**LEADERSHIP EXPERIENCE MEETS OWNERSHIP STRUCTURE:
RETURNEE MANAGERS AND INTERNATIONALIZATION OF EMERGING ECONOMY FIRMS**

Abstract:

- How does returnee managers' international leadership experience influence emerging economy firms' internationalization? The internationalization process model suggests that international experience plays a central role enabling firms' internationalization moves. We propose that emerging economy firms can accelerate their development of international experience – and hence their international commitments – by grafting returnees with international leadership experience.
- We hypothesize that such international leadership experience has a positive effect on firm internationalization, and that this effect is strengthened by central-state ownership and private ownership, but weakened by local-state ownership and foreign ownership.
- Using eight-year (2001-2008) event-historical data from 164 Chinese electronic manufacturing firms, we found empirical support to our theoretical arguments. Specifically, returnee managers' international leadership experience is positively associated with emerging economy firms' likelihood of conducting foreign direct investment, while for other forms of international experience no positive effect can be detected.
- Our analysis of moderation by firms' ownership type finds that this positive association is strengthened by central-state and private ownerships, but weakened by local-state and foreign ownership.

Keywords: Returnee Manager· International Experience· Emerging Economy· Internationalization Process· Corporate Ownership· Event History Analysis

INTRODUCTION

International experience of managers plays a central role in explaining the internationalization of business. In particular, studies of the internationalization process model (IPM) suggest that knowledge about foreign markets and international management enables firms to increase their commitment in foreign markets (Eriksson et al. 1997; Hadjikhani et al. 2014; Johanson and Vahlne 1977, 1990). While early IPM studies focus on the role of experiential learning in building foreign market knowledge that drives firm internationalization processes (Johanson and Vahlne 1977), recent studies incorporate a broader range of learning processes, such as networking and vicarious learning by imitating (Clarke et al. 2013; Johanson and Vahlne 2009; Meyer 2014; Meyer and Thaijongrak 2013). This study contributes to the IPM by examining a specific channel for obtaining experiential knowledge, namely the grafting of returnee managers as a source of organizational learning. Our research question asks: *What is the effect of the international leadership experience contributed by returnee managers on firms' internationalization, and how is that effect influenced by types of corporate ownership?*

The process of knowledge accumulation in internationalizing firms can be accelerated by returnees that help firms, especially those in emerging economies (EEs), to grow and to internationalize (Filatotchev et al. 2009; Kenney et al., 2013; Liu et al. 2010b; Saxenian 2005; Wright et al. 2008). In particular, returnee *managers*, defined as individuals who gathered leadership experience abroad prior to returning to their home country, hold high potential to contribute tacit knowledge. Local firms in EEs can access such tacit experiential knowledge through recruitment of returnee managers in a process known as ‘grafting’, which helps organizations to ‘increase their store of knowledge by acquiring and grafting on new members who possess knowledge not previously available within the organization’ (Huber 1991: 97). Grafting is often faster than knowledge accumulation through experiential learning and more complete than knowledge accumulation through imitation (Huber 1991). Since EE firms are typically latecomers in a ‘catch-up game’ in the global market (Cui et al. 2013; Kumaraswamy et al. 2012; Mathews 2002; Young et al. 1996), they are likely to resort to grafting to accelerate learning, and hence their internationalization process.

The relative advantage of grafting as a faster and more complete channel of organizational learning depends on the effectiveness of the knowledge accumulation process. Specifically, the relevance, and thus value, of externally sourced knowledge is contingent on the fit of that knowledge with the existing dominant logics and values in the recipient organization (Asmussen et al. 2013; Schulz 2003). In EEs, organizations vary in particular across different types of ownership, which reflect differences in resources and governance structures (Bhaumik et al., 2010, Douma et al., 2006, Morck et al., 2008).

We distinguish four prevalent types of ownership: central-state, local-state, private, and foreign ownership. State ownership is widely represented in the corporate sector in many EEs, and substantially influences the internationalization process of EE firms, especially in China (Cui and Jiang 2012; Meyer et al. 2014; Wang et al. 2012; Xia et al. 2014; Yamakawa et al. 2008). We differentiate state ownership at central and local levels of governments, as they have been shown to carry different strategic objectives, governance practices, and institutional resources (Chen et al. 2009; Li et al. 2014; Wang 2010). Private ownership has grown in EEs as a result of continuous institutional reform and economic liberalization. Research found that the distinct capability, structure, and competitive pressure of private firms motivate their pursuit of growth and their quest for strategic assets overseas, and thus influence their internationalization process (Cui et al. 2013). Lastly, foreign owners not only contribute important resources, but create pressures to enhance systems of governance in EE firms, which has strategic consequences for their internationalization (Bhaumik et al. 2010; Hu and Cui 2013). We argue that returnee managers can achieve different levels of congruity with the strategic objectives and resources in firms of different ownership, and hence the type of ownership moderates the effect of international leadership experience on EE firms' internationalization. Specifically, we hypothesize that international leadership experience has a positive effect on firm's likelihood of conducting FDI, and that this effect is strengthened by central-state ownership and private ownership, but weakened by local-state ownership and foreign ownership.

We empirically test our hypotheses in the context of outward foreign direct investment (FDI) by Chinese listed firms. The Chinese context is appropriate and advantageous for several reasons. First, the rapid rise of Chinese outward FDI from a competitive catch-up context (Cui et al. 2013) makes grafting (e.g. recruitment of returnee managers) a particularly relevant channel of organizational learning and is a widely debated theme in domestic business and policy debates (Kenney et al., 2013, Zweig et al., 2004). Second, the Chinese context provides a great variety of firms with different TMT compositions (Liu et al. 2010a; Wright et al. 2008) and ownership structures (Delios et al. 2006). Such variation allows us to statistically detect the hypothesized effects. Lastly, the relative scarcity until recently of internationally experienced managers in China presents an opportunity for an investigation of the internationalization of latecomer firms. Using data covering a period of rapid growth of Chinese outward FDI (2001-2008), this study examines the effect of returnee managers' international experience both across firms and over time.

This study makes several contributions. First, we add to the IPM by providing new insights on a key relationships suggested by the model, namely between experiential knowledge and international investment

decisions. Huber (1991) argues that, under time pressure, organizations frequently use grafting when aiming to acquire new knowledge quickly. Grafting thus provides a channel to accelerate organizational learning, and thereby firms' internationalization, where catch-up pressures motivate firms to pursue faster ways of learning. In so doing, we extend the relevance of the IPM to latecomer firms, who previously received little attention from IPM researchers (Elango and Pattnaik 2011; Meyer and Thaijongrak 2013). Second, we examine the conditions that facilitate or inhibit knowledge accumulation, which is pivotal to explaining internationalization processes, but has not yet received due attention in the IPM literature (Powell and Rhee 2013). Specifically, the contingent value of knowledge from various sources deserves more scholarly attention. We start this agenda by studying the contingent value of returnee managers' international leadership experience, which depends on the congruity of the managerial knowledge created by that experience with the recipient organization. Third, this study also contributes to the upper echelon literature on the impact of top management teams (TMTs) on firm strategy. While several studies tested the direct effects of TMT characteristics on firm internationalization (e.g., Athanassiou and Nigh 2002; Carpenter and Frederickson 2001; Herrmann and Datta 2005; Sambharya 1996; Tihanyi et al. 2000), the role of shareholders in supporting, confining, complementing, or substituting the TMT contribution remains a significant research gap (Nielsen 2010).

RETURNEES AS A SOURCE OF MANAGERIAL KNOWLEDGE

International experience plays an important role for businesses eyeing international markets. Knowledge created through such experience is critical for example for assessing business opportunities and risks, and for implementing organizational processes in overseas operations. For example, Chinese firms face considerable obstacles in their overseas operations because their leadership teams struggle to appreciate institutions they encounter, for example, in Europe, such as media, trade unions, or competition law (Liu and Woywode 2013; Meyer, 2014; Meyer et al., 2014). Such knowledge is often tacit and embedded in people and teams. Therefore, it is hard to transfer across organizational boundaries, but may be acquired by bringing experienced individuals or teams into an organization. The experiential nature of international business knowledge has been recognized in many studies, for example in research on born global firms (Chetty et al. 2006, Sapienza et al. 2006) and on international performance (Carpenter et al. 2004). However, such studies traditionally focus on expatriate experience, while recent studies identified returnees as potentially important sources of new knowledge.

The potential contribution of returnees is most significant in countries that historically lacked access to modern technology and internationally experienced managers. Thus, firms in EEs have been observed to recruit

overseas returnees with technological expertise to enhance firms' R&D capabilities (Saxenian 2005; Wright et al. 2008). Likewise, EE firms seek managerial know-how from returnees to overcome domestic shortages of high caliber managerial personnel to not only enhance organizations' general managerial capabilities but to build specific capabilities that help their international activities (Filatotchev et al. 2009; Wright, 2007).

These issues are of particular importance in China, where internationally experienced managers remain in short supply (Economic Information Daily 2012; Farndale et al. 2010; Ma and Trigo 2008; Zweig et al. 2004). Locally known as 'sea turtles', increasing numbers of returnees with foreign education and work experience are joining the country's workforce (Ahlstrom et al. 2007; Saxenian 2005). Many returnees hold high level qualifications such as PhDs in technical fields from leading European or US universities, and therefore are able to create bridges to cutting edge technologies (Kenney et al. 2013; Zweig et al. 2004). Moreover, some returnees acquired managerial skills and commercial knowledge (Dai and Liu 2009; Liu et al. 2010b; Wright et al. 2008) as well as foreign network assets (Alon et al. 2011). Consequently, recent studies of high technology start-ups firms in China have found that returnees enhance firms' innovation (Filatotchev et al. 2011; Kenney et al. 2013; Liu et al. 2010a), employment growth (Wright et al. 2008) and exports (Filatotchev et al. 2009); they even create positive spillovers to other firms in the local community (Filatotchev et al. 2011). However, returnees also face obstacles as the socio-cultural environment has changed while they were abroad, and they lack local network relationships (Li et al. 2012). These obstacles can inhibit returnee entrepreneurs' effectiveness, but they could also create a push for them to pursue opportunities that link across countries.

Among returnees, returnee *managers* stand out as an elite group of individuals who have accumulated business leadership experience abroad before returning to their home country. Their leadership experience, compared to mere foreign education and general working experience, carries experiential knowledge that is more relevant and fungible for EE firms to manage their internationalization process. Leadership experience allows overseas Chinese to develop managerial skills such as communication, problem solving and innovative thinking, which continue to be scarce in China (Kelly Services 2010). However, prior studies have rarely differentiated the level of experience acquired overseas.

These capabilities potentially contributed by returnee managers are particularly sought by EE firms that aim to catch up with global leaders. As 'latecomers' to internationalization, EE firms typically lack firm-specific advantages that could be deployed in operations beyond their home countries (Rugman 2009) and hence use internationalization, especially strategic asset seeking FDI, as a channel to catch up with international market leaders (Cui et al. 2013; Li et al. 2013; Luo and Tung 2007; Yamakawa et al. 2008). Such catch-up strategies

require EE firms to identify, acquire, and integrate strategic assets from foreign countries, which in turn require foreign market knowledge and international management know-how. Due to competitive pressures, however, they do not have the ‘luxury’ of time to build such knowledge through conventional experiential learning. Learning by imitation may also be suboptimal as firms need different strategies to achieve their catch-up goals, and consequently, what they can observe from others may not fit their own specific needs. In an IPM perspective, these firms are using their financial resources to make large commitments at early stages of internationalization, and they therefore need to be aggressive in building the operational competences to manage international operations (Meyer and Thaijongrak, 2013). For them, a more effective way of obtaining experiential knowledge is ‘grafting’ (Huber 1991) through recruitment of returnee managers with international leadership experience.

Grafting has been recognized in the upper echelons literature as an important learning channel that explains how TMT international experience supports firm internationalization (e.g. Carpenter and Fredrickson 2001; Sambharya 1996). Similarly, international experience is a pivotal concept in the IPM literature, which like the upper echelon perspective is grounded in the behavioral theory of the firm (Cyert and March 1963). The two perspectives are therefore consistent in terms of recognizing managers as knowledge carriers that can influence the strategic decisions of firms, such as internationalization. Neither of these literatures however provides deep insights into the contingencies of the acquisition of such experiential knowledge from externally recruited managers (as knowledge source) to an organization (as knowledge recipient). Specifically, it remains unclear whether the same managerial knowledge will deliver the same or different value in different organizational contexts. The knowledge management literature suggests that the value of externally sourced knowledge is contingent on the congruity of that knowledge with the recipient organization (Asmussen et al. 2013; Minbaeva et al. 2014). In particular, different types of ownership represent the different strategic objectives, resources, and governance practices of shareholders (Douma et al. 2006; Shleifer and Vishny 1997; Strange et al. 2009), and thereby influence the level of knowledge congruity of returnee managers. We thus explore a shareholder perspective to analyze the contingencies of returnee managers’ impact.

In summary, existent research highlights the significance of returnees in EE firms’ internationalization, and more importantly, the need to integrate managerial international experience into the IPM research and to explain under what contingencies such experience impacts firm strategies. Next, we develop hypotheses regarding the effect of returnee managers’ international leadership experience on EE firms’ internationalization,

and its contingent value under central-state, local-state, private, and foreign ownership. These hypotheses are then empirically tested while controlling for other sources of international experience.

HYPOTHESES DEVELOPMENT

Baseline Hypothesis: The Main Effect of Returnee Managers

The TMT of an organization is an important repository of experiential knowledge that not only enables the implementation of business strategies but shapes decisions taken by the TMT for an organization's future. As emphasized in the upper echelons literature, experiences of members of the TMT shape firms' strategies (Carpenter et al., 2004), and international experience in particular is likely to significantly influence firm internationalization strategy (Clarke et al. 2013, Nielsen 2010, Tan and Meyer 2010). The IPM literature has explored deeper the relevant aspects of experiential knowledge emphasizing the importance of knowledge about foreign business environments, knowledge about foreign institutional environments, and organizational and management know-how for foreign operations (Eriksson et al. 1997).

Due to the tacit nature of such knowledge, the most relevant experiences for firm internationalization are contributed by individuals who had direct interactions with foreign business and institutional environments while managing a business operation, namely, returnee *managers*. For example, knowledge of how best to engage with critical stakeholders such as media, trade unions and customers in foreign societies is to a high degree tacit and difficult to appreciate without first-hand knowledge (Meyer, 2014). In contrast to the lengthy process of experiential learning and the partial nature of learning by imitation (Huber 1991), recruiting returnee managers provides relatively effective access to such tacit experiential knowledge.

International leadership experience of returnee managers can enhance firm's likelihood of conducting FDI for three reasons. First, managers' cognitive mindsets are shaped by their experiences. International leadership experience influences individuals' perceptions and personalities and enhances their international orientation (Gunz and Jalland 1996). With such experience, managers can overcome their inherent cognitive biases toward home countries and develop an international outlook free from parochialism (Sambharya 1996). Compared to domestically focused managers, returnee managers with a global mindset have broader cognitive horizon and higher awareness of foreign business environment, and are therefore more likely to recognize and capture business opportunities overseas (Herrmann and Datta 2002; Tan and Meyer 2010). Their international orientation thus helps to legitimize and support geographical expansion of their firms through high commitment modes such as FDI.

Second, returnee managers' international leadership experience also helps decision makers in a TMT to gain and utilize knowledge of foreign markets. IPM studies highlight the role of foreign market knowledge in managing the general uncertainties associated with doing business overseas (Hadjikhani 1997; Johanson and Vahlne 1977). Returnee managers thus enhance TMTs' understanding of the cultural, economic, and institutional environment of foreign markets. Enhanced understanding reduces perceived uncertainties and thus enables decision makers to better predict costs and benefits of foreign operation more accurately and consequentially acquire confidence of operating in foreign business environments (Herrmann and Datta 2002). For example, prior international experiences can enable returnee managers to apply their knowledge of foreign markets to new institutional contexts and build partnerships with distant customers (Saxenian 2006).

Third, through their international leadership experience, returnee managers can develop personal networks to access information relevant to foreign market entry (Athanassiou and Nigh 2002). While managing business operations overseas, they are directly exposed to communication and interaction with foreign suppliers, customers, and other business stakeholders. They can develop personal relationships with key individuals, and eventually build international networks that enable inter-firm coordination and cooperation and contribute to the success of foreign operation (Daily et al. 2000). Moreover, their experience in building and maintaining relationships in a foreign culture helps future network expansion. Both existing networks and capabilities to build new ones enhance returnee managers' ability to manage future foreign operations (Alon et al. 2011).

Returnee managers' international leadership experience thus supports firm internationalization through three complementary effects: global mindset, knowledge of foreign markets, and network resources. We thus hypothesize that such experience facilitates internationalization:

Hypothesis 1: International leadership experience of an emerging economy firm's top management team is positively related to the likelihood of the firm conducting FDI.

Moderating Effects of Corporate Ownership

Organizations vary in their ability to integrate externally acquired knowledge (Asmussen et al. 2013; Grant 1996; Minbaeva et al. 2014), including knowledge contributed by externally recruited managers. The contribution that returnee managers can make therefore depends on the characteristics of the organization they join. In EE firms, the ownership structure represents a critical factor influencing both knowledge absorption and key strategic decisions such as internationalization (Keasey et al. 2005; Shleifer and Vishny 1997). Ownership structure determines different shareholders' relative powers in influencing firm strategic objectives and the types of

resources that shareholders may be able to share with the organization (Douma et al. 2006; Liu and Lu 2007; Shleifer and Vishny 1997; Strange et al. 2009; Wang et al. 2008). As shareholders vary in their objectives and resources (Strange et al. 2009), they influence the context for knowledge transfer from returnee managers. As discussed above, we distinguish four types of ownerships that are most significant in the corporate sectors of EE countries, namely central-state, local-state, private, and foreign ownership.

Ownership by central governments and their agencies remains common in many EEs. Such central-state ownership provides the government with means of strategic control over selected sectors of their domestic economy through for example capital allocation (Li et al. 2014). Central governments as shareholders can increase invested firms' values by supporting firms' internationalization activities (Xue and Li 2010) because outward FDI is expected to enhance the firm's core competitiveness and thereby firm value in the long run (Luo and Tung 2007; Tihanyi et al. 2003). This is consistent with broader government policy objectives such as industry restructuring and raising the global competitiveness of national economy. In particular, central-state-owned enterprises (or central SOEs) that operate in sectors strategically important to their respective country often receive strong supports from the central government for their international business expansion (Luo et al. 2010; Yamakawa et al. 2008). In order to meet such strategic objectives, these central SOEs are 'going global' to seize opportunities abroad to foster their business growth while supporting economic development at home (Buckley et al. 2008, Luo and Tung 2007). Rather than short-term return on investment, central SOEs receive institutional incentives for long-term investment overseas to acquire technological and brand assets that will not only support their own domestic operations but generate knowledge spillover effects to home country industries (Liu et al. 2010b).

Given the high level of institutional support for long-term overseas commitment, returnee managers can achieve a high level of congruity between their knowledge contributions and the strategic objectives and institutional support of the central-state shareholders (Li et al. 2012). Their abilities to identify overseas market and assets opportunities and to manage overseas operations for long-term strategic goals make their knowledge input particularly valuable for central-state shareholders. In turn, the financial and policy supports from the central government can facilitate the knowledge transfer from returnee managers by providing a supportive corporate context that facilitates sharing of their international leadership experience. For example, SMIC (Semiconductor Manufacturing International Corporation), a Chinese central SOE, has set up its TMT with a large proportion of returnee managers to help the firm expand into Japan (SMIC Japan) and Europe (joint venture with Accent S.r.l.). The firm aims to acquire technological assets and market intelligence through its

FDIs to upgrade the Chinese semi-conductor industry. Under the majority ownership of central-state entities, SMIC's returnee managers are given key decision making power in the TMT. For instance, the current CEO, Qiu Ciyun, is a returnee manager with international leadership experience in organizations such as Silterra Malaysia where he was the Chairman and COO, and in the Bell AT&T lab in New Jersey, United States, where he was the managing director of the silicon research department.

Based on the high level of congruity of returnee managers' experiential knowledge with the strategic objectives and institutional support of central-state shareholders, we expect that such organizations more effectively share and exploit international leadership experience to increase commitments in foreign markets:

Hypothesis 2: The effect of international leadership experience on firm's likelihood of undertaking FDI is positively moderated by the level of central-state ownership in the firm.

Local-state ownership carries objectives, resource endowments, and governance practices that are significantly different from central-state ownership (Chen et al. 2009; Wang et al. 2012), and therefore their roles in influencing firm internationalization process are likely to differ (Cui and Jiang 2012; Li et al. 2014). Local authorities own firms for reasons different than those of central government; they are to support the interests of the local economy and/or its political leaders. For example, in China, the policy of economic decentralization exposed local-state-owned enterprises (or local SOEs) to the ownership reform differently than central SOEs. Rather than long-term strategic objectives to boost national competitiveness, local SOEs primarily focus on stabilizing and facilitating local economic growth through domestic revenue generation and employment creation. While decentralization gives local governments more autonomy, they are also made more responsible for their own fiscal performance, hence, local governments have less abundant resources that can make available to firms. Compared to central SOEs, local SOEs are under more shareholder (i.e., local governments) pressure to maximize short-term revenue with harder budget constraints due to less comprehensive government financial backing (Li et al. 2014; Park et al. 2006), and they receive little government support for internationalization. According to Luo et al. (2010), the FDI promotion policies and support offered by the Chinese government remains centrally administered by a bureaucratic regime at the national level. The combination of local SOEs' obligation to sustain local welfare and restricted access to resources constitute tangible financial constraints which reduce their tolerance for risk, thus encouraging a more cautious approach to FDI (Li et al. 2014). Moreover, from a corporate governance perspective, while enjoying higher autonomy, political representatives on the board of local SOEs likely lack a global mindset and are less

effective in the supervision of management (Chen et al. 2009), potentially leading to rent seeking behaviors and corruption which hinders firm internationalization.

These features of local-state ownership create a challenging environment for returnee managers to transfer their knowledge. Harder budget constraints and revenue targets make local SOEs more likely to pursue low risk operations that can generate tangible return in the short-term. The social and economic objectives of local SOEs also make them more domestically focused, rather than global oriented. Accordingly, initiatives by returnee managers to use their international experience to lead corporate change or international growth are more likely to be stifled by a lack of organizational support. A case in point is Chery Automobile Co., Ltd, a Chinese company primarily owned by local government of Anhui province. The company hired a returnee manager, Kan Lei, who had managerial experience in Germany, as its deputy general manager in 2005. Rather than utilizing his international leadership experience to help the company go abroad, Kan was appointed to lead the firm's domestic collaborations with foreign carmakers such as Visionary Vehicles, Chrysler, and Fiat. He left the company in 2007, which made him the sixth senior executive returnee who left the company in less than a year. News report suggests that these returnee managers were marginalized by local managers, and did not feel their experience in this local SOE met their expectation.¹

The lack of congruity between returnee managers' experiential knowledge and local-state ownership reduces the impact of the former's international leadership experience:

Hypothesis 3: The effect of international leadership experience on firm's likelihood of undertaking FDI is negatively moderated by the level of local-state ownership in the firm.

Private ownership has shown prominent growth in EE corporate sectors despite the continued influence of the state in the economy. Private ownership enables and rewards entrepreneurial risk taking in several ways. First, privately owned firms typically operate in unrestricted and more competitive markets, which focus management attention to the market environment (Carney et al. 2009). At the same time, they normally have less access to direct government support, and thus are more vulnerable to market volatility and foreign competition. Accordingly, they need to ensure their survival in market competition by being more proactive and innovative. Due to this relative shortage of institutionally derived advantages, private firms face even greater catch-up pressure than their state-owned counterparts, which leads to stronger motivation to acquire experiential knowledge through grafting. Second, with less government constraints, private firms have considerably fewer

¹ Source: <http://auto.people.com.cn/GB/1050/5889015.html> [accessed on December 18th, 2013]

deeply embedded routines and less cognitive complexity and structural rigidity, and in consequence enjoy more operational autonomy and organizational flexibility than state-owned firms. This enables them to develop superior organizing capability based on, for example, performance-based incentives (Child and Pleister 2003), faster decision-making, and less rigid routines and practices burdened by social obligations (Liang et al. 2012). Such autonomy and flexibility facilitate the pursuit of entrepreneurial activities, making private firms more aggressive in their growth strategies (Peng et al. 2004) and more efficient and effective in strategy implementation (Liang et al. 2012). Third, private firms are more ambidextrous in terms of leveraging home country based strengths and exploring strategic assets overseas. While they may enjoy low-costs and business networks which they can exploit in foreign markets (Luo et al. 2011), they also face adverse home country institutions and residual market imperfections that push them to seek opportunities abroad (Boisot and Meyer 2008; Cuervo-Cazurra and Genc 2008). Hence, private firms have multiple advantages that support entrepreneurial values and the pursuit of market opportunities overseas (Luo et al. 2011; Wright et al. 2005; Zahra et al. 2000).

Returnee managers are likely to achieve high level of congruity between their experiential knowledge and the entrepreneurial orientation of private shareholders. The higher organizational flexibility of private firms, often in combination with learning advantages of newness (Autio et al. 2000), and more intensive catch-up pressures (Liang et al. 2012), provide a more fruitful ground for externally grafted managers to transfer knowledge and to develop their initiatives. The entrepreneurial environment supported by private ownership is thus ideal for the acquisition, transformation, and implementation of new knowledge. Private ownership therefore provides a favorable knowledge sharing environment for returnee managers as the integration of new knowledge creates fewer conflicts with existing dominant logics, preempting the accommodation effect that compromises the value of externally sourced knowledge (Asmussen et al. 2013). Recent cases demonstrate that returnee managers are empowered to play central roles in firm internationalization under private ownership. For example, Geely, a Chinese private carmaker, appointed Zhao Fuquan as its vice president in 2006. Zhao was a returnee manager who held executive position with Daimler-Chrysler prior to his return to China, and was the key decision maker and orchestrator of Geely's high profile acquisition of Volvo in 2010. Tasly, a Chinese private pharmaceutical company, recruited Dr Sun He, who was a senior executive of the US Food and Drug Administration (FDA) for thirteen years. Dr Sun's FDA experience provides Tasly much needed understanding of the institutional requirements in the global pharmaceutical industry. Since his return in 2006, the company has significantly accelerated its expansion into foreign markets in Asia, Europe, North America, and Africa.

Given the strong entrepreneurial orientation and the learning advantage of newness, private ownership empowers returnee managers in firm's internationalization process to fully realize the value of their international leadership experience:

Hypothesis 4: The effect of international leadership experience on firm's likelihood of undertaking FDI is positively moderated by the level of private ownership in the firm.

Foreign shareholders perform important governance and resourcing roles that influence the internationalization of EE firms even when holding a minority stake (Bhaumik et al. 2010; Hu and Cui 2013). Compared to EE local investors, foreign shareholders tend to be experienced and capable investors who not only actively engage in monitoring firm's operation but also improve firms' information transparency (Chen et al. 2002; Gul et al. 2010). Research found that firms tend to achieve better corporate governance and superior firm performance as a result of their foreign ownership (Douma et al. 2006; Wang et al. 2008). The active and effective governance role of foreign shareholders also suggests that they can exert strong influence over TMT decision making, including firm internationalization decisions (Bhaumik et al. 2010). Apart from its governance role, foreign shareholders also contribute intangible resources to their invested EE firms, especially in the form of foreign market knowledge and international management know-how. Foreign shareholders can thus serve as a linkage that facilitates EE firms' learning about the international business environment (Elango and Pattnaik 2007; Mathews 2006), which ultimately enhances their ability to invest overseas (Hu and Cui 2013).

In such an organizational context, knowledge transfer from returnee managers to EE firms is likely to face substitution effects because the recipient firms are likely to have alternative knowledge sources that substitute for returnee managers' international leadership experience. Foreign ownership in an EE firm indicates that the firm already has certain linkage to foreign business environment and access to foreign market knowledge, obtained either in the process of attracting foreign shareholders, or from the managerial input from the foreign shareholders (Bhaumik et al. 2010). Compared with EE firms without foreign ownership, foreign shareholder invested EE firms are more likely to draw on international business knowledge and network resources internally, with less need of grafting on returnee manager's leadership experience. In other words, the knowledge potentially contributed by of returnee managers is likely to be already present in the organization, courtesy of the foreign shareholders. Hence, in their review of experience effects in international business, Clarke et al. (2013) point out that knowledge input from internationally experienced managers (e.g. returnee managers) and internationally experienced firms (e.g. foreign shareholders) are substitutes for each other.

Accordingly, we expect that low knowledge congruity and the substituting effect of foreign shareholders limit the impact of the experiential knowledge contributed by returnee managers:

Hypothesis 5: The effect of international leadership experience on firm's likelihood of undertaking FDI is negatively moderated by the level of foreign ownership in the firm.

METHODS

Sample and Data Collection

After China's entry into the WTO in 2001, the country not only attracted increasing numbers of returnees, but its outward FDI reached a take-off stage (Buckley et al. 2008; Cui and Jiang 2009; Morck et al. 2008). During the period from 2001 to 2008, the annual FDI outflow from China increased over six times from 6.89 trillion US dollars to 52.15 trillion US dollars. By the end of 2009, China was ranked the top FDI source country among all EE countries and the fifth largest worldwide (UNCTAD 2010). This context thus provides a good opportunity to study the impact of returnees on firms' internationalization.

Our research sample consisted of all publically-listed Chinese firms in electronic manufacturing industries. This industry accounts for a large proportion of Chinese outward FDI in the non-financial and non-natural-resource sector, and is characterized with the level of TMT and ownership diversities desired for this study. This industry is highly dynamic and competitive on a global scale, where Chinese firms face a more challenging catch-up task and hence greater emphasis on grafting learning, than other industries with slower rate of change. Unlike natural resource and financial industries which are of national strategic importance, electronic manufacturing industry in China has been restructured to promote market competition and incentive mechanisms, where firm strategic behaviors are less interfered by the government. Focusing on one industry enables us to eliminate industry-level effects that may distort our regression analysis. We collected longitudinal data to cover an eight-year period from 2001 to 2008. A total number of 164 electronic manufacturing firms were listed on the Chinese stock market during 2001 to 2008, which form the sample of this study. Secondary data on the sample firms were collected and combined from Bureau van Dijk's Osiris database, Thomson's SDC platinum database, and individual firms' annual reports of the eight-year period. Both Osiris and SDC platinum databases have been widely used in the international business literature as they provide comprehensive and reliable information on publicly listed firms (e.g. Bhaumik et al., 2010; Chakrabarti et al., 2007; Corredoira and Rosenkopf, 2010). Triangulating these databases with original firm annual reports further enhances the reliability and accuracy of our data. The information reliability of annual reports and the advantage of

combining this original source with other secondary databases have been demonstrated in prior studies of Chinese listed firms (e.g. Li and Qian, 2013)

Analytical Method

An event-history method was used to analyze the effects of returnee managers' international leadership experience on the likelihood of sample firms undertaking FDI in any given year. This analytical method models the hazard rate – the likelihood that an event will be observed at time t , given that no event occurred prior to time t (Allison 1984). Management researchers have used this method to study a variety of positive and negative organizational events such as market entry (Li 1995; Thomas et al. 2007), market exit (Gaur and Lu 2007; Perez-Batres and Eden 2008), and competitive actions (Yu and Cannella 2007). In this study, the focal events refer to the FDI entries made by the sample firms during the eight-year observation period. Since an individual firm can make multiple FDI entries during this period, the events in the data will be ordered (first entry, second entry, and so on). Accordingly, to account for the possible repeated event within firm, we used the Anderson-Gill event-history analysis procedure (Andersen and Gill 1982) to set up the data and test the hypotheses. Our analytical model examines the log-transformed hazard rate of conducting FDI by a firm at each time of FDI entry and at the end of the observation window (right-censoring):

$$\ln \left[\frac{h_i(t)}{h_0(t)} \right] = \sum \beta_k \times [X_{ik}(t)]$$

where $h_i(t)$ is the hazard rate of firm i at time t , $h_0(t)$ is the baseline hazard function, and $X_{ik}(t)$ is the value of the k^{th} covariate (independent variable) for firm i at time t . The model estimation was achieved with the STCOX procedure in STATA/SE 11.0. We used robust standard errors clustered within objects to correct for heteroskedasticity. For time lag effect and to circumvent endogeneity, we introduced a one-year lag between the explanatory variables and the event time. In a robustness test, we averaged the independent variables for the observation period preceding each FDI entry (or right-censoring).

Variable Operationalization

Following the practice of existing event history studies (Greve 2010; Wowak et al. 2010), our dependent variable is a dummy variable with a value of one if a FDI entry was made, and a value of zero if there was no FDI entry and thus the observation is right-censored. Using the Cox proportional hazard model specified above,

we estimate the hazard ratio (namely the likelihood of a firm conducting FDI relative to the baseline likelihood) as a function of the independent variables.

Independent variable. Prior studies measured manager/CEO international experience based on the number of years an individual has spent abroad on works and/or higher education, typically using US data provided from Dun & Bradstreet's Reference Book of Corporate Managements (e.g., Carpenter and Fredrickson 2001; Daily et al. 2000; Herrmann and Datta 2002; Sambharya 1996). Due to lack of detailed biographical information of managers, studies of Asian firms mainly used alternative measures such as number or ratio of managers with international experiences to operationalize managerial international experience (e.g., Nielsen 2010; Tan and Meyer 2010). In this study we identified returnee managers of a firm from its annual reports through structured content analysis of the biographical description of TMT members disclosed in the annual reports, following the procedures suggested by Jauch et al. (1980). In accordance with the definition of returnee manager, we counted the number of TMT members who had international leadership experience from serving senior executive roles overseas before returning to China, and calculated the ratio of returnee managers in a firm's TMT. We use this ratio as a measure of the international leadership experience of the firm's TMT.

Moderating variables. Our moderating variables represent the four types of corporate ownerships that are significant in Chinese firms, and are operationalized as the equity ownership percentage held by each type of shareholder. Specifically, central-state ownership consists of equity ownership by the central government, its ministries and bureaus including the State-owned Assets Supervision and Administration Commission (SASAC), and central SOEs. Correspondingly, local-state ownership consists of equity ownership by the provincial and local level governments, SASAC at the provincial and local levels, and local SOEs. Private ownership combines equity ownerships held by private entities such as family-controlled business group and individual investors. Foreign ownership combines equity ownerships of foreign strategic investors. Following Hu and Cui (2013), foreign institutional investors are not included due to the pure financial nature of their investment objectives and the very minor presence in Chinese listed firms. All firms' ownership information was collected from the "ownership structure" part of their annual reports, and our data coding was guided by Delios et al.'s (2006) definition and categorization of corporate ownerships in Chinese listed firms.

Control variables. We controlled for factors at the environmental, firm, and TMT levels that may have potential influence on firm's FDI propensity. At the environmental level, home institutional environment, especially the institutional development level, can influence firm internationalization. Although our sample firms all share the same country-level institutional environment, provincial level institutional development differ

substantially in China (Chen et al. 2010; Gao et al. 2010; Schotter and Beamish 2011). Following Shi et al. (2012), we measure Sub-national institutional development by the province-level index of marketization developed from the NERI (Fan et al. 2007). In addition, industry environment also matters for firm internationalization. A high degree of environmental munificence may motivate firms to focus on their home market and thus reduce internationalization. Following Keats and Hitt (1988) and Fernhaber and Patel (2012), we regressed a natural logarithm of industry sales on time and took the anti-log of regression coefficient to measure environmental munificence, which represents the period-average industry growth rate.

At the firm level, the IPM suggests that firms can accumulate knowledge about foreign markets and international management experientially, which in turn influences further internationalization of the firm (Chan and Makino 2007; Chang 1995). Firms' prior internationalization can be in the forms of export and outward FDI. Following prior studies, we controlled firms' export ratio, which is the ratio of export sales to total sales, and the log transformed number of a firm's past FDI entries. Prior research suggests that firms can acquire international experience vicariously, especially from networking with foreign firms through inward internationalization (Thomas et al. 2007). Thus, we controlled this variable as the log transformed number of a firm's international alliances, in the form of joint ventures, located in the home country. Controlling for the above alternative channels of international experience acquisition helps evaluate the effect of managerial international experience in firms' internationalization processes. In addition, we also controlled for firm-level resources that may influence investment decisions. Specifically, we controlled for firm size measured by the log transformed value of firm total assets, and used return on sales (ROS) to control for the possible effect past performance may have on firm's FDI propensity. We also controlled for financial leverage level measured by debt-to-asset ratio of the firm which reflects its financing capability. Different forms of ownership, as discussed above, were also controlled for in our empirical analyses.

At the TMT level, age may influence managers' risk preferences (Bantel and Jackson 1989) and consequentially their decision making. We measured TMT age as the average age of TMT members. The level of TMT education, as an indicator of managers' learning capability, should also be controlled for because managers with higher learning capability are able to deal with more complex situation and perceive less risk in foreign operation. This variable was measured by the average education level of TMT members on ordered categories from 'secondary education and below' to

‘doctorate’. Lastly, while we argue that managers’ international leadership experience is the most relevant and valuable for firm internationalization, we controlled for managers’ general overseas experience, such as foreign education and general working experiences, which may provide distant knowledge for firm’s internationalization. This variable was measured at the ratio of TMT members with international non-leadership (i.e., education and general working) experience.

RESULTS

Descriptive Statistics

Table 1 reports the descriptive statistics and Pearson correlations of the variables. We found fairly large correlations between past FDI with leadership experience and firm size, and moderate to large correlations among the ownership variables (see Table 1). Accordingly, we ran additional diagnostic measures to obtain the variance inflation factor (VIF) and the matrix condition number. The largest VIF was below 4.8 and the condition number is 5.1, both fell well beneath critical thresholds (Allison 1999). These results suggest that collinearity between explanatory variables is not of major concern in our analyses.

[Table 1 goes about here]

Hypothesis Testing

We estimated proportional hazard models to test our hypotheses. Six models were tested, and their results are reported in Table 2. A positive coefficient indicates a positive relation between the corresponding explanatory variable and the likelihood of a firm conducting FDI. While all models were significant as evidenced by log pseudo likelihood and model chi-square test results, the chi-square different tests and Akaike information criterion suggest that models with independent variables are superior to the baseline model (model 0) with control variables only. We also conducted a post-estimation test of the proportional-hazards assumption for each model using the ESTAT PHTEST command in STATA. The tests returned insignificant results for all models, rendering no evidence to reject the original assumption.

[Table 2 goes about here]

Hypothesis 1 was tested in model 1 where the independent variable, leadership experience, was added to the baseline model. As expected, it had a positive coefficient (0.565) and was significant at 0.001 level. This result supports hypothesis 1 which states that international leadership experience of a firm's TMT is positively related to the likelihood of the firm conducting a new FDI entry. In terms of effect size, adding leadership experience into the Cox regression increased model chi-square by 18.7%, which is a significant change ($p < 0.001$). Marginal effect estimation suggests that adding a returnee manager to a typical eight-person TMT can increase the FDI likelihood of the firm by up to 23%. Our hypothesis 1 thus received statistical and substantial support.

The moderating effect hypotheses (Hypothesis 2 to 5) were tested in models 2 to 5 respectively. We centralized the independent variables and moderating variables before calculating their interaction terms. As shown in model 2, the interaction between leadership experience and central-state ownership is positive (0.611) and significant ($p < 0.05$). Following Xia (2011), we plotted this interaction effect in figure 1, which shows the effect of leadership experience on the log hazard rate of FDI at the levels of central-state ownership one standard deviation above and below its mean. The plots show a steeper regression line, suggesting a stronger leadership experience effect, when central-state ownership is at a high versus a low level. We thus found support for hypothesis 2 which states that central-state ownership positively moderate the leadership experience effect.

[Figure 1 goes about here]

Model 3 returned a negative interaction of leadership experience and local-state ownership (-0.227) which was statistically significant ($p < 0.05$). Plotting this interaction effect (see Figure 2) confirms that the effect of leadership experience is weaker when local-state ownership is at a high level than when it is at a low level. Hypothesis 3, which predicts a negative moderating effect of local-state ownership, is therefore also supported.

[Figure 2 goes about here]

Model 4 provided evidence for the moderating effect of private ownership. We expect private ownership to strengthen the leadership experience effect on FDI likelihood. This was supported by a positive interaction of leadership experience and private ownership (0.297) significant at $p < 0.01$. Figure 3 shows the plot

of this interaction effect, where an increase of private ownership from low to high level leads to an increase of the slope of the regression line. Hypothesis 4 is therefore supported.

[Figure 3 goes about here]

Model 5 returned a negative interaction of leadership experience and foreign ownership (-0.199) significant at $p < 0.01$. Figure 4 shows the plot of this interaction effect. A high level of foreign ownership is associated with reduction of the positive slope of leadership experience effect. As hypothesis 5 predicts, foreign ownership negatively moderates the effect of leadership experience on firm's FDI likelihood. This hypothesis is also supported.

[Figure 4 goes about here]

Our tests also show some consistent results on some of the control variables. Both environmental controls had consistent effects across all models. A high level of local institutional development, as evidenced by high marketization index, will reduce the likelihood of firm internationalization, all else held constant. This suggests that EE firms are less motivated to escape from home when there is a positive development of institutional environment. Similarly, high environmental munificence will attract firms to local market opportunities, thus reducing their FDI likelihood. Firm-level resources, reflected in firm size and past performance, are positive factors supporting outward FDI. A closer look at model 1 results reveals that when multiple channels of international experiences are tested together, the effect of grafting on managerial leadership experience surpasses any of the other channels such as experiential learning through exporting and prior FDI, or vicarious learning from foreign business networks through inward internationalization. This result is consistent with our argument that in the catch-up context faced by many EE firms, grafting is a more effect organizational learning approach to acquire international experience than experiential and vicarious learning.

Robustness Check

To check the robustness of our models, we used different model specifications to test the hypotheses. First, instead of using month as the time interval to record time-to-event information, we tested our models on an adjusted dataset that used quarter as the time interval. Second, instead of using one-year lagged variables, we

used period averaged explanatory variables in the robustness tests. Using these different time boundaries for the explanatory variables and the FDI event help circumventing endogeneity issues where the predictors and the outcome are simultaneously caused by some common time-variant factor. Third, we used alternatively measures for some control variables. For example, we used return on equity instead of return on sales as the measure of past firm performance.

Following Tan and Meyer (2010), we also separated TMT general international experience into international education and working (non-leadership position) experiences. As shown in Table 3, altering the model specifications did not change the results on our main results. The support for our hypotheses appeared to be robust. Results from model 1 in Table 3 suggests that, among three types of managerial international experiences, only leadership experience had positive effect on firm internationalization, whereas education experience was negative, which is consistent with the findings of Tan and Meyer (2010), and general working experience was non-significant. These additional tests underscore our core argument that it is the tacit knowledge associated with international leadership experience, rather than any sort of international experience, that constitute the critical contribution of returnee managers.

[Table 3 goes about here]

DISCUSSION AND CONCLUSION

We have argued that firms can accelerate their organizational learning processes by grafting returnee managers with international leadership experience. However, the contribution that these returnees actually make to a firm's internationalization depends on the congruity of their experiential knowledge with the recipient organizations' resources and capabilities as reflected in their ownership types. Our empirical analysis supports this argument; specifically we find that international leadership experience – but not necessarily other forms of international experience – increases the likelihood of a firm making an FDI, but this effect is moderated by the type of ownership of the firm.

This study contributes to the theoretical literature by providing deeper insights into the impact of international experience, a central construct in both the IPM and the TMT literatures. Specifically, we explain why international leadership experience may be particularly critical, yet contingent on the recipient organization. These insights are particularly relevant to the study of EE MNEs because grafting of external managers with relevant experiential knowledge is particularly pivotal for firms under catch-up pressure to acquire international

business knowledge quickly. Moreover, we contribute to two phenomena of particular interest to Chinese Management researchers, namely the role of returnees in firm growth and internationalization, and the nature of local SOEs.

Theoretical Implications for Internationalization Research

The questions of how firms acquire international experience and how such experience shapes firm internationalization are of pivotal interest to international business research (Clarke et al. 2013), and the IPM agenda in particular (Johansen and Vahlne 2009; Meyer and Thaijongrak 2013; Vahlne and Ivarsson 2014). We advance this agenda by connecting the IPM literature with recent organizational learning literature (as suggested by Powell and Rhee 2013) and offer insights to several lines of theoretical work in international business.

First, we enhance the understanding of the variety of channels through which experiential knowledge of international business can be acquired. The recent IPM literature has acknowledged a wider array of mechanisms by which firms can externally source knowledge supporting their internationalization (Gunawan and Rose 2014; Johansen and Vahlne 2009; Meyer and Thaijongrak 2013). We identify returnees as a potentially important source, and further argue that it is specifically those who acquired tacit knowledge through managerial experience abroad that can contribute such knowledge. In other words, not every returnee can have such an impact.

Second, we show that the impact of returnee managers' knowledge contribution is influenced by the characteristics of the recipient organization, specifically its corporate ownership. Thus, the value of tacit knowledge from international leadership experience is contingent on its congruity with the objectives and resources of a firm's shareholders. Different types of ownership may support, confine, complement, or substitute the knowledge contribution of from returnee managers. We believe that this argument can be extended as knowledge integration from all kinds of external sources may be subject to the moderation of different factors in the organizational context.

Third, we contribute to the flourishing research on EE MNEs by providing new insights on how the IPM can enhance the understanding of such firms (following suggestions by Elango and Pattnaik 2011; Meyer 2014; Meyer and Thaijongrak 2013). EE firms have been characterized as latecomers that often adopt unconventional approaches to internationalization, which are seemingly inconsistent with the gradual internationalization processes described in the IPM (Child and Rodrigues 2005; Mathews and Zander 2007). Our study shows that firms in a catch-up context pursuing accelerated and leapfrogging is consistent with core

proposition of the IPM. Specifically, these firms employ innovative approaches to acquire international business knowledge, which differ from the traditional experiential learning process observed in Western MNEs at early stages of their internationalization. EE firms may have financial resources to invest abroad, but they lack knowledge on how to do business internationally, and on specific foreign markets. Yet, they need to acquire such knowledge fast to support ambitious growth and catch-up goals. This difference in the competitive context makes the knowledge contribution of returnee managers more salient than experiential learning and networking.

In general, this study suggests that the IPM can be regarded an overarching theoretical perspective explaining the internationalization process of all firms. Three alternative mechanisms of acquiring international business knowledge, namely experiential learning, networking, and grafting, enable firms to internationalize in different fashion from gradual processes to accelerated and aggressive catch-up. Firms' choice among these alternatives is likely to be influenced by the context and stage of their internationalization.

Theoretical Implications for Chinese Management Research

Scholars of Chinese Management have been concerned with the contextual boundaries of existing management theories, while exploring how phenomena observed specifically in China can best be analyzed using existing or new theories (Meyer 2006; Tsui 2007; Whetten 2009). Our study touches on two phenomena of particular relevance to scholars interested in how context shapes business phenomena and management practice, namely returnee managers and local SOEs. This raises the question to what extent the phenomenon and its antecedents are specific to China or can be generalized to other contexts.

With respect to returnee managers, we provide deeper theoretical grounding to recent studies by highlighting the knowledge value of their international leadership experience, which stands out from the general international experience of the returnees. In our view, the following of our insights related to returnee managers can be generalized: a) the phenomenon exists, b) the phenomenon contributes to firm internationalization, and c) such contribution is contingent on the structural characteristics of the recipient organization. First, prior studies have observed returnees in firms in other emerging economies (Kenney et al. 2013; Saxenian, 2005) and, while perhaps less common, even in UK-based start-ups (Meyer and Xia 2012). Second, the contribution of international leadership experience that we predict has been derived from theoretical arguments grounded in pertinent literature, therefore we would expect our Hypothesis 1 to apply also elsewhere. Third, the main theoretical argument underlying our proposed moderation by ownership types also is based on theoretical

insights regarding organizational structure and knowledge acquisition, and hence generalizable. In other words, firms' ability to integrate externally grafted knowledge will be contingent on ownership types in most contexts.

In contrast, the following insights may to a high degree be context specific (i.e. China-specific): a) the magnitude of the direct effect, and b) the specific characteristics associated with different ownership types, especially with local SOEs. First, China is a context where returnees are widely expected to make a particular substantial impact because of the relative lack of a variety of skills and competences such as international business experience, a legacy of the relatively recent opening of Chinese economy. Therefore, the knowledge gap between individual returnees and TMTs they join in China is particularly large, which makes their potential contribution particularly important, but also creates the possibility of communication gaps between returnees and incumbent local leaders, especially in traditional enterprises. Second, the specific characteristics of firms in different forms of ownership are moderated by their historical legacies and the institutional framework under which they operate. Specifically, local government ownership in industrial enterprises is relatively rare in other countries, and where it exists it may demonstrate quite different characteristics given the variations of institutional processes under which it developed (Li et al., 2014). Therefore, the contingent effects of ownership types that we hypothesized may not be found in exactly the same way in a different study context.

Our suggestions regarding context specificity and generalization in the previous two paragraphs invite multi-country empirical testing using country- or subnational-level variables as moderators. Such multi-context research would enhance not only our understanding of knowledge accumulation and its impact, but contribute to the broader discussion on how and why an emerging economy context shapes firm strategies.

Limitations and Future Research Directions

Empirical limitations of this study lead to several future research directions. First, our measure of international leadership experience is based on the analysis of biographical records. This provides a fine-grained measure at the level of each top management team member. Future research may further improve on this by triangulating such data with surveys directly addressed to these individuals. Second, the attitudes of different shareholders towards EE firms' internationalization may shift across time, especially given the on-going institutional change in EE countries that influence not only the state shareholders but also others. Future research may incorporate major institutional change into theoretical framework and empirical design to examine the dynamic influence of ownership structure on the role of returnee managers.

Third, the effect of managerial knowledge on organizational activities may be non-linear and dynamic. For example, excessive knowledge from prior practices may restrain decision makers' abilities to understand their information environments and, thus, compromise their decision making (Walsh 1995). Although such a concern may be less relevant in emerging economy contexts where firms are currently latecomers to internationalization, future research can investigate the dynamic influence of experiential factors on a firm's decision making. When will managerial international leadership experience become a negative factor and constrain firms' internationalization, and what factors can prolong its positive effect? Future research can explore such questions, taking into consideration both the comprehensiveness and the rigidity of returnee managers' knowledge structures.

Finally, we empirically investigated one selected industry to avoid distortions arising from industry-level variations. This raises the question to what extent our findings are generalizable to other industries. We have theoretically argued that the impact of returnees' depends on their congruency with the strategies and structures of their host organization. Such congruency is likely to vary also across industries. Our selected industry, electronics manufacturing, is highly competitive and subject to few barriers to international trade and investment, and hence offers ample opportunities for internationalization. The impact of returnee managers thus is likely to be stronger in this industry than in industries that are more domestic in nature, such as utilities or personal services.

MANAGERIAL IMPLICATIONS AND CONCLUSIONS

Our findings offer practical implications, especially for EE firms. Firstly, recruiting returnee managers can promote EE firms' internationalization process, and this can be especially important for firms aiming for fast internationalization. Especially FDI, a high resource-commitment and high risk internationalization mode, exposes latecomer EE firms to high degree of managerial challenges for which they have not yet build experiential knowledge. When combined with catch-up pressure to leapfrog stages of internationalization and to enter into economically and institutional distant markets, EE firms need to actively seek knowledge contributions externally. Returnees offer such external knowledge, but firms need to separate the 'real gems' from the rest, as our findings show that only returnee managers with international leadership experience, rather than mere education and/or general working experiences, positively contribute to firm internationalization.

Secondly, while returnee managers possess valuable knowledge that could help EE firms to go abroad, not all firms are able to create conditions that enable returnee managers to contribute their experience, and

enable the firm to fully utilize their knowledge. We find that leadership experience of returnee managers for firm internationalization has more impact on firms' internationalization in central-state owned and privately owned firms, than in local-state owned and foreign owned firms. It is therefore particularly important for firms to evaluate their strategic objectives and supporting resources, and their level of congruity with the potential knowledge contribution from returnee managers, before they commit large amounts of resources to recruit returnee managers. On the other hand, returnee managers should also consider the potential organizational fit before making important career decisions on which organization to join upon their return.

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Table 1: Descriptive statistics, Pearson correlations, and VIFs

Variables	Pearson Correlations ¹															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 Leadership experience (LE)	1.00															
2 Local marketization index	-0.06	1.00														
3 Environmental munificence	-0.27	0.16	1.00													
4 Firm size	0.41	-0.09	-0.14	1.00												
5 Performance (ROS)	0.08	0.12	-0.03	-0.15	1.00											
6 Financial leverage (D/A ratio)	0.09	0.01	0.00	0.13	-0.38	1.00										
7 Domestic IJV	0.06	0.03	0.05	0.29	-0.09	0.04	1.00									
8 Export ratio	0.21	0.25	-0.07	0.07	0.17	-0.14	-0.04	1.00								
9 Past FDI	0.53	0.15	-0.11	0.63	0.02	0.12	0.20	0.25	1.00							
10 Central-state (CSO)	-0.06	-0.18	-0.05	-0.05	0.00	-0.01	0.21	-0.05	-0.10	1.00						
11 Local-state (LSO)	-0.02	-0.22	0.02	0.20	-0.13	0.01	0.00	-0.16	-0.08	-0.15	1.00					
12 Domestic private (DPO)	-0.08	0.27	0.01	-0.41	0.23	-0.08	-0.18	0.12	-0.10	-0.21	-0.76	1.00				
13 Foreign ownership (FO)	0.27	0.13	0.00	0.27	0.07	0.01	0.00	0.21	0.25	-0.07	0.03	-0.20	1.00			
14 Average age	0.07	0.00	0.09	0.17	-0.03	-0.09	0.02	0.06	0.04	0.11	0.31	-0.36	0.20	1.00		
15 Average education level	0.22	0.10	0.09	0.14	0.19	-0.09	0.18	0.12	0.23	-0.05	-0.08	0.01	0.26	-0.16	1.00	
16 General overseas experience	0.06	0.20	0.04	0.29	0.05	0.03	0.08	0.17	0.39	0.03	-0.04	-0.07	0.33	0.03	0.22	1.00
Mean	1.61	9.28	1.26	20.94	4.51	50.40	0.12	18.29	0.48	2.94	22.87	32.15	6.06	45.80	1.82	1.73
Standard Deviation	4.06	1.96	0.04	1.37	11.61	40.85	0.32	25.68	0.80	11.39	24.95	28.63	12.31	3.57	0.67	4.22
Variable Inflation Factor	1.75	1.34	1.18	2.37	1.36	1.26	1.25	1.24	2.56	1.74	3.97	4.80	1.49	1.34	1.33	1.42

Note 1: |corr|≥0.14 significant at 0.05 level (2-tailed), |corr|≥0.18 significant at 0.01 level (2-tailed), |corr|≥0.23 significant at 0.001 level (2-tailed)

Table 2: Hypotheses testing results

	Andersen–Gill Cox regression model					
	Model 0	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Environmental control</i>						
Local marketization index	-0.861***	-0.725***	-0.704***	-0.780***	-0.794***	-0.826***
Environmental munificence	-0.979***	-0.853***	-0.822**	-0.906***	-0.943***	-0.855***
<i>Firm financial control</i>						
Firm size	0.592*	0.652*	0.683*	0.662**	0.625*	0.667*
Performance (ROS)	0.474*	0.477*	0.470*	0.485*	0.502*	0.443*
Financial leverage (D/A ratio)	-0.003	-0.316	-0.325	-0.167	-0.063	-0.047
<i>Firm internationalization control</i>						
Domestic IJV	0.147	0.176	0.002	0.132	0.175	0.147
Export ratio	0.258†	0.089	0.110	0.110	0.020	0.163
Past FDI	0.562**	0.211	0.209	0.186	0.246	0.060
<i>Firm ownership control</i>						
Central-state (CSO)	-0.229	-0.304	-0.553†	0.271	-0.307	-0.320
Local-state (LSO)	-0.233	-0.361	-0.360	-0.204	-0.269	-0.369
Domestic private (DPO)	0.184	0.100	0.062	0.144	0.075	0.094
Foreign ownership (FO)	0.244*	0.103	0.066	0.188	0.227	0.408*
<i>Top management team control</i>						
Average age	-0.092	-0.131	-0.137	-0.230	-0.205	-0.177
Average education level	-0.078	-0.247	-0.140	-0.273	-0.307	-0.331
General overseas experience	-0.694†	-0.631	-0.624	-0.562	-0.583	-0.664
<i>Main effect of returnee managers</i>						
H1: Leadership experience (LE)		0.565***	0.679***	0.551***	0.629***	0.771***
<i>Firm ownership moderating effects</i>						
H2: LE × CSO			0.611*			
H3: LE × LSO				-0.227*		
H4: LE × DPO					0.297**	
H5: LE × FO						-0.199**
Akaike information criterion (AIC)	406.993	396.407	395.995	395.131	391.992	392.478
Log pseudo likelihood	-188.496	-182.204	-180.998	-180.565	-178.996	-179.239
Model χ^2	155.47***	184.48***	200.24***	203.17***	192.01***	215.89***
$\Delta \chi^2$	N/A	29.01***	44.77***	47.70***	36.54***	60.42***
Number of observations	218	218	218	218	218	218

† p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001 (two-tailed)

Table 3 Robustness test results

	Andersen–Gill Cox regression model					
	Model 0	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Environmental control</i>						
Local marketization index	-0.906***	-0.723**	-0.691**	-0.860***	-0.825***	-0.807**
Environmental munificence	-1.107***	-1.033***	-0.987***	-1.155***	-1.151***	-1.023***
<i>Firm financial control</i>						
Firm size	0.572*	0.591*	0.621*	0.600**	0.563*	0.588*
Performance (ROE)	0.913***	0.986***	1.017***	1.149***	1.062***	0.939**
Financial leverage (D/A ratio)	-0.131	-0.377	-0.393	-0.179	-0.178	-0.178
<i>Firm internationalization control</i>						
Domestic IJV	0.061	0.084	-0.160	0.008	0.076	0.044
Export ratio	0.341	0.068	0.103	0.057	-0.016	0.047
Past FDI	0.783***	0.522*	0.545*	0.529*	0.611**	0.391
<i>Firm ownership control</i>						
Central marketized state (CMSO)	-0.161	-0.249	-0.528	-0.232	-0.275	-0.268
Local marketized state (LMSO)	-0.140	-0.347	-0.338	-0.172	-0.288	-0.387
Domestic private (DPO)	0.052	0.042	-0.090	-0.082	-0.130	-0.074
Foreign ownership (FO)	0.271†	0.064	0.022	0.216	0.228	0.357*
<i>Top management team control</i>						
Average age	-0.080	-0.089	-0.109	-0.236	-0.168	-0.116
Average education level	-0.089	-0.316†	-0.171	-0.359†	-0.403*	-0.379†
Overseas education experience	-1.219**	-1.316**	-1.346**	-1.256**	-1.236**	-1.499***
Overseas working experience	-0.210	-0.151	-0.146	-0.173	-0.201	-0.127
<i>Main effect of Returnee Managers</i>						
H1: Leadership experience (LE)		0.604**	0.741***	0.619***	0.675***	0.837***
<i>Moderating effects</i>						
H2: LE × CMSO			0.780**			
H3: LE × LMSO				-0.322**		
H4: LE × DPO					0.289*	
H5: LE × FO						-0.220*
Akaike information criterion (AIC)	401.460	390.518	388.949	385.787	386.657	386.929
Log pseudo likelihood	-184.730	-178.259	-176.474	-174.894	-175.328	-175.464
Model χ^2	171.82***	215.10***	259.69***	216.46***	236.52***	235.81***
$\Delta \chi^2$	N/A	43.28***	87.87***	44.64***	64.70***	63.99***
Number of observations	218	218	218	218	218	218

† p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001 (two-tailed)

Figure 1 Moderating Effect of Central-state Ownership

Figure 2 Moderating Effect of Local-state Ownership

Figure 3 Moderating Effect of Private Ownership

Figure 4 Moderating Effect of Foreign Ownership