makino et al. (2002) rather than asset exploitation, that is key for emerging economies firms in the early and growth stages of their internationalisation path. Thus, ownership advantages of firms accumulate over time. The Uppsala model identifies the different development stages of internationalisation (Johanson and Vahlne, 1977) and treats firms as a learner (Contractor et al., 2003), knowledge acquirer (Kogut and Zander, 1993), and market power accumulator (Kogut and Zander, 1993). The core assumption of the Uppsala model is that lack of experiential knowledge creates psychic distance. By integrating the Uppsala model with the four motivations of internationalisation suggested by Dunning (1993) and with the emergent accelerated internationalisation perspective, we can enhance the understanding of the differences in the motivation among the case firms. On the basis of our case studies and their analysis, we propose that with the degree of internationalisation, the motivation for outward FDI in a particular location changes. Based on the cross-case analysis, we developed a pyramid model of internationalisation motives (Figure 6).
The pyramid model (Figure 6) explains the stage process of internationalisation of emerging-economy firms, in particular Indian firms in Ireland. With the accumulation of overseas experience, the firm’s degree of internationalisation advances. As they accumulate diverse ownership advantages and gains international experience, the motivation underlying outward FDI by emerging-economy firms in the developed world changes. The early entry to the international market can provide the firm with the accumulated experiences and this can shift the FDI motivation of future foreign market entry. The different stages of internationalisation via FDI are also associated with different levels of importance around the four motives for FDI – resource-seeking; market-seeking; efficiency-seeking; and strategic asset seeking. The pyramid model of internationalisation motivation (Figure 6) has four stages as follows:

**Stage 1** At stage 1, the firm is new to the internationalisation with limited resources and capabilities. At this stage, the emerging economy MNEs initially may lack any unique ownership advantage and hence their motives include resource-seeking, efficiency-seeking, strategic asset-seeking and market-seeking. The major FDI motivations, as also suggested by Dunning (1993), dominate the early stage of the emerging-economy MNEs internationalisation patterns. Our analysis further suggests that outward FDI from emerging economies to the developed world is not based on the possession of overwhelming domestic assets which can be exploited abroad. Rather, their FDI has been undertaken more for the search for new resources and acquisition of innovative capabilities, and as a way of building their competitive position. This finding has also been offered by Deng (2007). At this stage, early stage MNEs from emerging economies...
will seek different types of resources in order to build and augment their ownership advantage. As the firm internationalises with ongoing international experience accumulation, the resource seeking motivation tends to diminish. Towards the end of this stage, the firm has accumulated sufficient resources/capability to support their operations and therefore may choose to invest in or build a manufacturing plant. In the present study, the internationalisation features of RLS place the firm at stage one of the pyramid model.

Stage 2 At stage 2, emerging-economy MNEs tend to have sufficient access to resources in the home and overseas countries, they pursue optimal efficiency, strategic assets and a market to leverage their capability. With a growing number of international ventures, the firm with appropriate resources will seek to invest in those markets where efficiency, strategic asset and a sizable market can be found for their operations and future growth. This stage is expected to be longer compared to stage 1 as achieving efficiency gains can be time consuming and a matter of learning. An analysis of the cited motivations by the top executives suggests that Wockhardt is at the stage 2, particularly with relation to its FDI in Ireland.

Stage 3 At stage 3, emerging-economy MNEs mainly seek to acquire strategic assets and to enlarge their market. The developed and industrialised countries generally offer valuable strategic assets including technical knowledge, learning experiences, management expertise and organisational competence (Dunning, 2006). Thus, it is expected that the firms at stage 3 are more attracted to the developed world for their outward investments. Moreover, to maximise profit, emerging-economy MNEs’ main consideration is to enlarge their market size at this stage. The Chinese firms Lenovo and BOE are examples of emerging-economy firms at stage 3, as they seek new markets and obtain strategic assets such as know-how and advanced technology, through foreign ventures particularly in the developed countries Liu and Buck (2009).

Stage 4 At this stage, the emerging-economy MNEs are well-positioned with appropriate resources, efficiency and strategic assets. Therefore, market-seeking FDI is the main motivation with the goal of profit maximisation for the firms in this stage. The emerging economy MNEs in this mature stage resemble more closely developed country firms. The case firm Ranbaxy exemplifies stage 4 of the pyramid model, which has been one of the successful MNEs from India and closely resembles developed world MNEs.

While our study finds the each of the Indian pharmaceutical firms studied follows the sequential stages, the fact that the number of companies tested in this study is small requires us to be cautious in making any generalised inferences. For example, studies have established that emerging markets MNEs that have undertaken OFDI more recently are less likely to have built up expertise and capacity in integrating acquisitions and managing foreign affiliates (Sauvant et al., 2010). We also find evidence that among the three cases studied were differences in terms of experience, expertise and capability that are required for a successful overseas investment. This study, particularly the cases of Wockhardt and RLS, also underscores Sauvant’s (2008) observation that to some extent,
emerging country MNEs resemble conventional developed country MNEs as both have natural resources-seeking and market seeking FDI motivations.

8 Conclusions

The novelty of this study is that it confirms the existence of strong linkages between the FDI motivations and the stages of internationalisation of emerging-economy MNEs venturing into a developed country. Our findings confirm that resources and capabilities are the fundamental building blocks of a firm’s FDI strategy and concurrent motivations. Firms’ successful strategies include exploiting and extending resources and capabilities during their stages of internationalisation. And as these resources and capabilities grow, the motivations for FDI also change. Thus, FDI motivations are evolutionary in nature. Based on the case studies, it can be concluded that firms in the same sector and home country may pursue different motives while operating in a particular location. We found that Indian pharmaceutical firms have heterogeneous motivation for FDI in Ireland, which can be attributed to the firm’s degree of internationalisation.

Franco et al. (2008) asserts that motivations are subject to changes as time passes because they are dependent upon the structure of the firm and of the characteristics of the host countries where the firm invests. Based on the three case studies we add that motivations are also subject to changes as time passes as they cross different stages of internationalisation.

Chittoor and Ray (2007) explored the reasons behind the pursuit of different strategies while exploring overseas markets even while the institutional factors remain the same. This study is an extension to the study by Chittoor and Ray (2007) that suggests that the factors driving firms’ dynamic capabilities that lead to different internationalisation paths should be considered in future research. In this study we showed that the experience, learning and knowledge gained by the firms’ throughout their internationalisation process build the dynamic capability of the firm and hence the firms are driven by different motivations and pursue stratified internationalisation paths.

Our study also supports the work by Meyer and Thaijongrak (2013) who suggest that the underlying notion of the Uppsala model in terms of resource and capability building through ‘the experiential learning’ plays a major role in the firms’ internationalisation. However studies have indicated that the sequential form doesn’t always apply in developed country MNEs in knowledge-based sectors such as pharmaceutical and IT sectors. Our case studies highlight that emerging country MNEs are likely to follow a stages approach and more or less behave as traditional firms that move gradually into international markets and nurture, accumulate, and build up capability in the internationalisation process (Sun, 2009).

The study is based on three Indian MNEs and hence the generalisability of our findings is limited. Future research can be usefully directed towards an assessment of the generalisability of the theoretical models by applying them to other cases. In order to understand firms’ FDI behaviour, it is important to delve into the complexities and richness of firms’ characteristics, identify specific sources of strategic advantage, and specify their influences on the firms’ varied FDI behaviour within an industry. The advantage of focusing on a small sample of firms is that it allows engagement with such dimensions but restricts generalisability.
An additional study limitation should be acknowledged as well. The questionnaire survey and interview were conducted with the senior executives who were involved as operational heads rather than in the strategic development of the firms. However, we have sought to overcome this limitation by collecting evidence from secondary sources and comparing it with the responses that we gathered through questionnaire and interviews.

We found that there is a link between degree of internationalisation and firm’s motivation at the point when FDI decision is being made. Based on a quantitative study, Kumar and Singh (2008) found support for a relationship between degree of internationalisation and performance post FDI among pharmaceutical firms. It would be interesting to see if there is any relationship that exists between motivation and MNEs performance.

The findings of this study have implications not only for theory development in the international business field but also for government policies as far as outward FDI from emerging economies into the developed countries are concerned. It is important for both the home and the host country governments and agencies to take into consideration firms’ FDI motivations and their evolving ownership advantages in the provision of supports. As we noted in the case studies of the three pharmaceutical companies, they have different sets of reasons and aspirations behind their FDI in Ireland although their country of origin is the same. We attribute this difference in motivation to their difference in their exposure to international markets.

Various government and non-government agencies in the developed world are working to establish FDI relationship with emerging countries such as China and India and their firms. It would be worthwhile to include degree of internalisation in understanding the needs of emerging country MNEs and facilitating them while making investments overseas.

References


Emerging-economy firms’ FDI motivations


Ranbaxy, Senior Executive (2010) Excerpt from the interview with the authors.

RIL, Senior Executive (2011) Excerpt from the interview with the authors.


Wockhardt, Senior Executive (2010) Excerpt from the interview with the authors.


