Linking inward/outward FDI and exploitation/exploration strategies: Development of a framework for SMEs

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Abstract

The purpose of this paper is to examine the relationships between exploitation/exploration strategy and foreign direct investment (FDI) involving small and medium-sized enterprises (SMEs). Drawing on qualitative data collected from 45 FDI projects reported by 38 SMEs in a small open economy (SMOPEC), we develop an empirically grounded framework and research propositions that suggest inward FDI (into the SME) is associated with exploration driven by a strategic asset-seeking motive, and outward FDI (by the SME) is associated with exploitation driven by market and efficiency-seeking motives. Further, for the SMEs in this study, ambidextrous exploration and exploitation appear complementary and co-occur either simultaneously through an inward FDI project, or sequentially through separate inward and outward FDI projects, respectively. Our findings, however, reveal a lack of clear sequencing between inward and outward FDI, in contrast to previous research that has conceptualised inward FDI as a strategic means to achieve outward FDI. Implications for theory, practice and policy are discussed.

Keywords: exploitation, exploration, small and medium-sized enterprises, inward/outward foreign direct investment, motives

1. Introduction

One of the key themes in international business research is how firms *exploit* existing competitive advantage and *explore* new competitive advantage through FDI (Makino, Lau & Yeh, 2002). Despite progress in this line of research, the relationship between a firm's exploration/exploitation strategy and its FDI, especially in the context of small- and medium-sized enterprises (SMEs) is still not clear (Laufs & Schwens, 2014; Vanninen, Kuivalainen & Ciravegna, 2017). SMEs are increasingly seeking to grow internationally, not only to gain access to new markets, but also to obtain complementary resources and competencies in these markets (Dimitratos, Johnston, Plakoyiannaki & Young, 2016; Zahra, Ucbasaran & Newey, 2009). However, existing FDI research tends to overlook inward investment that occurs in the firm's home country and thus fails to consider the influence of such inward FDI on the firm's organisational learning, resources and overall business strategy in terms of exploration/exploitation (Gu & Lu, 2011; Li, Li & Shapiro, 2012; Li, Yi & Cui, 2017). This tendency is particularly noticeable for FDI research in the SME context (Kim, Mahoney & Tan, 2015; Kuo & Li, 2003; Pu & Zheng, 2015).

Our study draws on the stage (Uppsala) model of internationalisation and the OLI paradigm as the theoretical foundations to address these two gaps. The stage model of internationalisation views outward FDI as the last stage associated with the international expansion process by the firm (Welch, Nummela & Liesch, 2016), due to its significant resource requirements. However, emphasising the importance of knowledge gained from experiential learning in the process of outward expansion (Johanson & Vahlne, 1977), the stage model assumes that the firm's knowledge about internationalisation is acquired primarily from learning while operating in foreign markets. Thus, the stage model fails to include FDI into the focal firm at home as a potential source of learning (Gu & Lu, 2011) and resources to facilitate the internationalisation process (Luo & Tung, 2007). Such resources can be particularly critical to the internationalisation of SMEs (Scott-Kennel, 2013). Thus, there is a strong need to incorporate both outward and inward types into our study of FDI by SMEs.

As the most influential model to explain FDI, the eclectic or OLI paradigm asserts that outward FDI by the firm is motivated by ownership (O), location (L), and internalisation (I) advantages (Dunning, 1988, 1991). This paradigm has been widely adopted to explain the choice of FDI over alternative modes of foreign market servicing, location choice and different types of FDI. Four motives for FDI are associated with L-advantage: market-seeking; natural resource-seeking; efficiency-seeking and; strategic asset-seeking (Dunning, 1993; 2001). The motives associated with the OLI paradigm are particularly useful to explain the link between FDI and the firm's exploration of new, or exploitation of existing, O-advantages (Kim et al., 2015; Koryak et al., 2018; Lavie, Stettner & Tushman, 2010).

The objective of this study is to identify patterns between involvement of SMEs in inward/outward FDI and their exploration/exploitation strategy. Combining the strategic motives drawn from the OLI paradigm (Dunning, 1991; 2001) with insights from research including both inward and outward FDI (Li, Li & Shapiro, 2012; Li et al., 2017; Makino et al., 2002), we argue that SMEs pursue distinct exploration/exploitation strategies through both forms of FDI. These strategies are motivated by the potential to seek new markets, gain efficiencies or augment strategic assets (Hitt, Ireland, Sirmon & Trahms, 2011; Lubatkin, Simsek, Ling & Veiga, 2006; Voss & Voss, 2013; Zahra et al., 2009). Based on qualitative data collected from 45 FDI projects reported by 38 SMEs in New Zealand, a small, open economy (SMOPEC), we develop an empirically grounded framework that identifies six distinct patterns that illustrate the relationships between an SME's inward/outward FDI and its exploration/exploitation strategy.

The core of our theoretical contribution lies in the extension our study makes to the stage model in the context of SME FDI activity. First, explicit inclusion of both outward and *inward* FDI as modes of internationalisation coupled with exploitation/exploration strategy demonstrates the value of an integrated framework in the SME context, enriching our understanding of involvement in, and motive and strategy for, FDI as part of the SME internationalisation process. A particularly novel finding that investment in the SME by a foreign firm may occur late in the focal SME's internationalisation trajectory and provide crucial resources to facilitate both exploration and exploitation highlights the important role of inward FDI for SMEs' internationalisation (Scott-Kennel, 2013). Second, our empirically grounded framework re-conceptualises FDI and exploration/exploitation in the SME context. Our findings suggest SMEs from SMOPECs exploit via outward FDI, explore via inward FDI, or employ an ambidextrous strategy where exploitation and exploration occur simultaneously through involvement in an inward FDI project, or sequentially in different inward/outward FDI projects (Junni, Sarala, Taras & Tarba, 2013; Kim et al., 2015; Raisch, Birkinshaw, Probst & Tushman, 2009). The findings highlight the importance of considering temporal aspects of FDI theory in the context of SMEs, who may benefit from implementing an ambidextrous strategy (Voss & Voss, 2013). However, in contrast with research on large multinational enterprises (MNEs) from emerging markets, which suggests that inward FDI has a significant effect on subsequent outward FDI by local firms (Gu & Lu, 2011; Hernández & Nieto, 2016; Li et al., 2012; 2017), the findings from our study reveal a lack of a clear sequencing pattern for SMEs from SMOPECs.

The research context of SMEs from SMOPECs is important in this study as such firms are more likely to engage in international expansion to overcome the disadvantages of their own size and resource base, but also those of their home market (Alon, Dana & Jenkins, 2009). New Zealand, where this study is based, has displayed a high dependency on foreign inflows of capital, suggesting that New Zealand SMEs rely heavily on inward investment by foreign MNEs to complement national innovative capacity (NZIER, 2016; Wu, Ma & Zhou, 2017).

The openness of New Zealand's trading regime means SMEs face international competition at home and rely heavily on outward internationalisation, particularly exporting, which is often supported by offshore sales subsidiaries (Casey & Hamilton, 2014; Dana & Dana, 2004). Thus, New Zealand presents an ideal context for studying SME internationalisation through outward and inward FDI (Kahiya, 2020; Scott-Kennel, 2013).

2. Theoretical framework

2.1. Outward and inward FDI

SMEs are distinctive in that they are more likely to face resource constraints relative to larger firms (De Maeseneire & Claeys, 2012; Karagozoglu & Lindell, 1998; Xie & Suh, 2014). Moreover, SMEs from SMOPECs are more likely to need to pursue such opportunities offshore due to limited domestic market size (Kahiya, 2020; Benito, Larimo, Narula & Pedersen, 2002). In order to grow they need to internationalise (Zapkau, Schwens & Kabst, 2014), and their greater flexibility, responsiveness to change and ability to learn, as well as low-cost structure, relative to larger firms, often gives them the ability to do so (Ensari & Karabay, 2014). Indeed, organisational learning has provided a focus for recent research on internationalisation. Internationalisation involves incremental learning by which a firm develops its foreign operations taking gradual steps in order to minimise the level of uncertainty and perceived risk (Hutzschenreuter & Matt, 2017; Johanson & Vahlne, 2009). Emphasising the importance of knowledge gained through incremental, experiential learning, the stage model suggests learning is path dependent and assumes that the firm's internationalisation knowledge is acquired through its own operations in foreign, host countries (Johanson & Vahlne, 1977). Knowledge acquisition and accumulation through experiential learning enable the firm to address challenges faced when operating abroad (Johanson & Vahlne, 1977). These challenges are generally grouped into three types of liabilities – i.e. foreignness, newness, and smallness – that are either unique to, or more severe, in the case of SMEs (Chinta, Cheung & Capar, 2015; Lu & Beamish, 2006; Pisani, Caldart & Hopma, 2017).

Thus, the stage model, and much research that has followed, demonstrates that learning occurs through operation in foreign markets and mainly relates to knowledge about them, including national systems, customers, political frameworks, institutions, rules and norms, as well as knowledge about modes of entry and operation (Casillas & Moreno-Menéndez, 2014). The stage model views outward FDI as the last step in this process, prompting learning through foreign market expansion via a resource-intensive mode of entry. Examination of inward internationalisation as a learning mechanism, by contrast, is relatively rare, and largely confined to learning through importing, subcontracting and international sourcing by domestic firms (Welch & Luostarinen, 1993). Thus, prior studies that have built FDI into the stage model tend to focus on outward investment and have paid little attention to the role of inward foreign investment in the learning and development of local firms (Gu & Lu, 2011).

Only a small number of studies have focused on understanding the relationship between inward and outward FDI by examining the effect of FDI into firms based at home on subsequent outward FDI by these firms (Gu & Lu, 2011; Li et al., 2012; 2017; Lyles, Li, & Yan, 2014). Emphasising the learning path from inward to outward FDI, this line of international business research has proposed that researchers should assign greater weight to inward FDI as an important determinant of outward FDI (Gu & Lu, 2011), as it can serve as a critical force stimulating investment by local firms due to transfer and spillovers of knowledge and technology (Li et al., 2017; Luo & Tung, 2007). More specifically, partnering with foreign investing firms in the home country through joint ventures has become an effective way for domestic firms to gain access to strategic assets, such as modern management practices, and technology know-how, so that the domestic firms are able to develop competitive competencies

(Child & Rodrigues, 2005; Guthrie, 2005; Li et al., 2017). In addition, domestic firms can also gain access to capital, capacity or critical scale and channels that accelerate entry into and growth in international markets (Scott-Kennel, 2013). Thus, a firm's involvement in inward FDI by partnering with foreign investing firms also represents a route to the focal firm's internationalisation, where learning and development of strategic assets facilitate eventual outward internationalisation through exporting and/or investment (Child & Rodrigues, 2005; Li et al., 2017). It is worthwhile noting that most prior studies that explore the relationship between inward and outward FDI have been conducted in the context of emerging economies. Within this context the stimulation and spillover effects of inward investment are often more evident, particularly when the host country is at an early developmental stage in the focal industry (Gu & Lu, 2011).

In summary, prior research examining the relationship between inward and outward FDI has confirmed the effects of the former on the latter. However, most of these studies are based on the experiences of large MNEs, mainly in the context of firms from emerging economies. To the best of our knowledge, there is a paucity of research regarding the relationship between inward and outward FDI in the context of SMEs. Given the lower tendency of SMEs to engage in outward FDI activity due to their limited resources and competitive positioning, even less is known about this relationship for SMEs in SMOPECs, where resource issues relating to size are further compounded by lack of local demand/supply. Therefore, there is a gap in the FDI literature, particularly regarding SME involvement in inward investment, and the relationship between inward/outward FDI and exploration/exploitation strategy. Our study aims to fill this gap, focussing on projects that involve outward FDI by the SME or FDI into the focal SME.

2.2. FDI and the role of motives

The eclectic paradigm, underpinning the conceptualisation of strategic FDI motives, is useful to examine the link between SME internationalisation and FDI activity. Although largely based on empirical evidence of large MNEs from developed countries, the paradigm has become the mainstream theoretical perspective on FDI, and suggests that for FDI to occur, ownership, location, and internalisation (OLI) advantages must be present (Dunning, 1988, 1991). Based on the location (L) aspect of the eclectic paradigm, Dunning (1993) distinguished three strategic motives for the firm to engage in FDI activity – market-seeking, (natural) resource-seeking and efficiency-seeking – all of which focus predominantly on exploiting the firm's existing O-advantages in new markets or using them to capture resource and efficiency advantages associated with foreign locations. Later, Dunning (2001) added the strategic asset-seeking motive to the framework, whereby a firm's competitive advantage could be enhanced by exploring new capabilities, assets, and resources internationally.

Recent international business research suggests a need to revisit Dunning's "classic" FDI motives, as new ways emerge in which firms organise their FDI (Benito, 2015; Cuervo-Cazurra & Narula, 2015; Meyer, 2015). Firms' internationalisation trajectories differ systematically across different types of motives, which implies that FDI motives are relevant when analysing various aspects of the internationalisation of the firm. More specifically, motives are useful elements for theory building in international business, as they typically involve different types of FDI and characteristically relate to different sectors, locations, and industries (Benito, 2015). On the other hand, motives are not an alternative to a classification of the firm's FDI strategy, given that the arguments behind Dunning's motives are deductive and were not intended as a stand-alone theoretical device (Cuervo-Cazurra & Narula, 2015).

Addressing the rising phenomenon of FDI from emerging economies in particular, a recent development in FDI research highlights the importance of the asset-seeking motive of FDI, in which the firm explores foreign markets with the purpose of learning and competency development and acquisition, rather than focusing on exploitation of existing firm-specific capabilities (Choi, Cui, Li & Tian, 2019; Cui, Fan, Liu & Li, 2017; Cui, Meyer & Hu, 2014; Hsu, Lien & Chen, 2013; Li & Cui, 2018; Meyer, 2015; Pananond, 2015). Another development in FDI motive research distinguishes market-seeking investment as either offensive or defensive. When the firm is motivated by a defensive market-seeking motive for its FDI, it aims to: (1) escape from domestic market competition and saturation (Buckley, Cross, Hui, Liu & Voss, 2008); and (2) circumvent tariffs and non-tariff trade barriers (Dunning, 1993; Deng, 2004). On the other hand, when motivated by offensive market seeking, the firm aims to: (1) proactively develop new markets overseas, for example through gaining access to leading markets in the industry, and (2) actively raise awareness of product offerings and associated brands (Buckley et al., 2008; Sanchez-Peinado, Pla-Barber & Hébert, 2007). In comparison to the defensive market-seeking motive, the offensive motive represents a more ambitious and strategic drive for markets by the firm, where its proactive approach helps to establish the firm's competitive advantage and thus requires development of new competencies.

Following these prior studies, we would expect SMEs from SMOPECs to also exploit their O-advantages, through market-seeking investment in particular. However, we might also expect the O-advantage of SMEs to be narrower in scope, perhaps focused on a market niche (Hollenstein, 2005). Since such advantages may offer only limited competitive advantage, SMEs may actively seek to augment or acquire O-advantages through internalisation (I) via collaborative agreements or investment in assets. From this perspective, a firm's exploration or exploitation strategy is expected to be driven by specific FDI motives and to involve different types of FDI, although it is not clear how these relationships might play out in the SME context.

2.3. FDI and the role of exploitation and exploration strategy

Research has identified exploitation and exploration as two primary strategic alternatives (Hitt et al., 2011; Levinthal & March, 1993; Lubatkin et al., 2006; March 1991). Based in established product domains within consumer markets that are relatively stable and predictable, exploitation is characterised by inter-firm competition. Following this strategy, firms can achieve competitive advantage by successfully exploiting current firm knowledge, especially by maintaining high levels of efficiency and reliability in production of existing products. In contrast, when competing through exploration, firms gain advantage by creating new products, often using novel technology and targeting both existing and potential consumer markets (Damanpour, 1991).

A recent body of empirical research has applied the concept of exploitation versus exploration to classify the firm's FDI strategy in a large MNE context (e.g. Buckley, Munjal, Enderwick & Forsans, 2016; Choi et al., 2019; Li & Cui, 2018; Vahlne & Jonsson, 2017). One of the key issues in the field of international business research is how the firm exploits existing competitive advantage (i.e. O-advantages) and explores new competitive advantage through conducting outward FDI activity (Kim et al.; 2015; Makino et al., 2002). This line of research has examined the focal firm's FDI strategy in terms of the types of FDI and the motives behind it, where exploitative versus exploratory strategy is proposed as relevant. The traditional view of FDI, as a strategy to exploit O-advantage, assumes that the firm possesses certain rent-yielding resources, enabling it to compete in new foreign markets (Hitt et al., 2011). Thus, exploitative FDI typically comprises market-, natural resource-, and/or efficiency-seeking activity to maximise the return on the focal firm's existing O-advantages and minimise risk by adapting to new markets.

In contrast, exploratory FDI suggests that a firm's O-advantage would originate not only from the possession of proprietary resources but also from the capacity to acquire, or to augment, new assets and competitive advantages. This could be achieved through the firm's own developmental efforts or efficient coordination of complementary assets owned by other firms in a foreign country (Buckley et al., 2016; Choi et al, 2009; Cui et al., 2017). Prior research argues that critical capabilities are more likely to be spatially determined, rather than simply existing within any single firm or location (Frost, 2001; Rugman & Verbeke, 2001). Firms that intend to build advantages through FDI have a natural incentive to build partnerships with foreign firms who have the required strategic assets – particularly if they are unable to simply acquire them outright. Thus, exploratory FDI can be defined as FDI that comprises asset-seeking activity to acquire, access or develop new competitive O-advantages.

But what about FDI by resource-constrained SMEs with fewer advantages to exploit internationally? While literature suggests that exploitation of existing resources is typically a less risky route to follow and offers more certain returns, particularly in the short term, exploration is potentially more lucrative (He & Wong, 2004). Typically, SMEs are reliant on a single innovation stream or a niche offering for competitive advantage. Thus, when they attempt to reduce the risks and increase the marginal returns of offerings by expanding sales and production beyond limited domestic markets and suppliers through outward FDI, exploitation of existing innovation occurs (Buckley, 1989; Hollenstein, 2005; Pu & Zheng, 2015). However, SMEs are considered to be more hesitant to commit to exploratory FDI, which is more resource-intensive and engenders higher situational uncertainty and risk (Hollenstein, 2005; Game & Apfelthaler, 2016). This risk becomes particularly acute when resource-constrained SMEs lack the capital or capacity, capabilities, experience and international channels supportive of internationalisation growth (Scott-Kennel, 2013). However, particularly for innovative or technology-based SMEs that have product-based knowledge and competencies, complementary O-advantages may become all the more critical for strategic mobilisation in international markets. SMEs' exploration via inward FDI may make this more feasible through joint partnerships with or partial equity ownership (or partial acquisition) by a foreign MNE. Exploration benefits include acquisition or development of O-advantages involving new knowledge, technology or innovation through engagement with foreign partners abroad or foreign investors at home, as well as access to advantages that bridge critical resource gaps relating to capitalisation, or critical mass and channels providing greater access to international markets (Yiu, Bruton & Lu, 2005; Karagozoglu & Lindell, 1998; Karlsen, Silseth, Benito & Welch, 2003). Thus, SMEs' involvement in FDI for strategic asset-seeking purposes is more consistent with the view of opportunity exploration, as it provides the means to better equip the SME with new competitive capabilities and assets crucial to commercialisation and marketisation offshore.

For an individual firm, a balance between exploitation and exploration is important, as these two strategies can form an interdependent developmental mechanism for the focal firm's long-term performance (March, 1991; Gibson & Birkinshaw, 2004; Gupta, Smith & Shalley, 2006; He & Wong, 2004; Lubatkin et al., 2006; Kim et al., 2015). However, achieving such balance is challenging, as strategic complexity increases when the firm simultaneously pursues these two distinctly different strategies (Sirén, Kohtamäki & Kuckertz, 2012), both of which require different structures, processes and skills (He & Wong 2004; Lavie et al., 2010). Thus, we might expect that the joint pursuit of exploration and exploitation, i.e. ambidexterity, would be particularly challenging for resource-constrained SMEs (Gibson & Birkinshaw, 2004; Lubatkin et al., 2006; Villar, Pla-Barber & Ghauri, 2020; Voss & Voss, 2013). An alternative view is that SMEs, which typically demonstrate greater flexibility, nimbleness and responsiveness than their larger MNE counterparts, may be more able to balance both exploitation and exploration. However, it is not clear in the extant literature how these two strategies are linked to international investment activity by SMEs.

2.4. An initial conceptual framework

Building on the existing studies as discussed in our review of relevant literature above, we develop an initial conceptual framework, presented in Figure 1 below. The purpose of this framework is threefold: (1) to address the two gaps identified in the literature by including inward FDI as an essential component for SMEs' international investment activity, and building a link between SMEs' inward/outward FDI and exploration/exploitation strategy; (2) to guide our data analysis and discussion of empirical findings; and (3) to provide a conceptual basis for our empirically grounded framework which follows the results.

Insert Figure 1 here

Figure 1 provides an illustration of our initial conceptual framework in the form of a 2x2 matrix. The horizontal dimension represents FDI, namely inward investment into the SME and outward investment by the SME, while the vertical dimension denotes the strategy – exploitation or exploration – that the SME pursues through its involvement in FDI. The four quadrants in Figure 1 represent different combinations of these two dimensions for the focal SME. Classifying SMEs' FDI along the two dimensions of inward/outward FDI and exploration/exploitation, we build on this conceptual framework to analyse our empirical data, identify patterns in such behaviour, and develop implications for theory.

3. Research method

Following an interpretivist approach, we examine how the focal SME's motives for FDI are realised through adoption of exploitation/exploration and we identify the link between a firm's involvement in inward/outward FDI and these strategies using a retrospective, qualitative in-depth interview technique. This methodological choice is consistent with the exploratory nature of the research question. In comparison with the predominantly quantitative research method used in previous research on FDI activity in SMEs (Pu & Zheng, 2015), the emphasis in this study was on the collection of qualitative empirical data to identify the diversity and variations in FDI activity in SMEs.

3.1 Sample selection

The sample for this study was identified from a database of firms who responded to the Statistics New Zealand 2011 Business Operation Survey [1], which included a module on internationalisation activities. Based on the survey information, this study targeted the firms that were willing to participate in follow-up research through interview. The advantage of using this database was that it enabled the researchers to access information on firm demographics (such as firm size age, and sector, and year of first internationalisation activity) as well as internationalisation activity (such as international investment). There is no universally accepted definition of SMEs, and using the New Zealand working definition of between 20-99 employees would restrict our ability to compare results with similar-sized firms elsewhere, particularly in other similar-sized countries. Thus, consistent with previous studies on SME internationalisation in New Zealand (Agndal & Chetty, 2007; Chetty & Campbell-Hunt, 2003; Chetty, Ojala & Leppäaho, 2015) and international classifications (OECD, 2005), SMEs in this study were defined by size as firms with fewer than 250 employees. Specifically, the European Commission defines 'micro' firms as having fewer than 10 persons employed, 'small' firms with between 10 and 49 people employed, and 'medium-sized firms' 50-250 staff (Eurostat, 2020). We adapt this to our study, where 'small' includes all firms with less than 50 employees and 'medium-sized' includes all those with 50-249 employees.

Eighty-nine firms in the database reported international investment, of which 59 were SMEs as per the above definition. The final sample of 45 FDI projects reported by 38 SMEs

[1] The Business Operations Survey (BOS) is conducted annually with all New Zealand businesses that employ six or more people (Statistics New Zealand, 2012).

was purposefully selected, using maximum variation sampling, to ensure a wide variety of cases was included and to maximise the diversity relevant to our research. As we were interested in identifying the complex and diverse internationalisation patterns of SMEs that pursued FDI, we wanted to ensure that we included a range of different firms in our study. Guided by extant literature, our sampling criteria included the type of FDI that the firm was pursuing, firm size and industry sector. As for the type of FDI, we included SMEs engaged in inward or outward FDI or both, an approach which, as indicated earlier, has received limited attention in the literature (Gu & Lu, 2011; Li et al., 2017). Similarly, SMEs typically include a diverse set of firms and from the perspective of internationalisation and FDI in particular, size and industry sector were considered relevant for our study. The term 'SME' covers small as well as medium-sized businesses who vary significantly in terms of their resources and consequently their strategies and operations (de Moraes, Ekanem & Osabutey, 2017). As such, we ensured that both small and medium-sized firms were included. Lastly, in terms of industry, the extant literature highlights that knowledge-intensive service firms internationalise very differently compared with traditional manufacturing firms (Ball, Lindsay & Rose, 2008). Consequently, we included firms from both industry sectors in our sample. In summary, the criteria used in our maximum variation sampling included type of FDI (inward and outward), firm size (small and medium-sized) and industry sector (knowledge-intensive services, and manufacturing).

This sampling approach provided us with a rich dataset to explore FDI involvement by SMEs, allowing us to identify contrasting patterns and to increase the robustness of the findings (Eisenhardt & Graebner, 2007). By iteratively cycling between the extant literature, our data, and our emerging empirical framework, we reached the point of saturation where we felt that we had sufficiently captured the variation in and complexity of the phenomenon to derive meaningful theoretical insights relevant to our research (Saunders et al., 2018). We did not aim for a representative sample to generalise the findings for the broader SME population. Instead, the chosen sampling approach permitted us to develop a robust and valid understanding of the latent motives that drive the exploitation/exploration strategy of SMEs and to identify the patterns between a firm's involvement in inward/outward FDI activity and these two strategies.

3.2 Sample description

While our analysis was at the firm level, the unit of analysis is the FDI projects undertaken by the sample firms. In total, our sample includes 45 FDI projects reported by 38 SMEs. Of the 38 firms, one third were small firms employing less than 50 staff (n=14) with the remainder being medium-sized, employing 50-249 staff. Firms were on average 30 years old, with a minimum of five and a maximum of 136 years. The mean time from founding to first international activity was 14 years. Two thirds (n=26) of the firms were manufacturers with the remainder being service providers. Table 1 provides summary profiles of the 38 SMEs involved in our study.

Insert Table 1 here

These firms reported 45 FDI projects in total, of which 19 were conducted by firms pursuing outward FDI, 12 projects by firms pursuing inward FDI, and 14 projects by seven firms pursuing both outward and inward FDI. Twenty-five outward FDI projects were conducted through the joint venture (JV) mode and 20 projects through the wholly-owned subsidiary (WOS) mode as defined by a minimum 95% stake holding. All 19 inward FDI projects were in the form of partial acquisition of the local SMEs by foreign-owned MNEs and thus are classified as JVs. For quite a few SMEs in our sample, the foreign partners were the dominant shareholders and had management control over the venture post-investment. In these cases, SMEs relinquished some of their control of the venture to the foreign partner in exchange for access to their partner's resources. For detailed information on each FDI project, see Tables 3 to 6 in the Appendix.

3.3 Data collection

Retrospective reports from senior key informants have long been acknowledged as an important research approach to better understand the strategic behaviour of firms and to identify relevant patterns (Huber & Power, 1985) and are still commonly used in international business research (e.g. Kalinic & Forza, 2012; Kalinic, Sarasvathy & Forza, 2014). As retrospective designs are inevitably prone to hindsight bias, we addressed this danger by selecting the most knowledgeable key decision makers who were able to provide first-hand accounts (i.e. the person who was primarily responsible for the internationalisation strategy of the firm, which in most cases was the owner-manager or director of the firm). Further, we used an event tracking interview technique that seeks factual data from informants using piloted and semi-structured questions as well as prompts that encourage respondents to elaborate on their responses to increase accuracy. Lastly, we removed as many disincentives as possible related to concerns over anonymity, time, and inconvenience associated with participating, by providing detailed and transparent information about the research process (Huber & Power, 1985).

Respondents were initially contacted by phone to seek their participation, and informed consent was obtained. Data collection was based on face-to-face interviews with key decision makers, and all interviews were conducted by the third and last authors. Interviews involved a semi-structured interview protocol with open-ended questions that allowed further, more detailed responses (Guest, Namey & Mitchell, 2013). The interviewees were first asked to describe their business (including ownership), and the internationalisation process and activities of their firm in general. They were then asked more specific but open-ended questions relating to their firm's international investment activity, with particular focus on how and why the firm had engaged in FDI. These included questions broadly aligned to the themes of the research, namely: reasons for the investment, influences on the decision-making process, firm-specific advantages enabling their firm to compete internationally, and the importance of the investment to the firm. Respondents were also prompted to provide more information on any specific challenges, advantages and benefits of investing internationally and future plans. Lastly, the relevance of the domestic environment for international investment activity was explored.

Interviews were conducted at the firms' premises and were between 60-90 minutes in duration. With the permission of the interviewees, the interviews were digitally recorded and transcribed verbatim. Notes were made during and immediately after the interviews to record key information on each firm and their FDI project/s, to capture researchers' reflections and facilitate preliminary coding and subsequent iterative cycling between extant literature, data and our emerging empirical framework. Field notes were kept as a separate document but linked to the interview transcript via the participating firm's number (Eisenhardt, 1989).

Each transcript was shared with the interviewees to give them the opportunity to amend the initial responses to avoid misunderstandings. No amendments were made, signalling that the respondents were satisfied with the accuracy of the transcripts. The transcribed interviews amounted to 560 pages (size 12 font, 1.15-spaced) pages of text, with a minimum of nine pages and a maximum of 26 pages, resulting in an average of 14.7 pages per interview. Case notes amounted to 38 pages (size 12 font, 1.15-spaced) of text, an average of one page per case interview.

Following the criteria recommended by Flint, Woodruff and Gardial (2002), the trustworthiness of the study was assessed by evaluating credibility, transferability, dependability, confirmability, and integrity, as shown in Table 2.

Insert Table 2 here

3.4 Data analysis

As a first step, all interview transcripts were coded by following the two-cycle coding approach suggested by Miles, Huberman and Saldana (2014), using NVivo 10. As part of the first cycle of coding, each interview was reread several times and descriptive codes were assigned to text segments that were considered relevant in the context of our research. Data coding was done by the third and last authors and cross-checked by the other authors. When coding discrepancies existed, the authors discussed why certain concepts were coded and interpreted in such a way to determine causes of discrepancy and to seek consensus. This not only assured consistency in the coding process, but also ensured conceptual and structural unity. This first cycle of coding resulted in 11 first-order concepts or codes. Along with developing these first-order concepts, we started identifying relationships between these concepts using constant comparison of cases. As part of the second cycle of coding, these emerging relationships allowed us to collapse the 11 first-order concepts into theoretically distinct groupings, known as second-order themes or categories. We labelled the themes by referring to existing literature – as market, efficiency and strategic asset-seeking motives. Using matrix analysis, we then explored the relationships between second-order motives and found strategic-asset and offensive market-seeking motives for FDI associated with exploration or exploration/exploitation strategy, while efficiency and defensive market-seeking motives were associated with exploitation (see detail in results). As a result of the matrix analysis and theoretical considerations, we were able to aggregate the second-order motives into three dimensions representing the exploration, exploitation or combined exploration/exploitation strategy pursued by firms. The first three columns of Figure 2 represent the data structure.

The next step involved pattern matching between strategies employed by the firms and resulting outward and inward FDI. By going backward and forward between the data for each firm, and in particular, considering the type of strategy employed by the firm (exploitation, exploration), and the choice of either IFDI or OFDI, as informed by FDI motives (offensive/defensive market, efficiency and strategic asset-seeking), we were able to identify six distinct patterns representing the relationship between a firm's strategy and its involvement in inward/outward FDI. These patterns are depicted in the last three columns of Figure 2. The data associated with each of the projects/firms included in each of the six patterns are presented in Tables 3 to 6 in the Appendix, and our results around these six patterns are discussed in more detail in the following sections.

In analysing our data, we were able to identify the specific patterns with regard to the association between the sample SMEs' exploitation/exploration strategy and type of FDI (i.e. inward or outward). Figure 2 provides a diagrammatic display of our findings. Columns 1 to 3 present the empirical results from our data coding and analysis regarding the relationships between different types of firm activities, motives and strategy. More specifically, Column 1 presents growth-oriented activities of the firms, which are grouped by motives given in Column 2. Market-seeking motivated activities are both offensive, involving new product and/or market development, and defensive, involving existing products to existing markets (Buckley et al., 2008). Capitalisation was also linked to market-seeking motives. Firm activities often corresponded to dual motives: for example, where the firms clearly sought competitive advantage, their activities were linked to the strategic asset-seeking motive, but many such activities were also driven by an offensive market-seeking motive. Similarly, activities linked to defensive market-seeking motives were also associated with lowering costs or extending the reach of existing products (e.g. efficiency). Figure 2 shows how motives are linked to strategy (column 3), where exploration is driven by strategic asset-seeking and offensive market-seeking motives, and exploitation is driven by defensive market-seeking and efficiency-seeking motives. We found the same combinations of these motives also associated with ambidextrous (where the firm engages in both exploration and exploitation) strategy. With the exception of a lack of natural resource-seeking activities, perhaps reflecting the natural resource-rich environment of New Zealand as home to the SMEs in this study, these associations are much as we anticipated from our review of the literature. However, our study extends previous work by finding that: (1) both singular and multiple motives underlie exploration/exploitation strategy, and (2) where ambidexterity is evident, the motives remain particular to each strategy, effectively meaning that the firm is balancing multiple strategies and motives through different activities. Discussion of patterns follows in the results section, below.

Figure 2 here

4. Results

The right side of Figure 2 illustrates the associations between exploitation/exploration and type of FDI for the SMEs' projects, as shown by the six different patterns displayed in the last three columns. Figure 2 shows that these patterns are associated with specific strategy (which in turn are associated with motives, as above) and can be grouped by type of FDI (inward, outward or both). Our results are presented below by strategy and pattern.

4.1 Relationship between exploitation and FDI

Exploitation of existing competitive or O-advantages internationally was pursued by 20 firms in our sample, predominantly through outward FDI, and motivated by defensive market-seeking rather than efficiency-seeking motives, or a combination of both. Three patterns are associated with projects driven by exploitation: I, II (discussed below) and IV-ii (discussed in section 4.3.2).

4.1.1 Pattern I: Offshore exploiter – exploitation through outward FDI

Pattern I, representing the *offshore exploiter* is characterised by projects driven by the market-seeking motive (see details in Table 3 in the Appendix), as illustrated by Project #5, undertaken by an engineering firm that designs and manufactures equipment for mining and quarrying applications, specialising in small-scale projects (NZ$2-10 million). The Australian mining boom of the mid-2000s enabled this firm to exploit their existing expertise and technology in a new, niche market through outward FDI, as the respondent's comment illustrates:

> *As those market opportunities developed, it became sensible to establish the Australian operation… we have a lot of our own intellectual property and really specialise in optimising that process and providing a client with a differentiated offering (Project #5)*

Efficiency seeking was far less prevalent in our sample as a sole motive for pattern I; in both cases manufacturers sought to lower costs. Project #2 was undertaken by a printing firm through contract manufacturing in China and Project #14 by an agricultural manufacturing firm operating a wholly-owned production subsidiary in Australia. Both SMEs operated in highly competitive and price-sensitive markets, and exploitation of existing advantages through outward FDI was motivated by cost efficiencies achievable through local proximity to low-cost labour and customers.

> *We used to actually print that here, but it got so big that we couldn't handle it. Instead of farming it out to someone locally, we realised that we could do it cheaper via China. (Project #2)*

Seven projects were found to have both market and efficiency-seeking motives for exploitation via outward FDI. All SMEs involved were manufacturers with multiple subsidiaries serving different purposes, e.g. production facilities to achieve cost advantage and sales subsidiaries for marketing and distribution. Project #4 was an example of outward FDI by a medium-sized clothing manufacturer with production plants in China and a sales subsidiary in Australia representing their nearest and best-known international market:

You can manufacture over there a lot cheaper than here. […] We've got a high-end made-to-measure factory here and a lower cost alternative in China […]. We also have two salesmen over in Australia.

4.1.2 Pattern II: Channel seeker – exploitation through inward FDI

Only two projects in our sample demonstrated pattern II, the *channel seeker* exploiting existing advantages through inward FDI, driven by market-seeking motives (see Table 3 in the Appendix). The SME involved in Project #34 was a software development firm exporting predominantly to Australia and the UK. After ten years of slowly growing their export markets, they actively pursued inward investment in the form of partial acquisition (through joint venture) by a large overseas corporate that would enable them to more rapidly exploit the firm's O-advantages in development internationally. Project #33 involved an SME with expertise in semen production for racehorse breeding, where the Australian market was critical to their growth. In this niche market, early internationalisation was imperative, and an exploitation strategy in Australia prompted subsequent inward investment by an Australian firm in the form of partial acquisition within their first year of operation. The capitalisation allowed them to grow their business offshore by exploiting their expertise in this area through the new parent's large and well-established customer and distribution networks. As a result of improved access to customers and distributors, over one third of their business revenue now derives from Australia.

In summary, exploitation via outward FDI appears to be driven by market-seeking and/or efficiency-seeking, but not strategic asset-seeking motives. This is shown in Figure 2, where offshore exploiters (pattern I) engage in OFDI for mainly defensive market-seeking and/or efficiency-seeking. In contrast, pattern II shows that exploitation is associated with inward FDI. Channel seekers exploit existing advantages offshore by accessing marketing and distribution channels provided by their foreign acquirers. Thus, our results suggest that attracting inward investment from offshore enables the SME to exploit existing O-advantages in international markets.

4.2 Relationship between exploration and FDI

Exploration pursued via FDI was less common, but all 12 projects were driven by the strategic asset-seeking motive (see Tables 4 and 5 in the Appendix) and all except one (pattern IV) involved FDI into the SME by a foreign MNE. Patterns III (4 projects) and IV (1 project) are discussed below, and pattern VI-i (7 projects) in section 4.3.2.

4.2.1 Pattern III: Asset seeker – exploration through inward FDI

For all four projects displaying pattern III (see details in Table 4 in the Appendix), the focal SMEs were mature manufacturers seeking strategic assets for development and growth: for example, to expand production or undertake R&D. Project #26, for example, by a wood and paper pulp manufacturer, sought foreign investment to progress R&D efforts:

> *They've put a lot of resources into research and development and we've got a few patents and we are sort of leading edge now [...]*

Our evidence suggests that investment by a foreign MNE was an effective source of knowledge inputs, strengthening the SME's capabilities and, in turn, market competitiveness through O-advantage augmentation. The transfer of tacit knowledge from a foreign MNE was especially important as an enabler for the local recipient firm to make use of advanced technology to explore new sources of competitive advantage. Thus, foreign-local partnerships through inward FDI offered an effective path towards securing the technological underpinnings of competitiveness. In the case of the wood and pulp manufacturer (Project #26), this was in the form of a new production process that allowed them to retain more bulk in their product.

4.2.2 Pattern IV: Outward explorer – exploration through outward FDI

Project #38 was the sole project demonstrating pattern IV (Table 4 in the Appendix), and involved a media production (service) firm seeking strategic assets in the form of innovative digital media services and technologies, such as on-demand platforms, to complement their own traditional capabilities and offerings in the media services area. To achieve this, the firm took a minority shareholding in an Australian digital media company, thus avoiding the risks associated with larger scale outward FDI for exploration:

We only have 33% shareholding and that's the extent of our overseas investments.

In summary, we found that SMEs infrequently engaged in outward FDI as a medium for exploration. Instead, FDI projects for the purpose of exploration through access to strategic assets, resources and new markets involved inward investment by foreign MNEs.

4.3 Relationship between exploitation/exploration and FDI

Our remaining two patterns (V and VI) are characterised by 11 firms' engagement in both exploitation and exploration. Of the twenty FDI projects, six involved simultaneous pursuit of both exploitation and exploration via inward FDI (pattern V), and fourteen projects (in 7 SMEs) involved exploration via inward FDI and exploitation via outward FDI projects (patterns VI-i and VI-ii, respectively).

4.3.1 Pattern V: Trailblazer – exploitation and exploration through inward FDI

Six projects (see details in Table 5 in the Appendix) involved investment by foreign firms in the SMEs for the purposes of accessing knowledge and building capability and developing market opportunities through the foreign firm's internal network. Evidence from our data suggests that investment from a foreign MNE can be an effective way of gaining competitive positioning in international markets. This route amounts to a kind of inward internationalisation in which the domestic firm develops a close, continuing and strategic relationship with an MNE, so that it is able to access marketing information and retail channels via the MNE's affiliates based in international markets. Market seeking through exploitation of existing advantages of both firms, as well as strategic asset seeking based on opportunities and resources offered by the MNE were key motives driving simultaneous exploration and exploitation of O-advantages through inward FDI.

Project #11 illustrates how a small pasture seed company used inward FDI to operationalise its exploration and exploitation strategies by building a partnership with a foreign company acting as a minority shareholder. Although exporting sales represented only a small proportion of the firm's overall revenue, accessing export markets through their foreign partner played an important role in consolidating prices and managing risks in the domestic market, as overseas markets provided an effective channel for excessive production. More importantly, the foreign investment also enabled the firm to develop an extensive R&D programme as part of the group's international network and it is now considered to be the "*jewel in the crown*" within the wider international holding group.

4.3.2 Pattern VI: Dual pathfinder – exploitation through outward FDI and exploration through inward FDI

Each SME in pattern VI, *dual pathfinders*, undertook both inward and outward FDI projects, thus combining not only different types of investment but also different strategies associated with that investment. The fourteen projects, presented as seven pairs of inward/outward FDI projects (labelled in date order as a and b respectively, see details in Table 6 in the Appendix) represent the seven *dual pathfinder* SMEs included in this pattern. Figure 2 shows that individual projects displayed one of two strategy/FDI combinations, labelled as either VI-i, exploitation through outward FDI driven by market- and efficiency-seeking motives (similar to pattern I), or VI-ii, exploration through inward FDI for strategic-asset seeking (similar to pattern III).

The findings for pattern VI reveal two different chronological sequences of inward and outward FDI by the SME, namely: outward FDI then inward FDI (4 pairs), or inward FDI then outward FDI (3 pairs). In the first sequence, the SMEs had already internationalised through outward FDI into sales or manufacturing subsidiaries. Outward FDI was undertaken to support market expansion and was based on exploitation of existing O-advantages in specialised, niche areas for specific clients seeking their products or services. For example, Project #28a, by an SME providing customised graphics, exploited their existing reputation for specialist work (e.g. aircraft graphics) for key clients offshore:

> *We wouldn't be competitive for our bread and butter work overseas, producing labels or just producing graphics, it's only for the highly specialised stuff, where we send teams over to apply it, to ensure that it's been done to the right standard, we can compete, and we have a very good reputation.*

However, existing O-advantages, for instance, strategic assets in the form of access to critical supply, innovation and expertise, or local/regional market dominance, made the focal SMEs attractive to foreign investors' inward FDI. In the above example, the focal SME attracted the attention of a competitor and became a supplier to an investing MNE based in the US (Project #28b).

In the second sequencing pattern, where inward FDI precedes outward FDI, we find two different scenarios. In the first scenario, outward FDI was dependent on development of O-advantages by the SME through involvement in inward FDI. However, this was only clear for one pair of projects: #23a and #23b. The respondent from this firm, which develops and distributes web-based technologies, providing IT solutions to clients in business and government, commented:

> *The ties to [the MNE] have been highly important in helping our company keep its edge over competitors and keep at the forefront of developments. (Project #23a)*

In turn, the O-advantages developed through the inward FDI project led the SME to exploit its newly created capabilities through outward FDI (Project #23b), establishing a subsidiary in Australia to leverage their existing reputation in the industry and their newly developed, leading-edge capabilities in web-based technologies to gain a share of a larger market.

In the second scenario, outward FDI could only be linked to prior inward FDI through the decisions made by new foreign partners as partial owners of the focal SMEs to invest in overseas manufacturing, shore up supply or gain access to customers. These outward investments were not otherwise linked to inward FDI into the SME, other than the firms sharing existing complementary resources. Thus, outward FDI did not depend on O-advantages being developed in the SME as a result of inward FDI. For example, inward FDI (Project #27a) involved partial acquisition of the SME by a private equity company, after which,

> *…the new owners then went and bought up… XX, XY and XZ… (Australia), giving them access to scope across operations including new varieties of IP fruit, and growth. (Project #27b).*

Another example is a firm specialising in merino textiles, where investment by two foreign joint venture partners (Project #22a) did not serve to develop O-advantages, but provided existing contacts and customers in the supply chain as they jointly undertook outward FDI (Project #22b):

The Germans wanted us because we purchased a lot of yarn from them, we are not necessarily a big customer of theirs, but it secured their supply chain and [our other partner] being who they are they can give us customers, they are in with the Nikes and the North Faces.

In this scenario, we find SMEs' existing advantages are exploited offshore through their foreign investors' supply chain relationships (e.g. access to customers and suppliers who offer efficiencies in lower-cost locations). This pattern fits with current understanding of the MNE and global value chains (Burger et al., 2018; Coe, Dicken & Hess, 2008), where synergistic partnerships, complementary resources and shared investment drive the SMEs' internationalisation, rather than development of O-advantage by a foreign partner.

Pattern VI projects do not lend much support to the idea that inward FDI provides the O-advantages needed to engage in outward FDI. Indeed, our findings suggest a lack of consistency in the sequential order between a focal SME's involvement in inward and outward FDI. In all cases where inward FDI does precede outward FDI, however, we still find inward FDI more likely to be motivated by strategic-asset seeking objectives, to acquire and jointly develop (explore) existing O-advantages, embodied in innovation, skills and created assets of both firms, and the foreign contacts and access provided by partners. In contrast, outward FDI was undertaken to exploit these assets, create efficiencies and gain market share. The following section discusses our results overall, and presents our propositions based on our empirical evidence.

5. Discussion

This study examines how SMEs' involvement in FDI is associated with their exploitation/exploration strategy, which in turn, is driven by different motives for FDI. From an organisational learning perspective, the stage model views outward FDI as contributing to a learning process for home-country firms as they internationalise (Johanson & Vahlne, 1977). The acquisition of knowledge through experiential learning through operating in, and connections to, foreign markets, plays a central role in determining the firm's gradual international expansion (Castellaneta & Zollo, 2015; Forsgren, 2002; Johanson & Vahlne, 1990; 2009). More generally, operating internationally enables the firm to gain international experience, which in turn results in experiential knowledge (Clarke, Tamaschke, & Liesch, 2013). Emphasising the nature of path dependency of organisational learning, the stage model assumes that the firm's knowledge is acquired through learning as a result of outward internationalisation, leading to a neglect of other learning paths, such as inward FDI activities involving the focal firm in its own home market (Child & Rodrigues, 2005; Luo & Tung, 2007). Thus, the stage model fails to include FDI into the focal firm – in our study the SME – as a potential source of organisational learning (Gu & Lu, 2011). Addressing this identified gap in the stage model, our study's contribution is to identify the patterns between the SMEs' inward/outward FDI and their exploitation/exploration strategy pursued in these investments. Combining the notion of strategic motives from the eclectic paradigm (Dunning, 1991; 2001) with the insights drawn from research that includes both inward and outward FDI (Li, Li & Shapiro, 2012; Li, Yi & Cui, 2017; Makino et al., 2002), we argue that SMEs are involved in inward/outward FDI activities in their pursuit of exploitation and exploration. Further, the exploitation and exploration are motivated by the potential in both domestic and foreign markets to seek new markets, gain efficiencies, and/or augment strategic assets.

As illustrated in Figure 2, six patterns were identified with regard to the associations between FDI motives, exploitation/exploration and inward/outward FDI. As demonstrated in Figure 1, our initial theoretical framework conceptualised inward/outward FDI, shown on the horizontal axis, with exploration/exploitation by SMEs, shown on the vertical axis. In this section, using our framework linking SME activities, motives, strategies and FDI (Figure 2), we refine the matrix to illustrate all six patterns, thus guiding our development of four propositions based on the commonalities amongst the six identified patterns. This empirically grounded framework is illustrated in Figure 3.

Insert Figure 3 here

5.1 Exploitation through outward FDI

As shown in Figure 3, the bottom right quadrant includes *offshore exploiters* (pattern I) and half the projects of the *dual pathfinders* (pattern VI-ii). These patterns show outward FDI projects are more likely to be associated with exploitation pursued by the SME. This is reinforced by our finding that only one firm in our sample undertook exploration via outward FDI in the form of a minority shareholding in a key market (pattern IV, *outward explorer*, upper right quadrant), and only two undertook exploitation via inward FDI to access a parent's international channels (pattern II, *channel seekers*, bottom left quadrant). Our findings suggest that SMEs from SMOPECs overcome the dual constraints of limited resources and small home markets, not by avoiding the high-risk and resource-intense outward FDI mode of internationalisation in favour of other modes, but rather by using outward FDI to exploit existing O-advantages.

Several factors can potentially contribute to this association between outward FDI and exploitation. First, for many SMEs, their main source of competitive advantage is an innovative product or service offering (Almor & Hashai, 2004; Hollenstein, 2005). Thus, existing O-advantages of SMEs are the main driver of internationalisation, although the knowledge base underlying such advantages is much narrower in comparison to that of more established, larger MNEs. Due to resource constraints relating to size, once SMEs have created their defining product or service in the domestic market, they tend to rely on exploiting these existing advantages internationally rather than exploring new competitive advantages (Hollenstein, 2005). This is especially true of SMEs from SMOPECs, who often internationalise due to limited opportunities or saturation of their domestic market (Gabrielsson & Kirpalani, 2004), but in the process can face greater liabilities of not only size, but often foreignness and newness as well (Chinta et al., 2015). Second, SMEs are more likely to be niche-focused firms, specialising in exploitation of innovation developed at home with minimal change for foreign markets given the cost associated with adaptation (Autio, 2017; Hollenstein, 2005). Generating revenue from outward FDI through exploitation of home-developed competencies in the same or similar market niche is an effective way to recover the costs and spread the risks associated with these competencies. Third, a high level of risk and cost is associated with outward FDI as an entry mode (Ball, Lindsay & Rose, 2008; Lu & Beamish, 2006; Pisani, Caldart & Hopma, 2017), and with exploration as a basic business strategy (Hsu, Lien & Chen, 2013; Voss & Voss, 2013). Thus, outward FDI is more likely to be employed by SMEs seeking to exploit their existing O-advantages, rather than to explore new capabilities, markets or products/services. Given the resource-constrained nature of SMEs, these resource-intensive tasks become even riskier in foreign contexts, making exploitation a safer option when committing to investment overseas. Therefore, we propose that in the SMOPEC context:

Proposition 1: *Outward FDI by the SME is associated with the exploitation strategy of the SME.*

5.2 Exploration through inward FDI

Figure 3, upper/centre left, shows three patterns with associations between inward FDI and exploration. As demonstrated by the projects of the *asset seekers* (pattern III), and the projects of *dual pathfinders* that attracted inward FDI (pattern VI-i), there is a strong association between the focal SME's involvement with inward FDI through partnering with a foreign investing MNE and its exploration strategy. The *trailblazers* (pattern V) also demonstrate this relationship (although exploitation is also associated with the inward FDI mode for this pattern, see section 5.3). In the emerging market context at least, establishing joint ventures in the home market with foreign MNEs has been proposed as an effective inward path for local firms to internationalise (Child & Rodrigues, 2005; Guthrie, 2005; Li et al., 2017). By facilitating knowledge transfer and competence building, inward investment by foreign MNEs can result in eventual outward internationalisation by the local firm (Child & Rodrigues, 2005; Li et al., 2017). Our findings demonstrate that this inward FDI path is even more relevant for SMEs in the SMOPEC context, as it enables exploration of new sources of O-advantages at home, through investment by foreign partners.

The rationale for such an association could be twofold. First, as mentioned above, FDI is a particularly risky business for SMEs because of the liabilities of foreignness, newness and smallness when operating overseas (Lu & Beamish, 2006; Pisani et al., 2017). Moreover, exploration to develop new sources of competitive advantage is costly and risky (Hsu, Lien & Chen, 2013; Voss & Voss, 2013). Given the SMEs' constraints relating to size, lack of network opportunities and resource base, their limited capacity for market competition would decisively constrain their ability to pursue exploration of new O-advantages through FDI in foreign countries (Ball et al., 2008), particularly in the case of manufacturing firms that have higher establishment costs. Investment in the focal SME by a foreign firm, however, enables the former to mitigate the costs and risks associated with exploration. Although the local SME may have to relinquish partial ownership and control when partnering with a foreign investor, the greater risks associated with exploration driven by the strategic asset-seeking motive are not borne by the local SME, but by the foreign MNE undertaking FDI (Scott-Kennel, 2013).

Second, research suggests that the process of innovation, or exploration of new competencies, is more effective when two firms that have complementary resources, including knowledge and skills, collaborate with each other (Dangelico, Pontrandolfo & Pujari, 2013).

Yet such resources are not always readily available to SMEs, particularly those in SMOPECs. The focal SME can gain complementary assets through injection of inward investment, embodying capabilities, capitalisation and knowledge that complements their own and those available locally. Foreign partners may also target the local SMEs to access specialist proprietary advantages embodied in the local firm otherwise unavailable to them, then develop or commercialise these advantages further to gain access to, and share of, local markets through the local firm's position. Thus, exploration through inward FDI may remain largely location-specific (Scott-Kennel, 2013). Indeed, our empirical evidence suggests that while some foreign partners do seek to develop existing products belonging to the local firm for markets offshore, others simply seek to hone and improve existing competencies for the local market. Thus, inward investment into SMEs in the SMOPEC context is associated with exploration (but not necessarily outward internationalisation). We propose, therefore:

Proposition 2: *Inward FDI into the SME is associated with the exploration strategy of the SME.*

5.3 Inward/outward FDI and a dual exploitation/exploration strategy

Our empirical evidence confirms the importance of existing O-advantages for SMEs from SMOPECs but refines our understanding of the exploitation/exploration relationship. Specifically, with regard to FDI, outward internationalisation is more likely to exploit existing knowledge, while inward internationalisation tends to be associated with exploration (or both exploration and exploitation, see below). Further, when engaging in both inward and outward FDI, SMEs engage in exploration and exploitation respectively, for each of these two modes. Our results for patterns V and VI show that the relationship between the SME's FDI and exploration/exploitation can be complex (Game & Apfelthaler, 2016; He & Wong, 2004; Sirén et al., 2012). Although the SMEs in these patterns engage in both exploration and exploitation, taking an ambidextrous approach to strategy, the two patterns are quite distinct. The *trailblazers* (pattern V) pursue exploitation and exploration simultaneously via a single inward FDI project with a foreign partner, seeking markets offshore supported by both exploitation and development of O-advantages. In contrast, the *dual pathfinders* (pattern VI) engage in exploration via an inward FDI project (pattern VI-i) to build complementary strategic assets and resources and to achieve offensive market positioning, as well as engaging in exploitation via an outward FDI project (pattern VI-ii) for defensive market positioning and efficiency advantages (see Figure 2). Our findings add clarity to prior research which finds augmenting the venture's knowledge base more prevalent than exploiting the existing knowledge base for internationalisation of a new venture (Kuemmerle, 2002), by observing that in some SMEs both occur simultaneously through inward FDI, or through separate inward and outward FDI projects. While we acknowledge that our qualitative empirical evidence is not enough to assess causality associated with the relationship between exploitation and exploration within projects or firms, however, based on previous work linking ambidexterity to organisational learning and competitive advantage (Koryak et al., 2018), we propose that SMEs might achieve synergy or complementarity through FDI and an ambidextrous exploitation/exploration strategy (Kim et al, 2015). From a SME perspective, developing the capabilities to undertake joint exploration/exploitation of O-advantages is a critical challenge that is particularly difficult given its size and the lack of resources and experience (Voss & Voss, 2013). However, our findings are novel in that they suggest that not only do outward and inward FDI contribute to firm ambidexterity over time, but that complementary resources and connections associated with FDI by a foreign partner may also engender exploration and exploitation within the SME. Further, it seems that SMEs implement these strategies via FDI not to redress ownership disadvantage but to augment strategic assets and address resource constraints (Kim et al., 2015; Scott-Kennel, 2007; 2013).

We propose, therefore, that in the context of FDI and the SME, exploitation and exploration can co-occur simultaneously or over time. This distinction suggests the reinforcement or tension between exploration and exploitation (Koryak et al. 2018) not only occurs via different types and instances of FDI, but might be better understood in the wider context of such activity rather than from the perspective of a singular strategy implemented by the firm. Specifically, as shown by pattern V, the first proposition proposes exploitation and exploration are undertaken simultaneously through involvement by the SME in a single inward FDI project. In contrast, the second proposition based on patterns VI-i and VI-ii, comprising inward and outward FDI projects associated with exploration and exploitation respectively, proposes that ambidexterity also occurs across dual FDI projects undertaken by the SME over time. Thus, in the context of SMEs in SMOPECs:

Proposition 3a: *When exploration occurs simultaneously with exploitation, it is associated with inward FDI into the SME.*

Proposition 3b: *When exploration and exploitation co-occur over time, they are associated with inward FDI into, and outward FDI by, the SME, respectively.*

5.4 Sequential relationship between outward and inward FDI

The stage model of internationalisation suggests a sequential process of incremental increases in resource commitment (i.e. risky modes) and more psychically distant markets (Johanson & Vahlne, 1977; 2009). Such an outward trajectory may explain why inward FDI has been largely overlooked as an internationalisation mode in empirical research (Bagheri, Mitchelmore, Bamiatzi & Nikopoulos, 2019; Hernández & Nieto, 2016; Welch & Luostarinen, 1993). Furthermore, the resource constraints of SMEs and, by contrast, the resource availability of MNEs, suggest inward FDI might logically precede outward FDI by the SME: a sequence suggested by prior research on foreign-local linkages (Hernández & Nieto, 2016; Karlsen et al, 2003), host economy development (Dunning, 1988; 1991; 2001), and the internationalisation of emerging market firms (Gu & Lu, 2011; Li et al., 2012; 2017; Lyles et al., 2014).

However, in contrast to earlier research, our findings based on SMEs from a SMOPEC, specifically the *dual pathfinders* in pattern VI (Figure 3, centre), suggest no clear pattern supportive of the sequencing order from inward to outward FDI. The notion that inward FDI might lead to outward FDI, through transfer and development of O-advantages in the SME, has scant support, although there is evidence of resource sharing between the foreign investor and local (acquired or partner) firm. Instead, evidence overall suggests SMEs in our sample are actively involved in FDI either at home or in host countries. Indeed, our results for the *dual pathfinders* pattern suggest that a number of different (and evolving) permutations and chronological sequences of FDI are possible and indeed likely. We find SMEs frequently pursue either inward or outward investment (patterns I-V), and of the few that do both (pattern VI), either one may precede the other. In fact, O-advantage derived from inward investment was infrequently associated with subsequent outward FDI, and many SMEs engaged in outward FDI projects without prior investment from foreign MNEs.

Several factors may provide an explanation for these findings. First, distinctive firm capability bases may lead to different sequencing patterns of inward and outward FDI demonstrated by the SMEs in this study based in New Zealand compared to the MNEs from emerging economies, e.g. China. SMEs in New Zealand internationalise via FDI based on their innovation capability, and thus have developed their capabilities (O-advantages) prior to internationalisation (Scott-Kennel, 2013). Indeed, our empirical evidence suggests that foreign firms may target these SMEs in order to internalise specialist proprietary advantages that would otherwise be unavailable to them (Scott-Kennel, 2007), then over time, develop or commercialise these advantages to gain or grow local/regional/niche market share, rather than conduct outward FDI *per se*. In this case, FDI into the local SME does not necessarily lead to capability building linked to subsequent outward FDI, nor is outward investment (regardless of whether it is made prior or after inward investment) motivated by acquisition of proprietary advantages. This contrasts with firms in emerging economies like China, where partnership with foreign firms through inward FDI generates technology transfer and knowledge spillover effects, facilitating outward FDI, or where outward FDI is made to acquire advanced technology, managerial capabilities and resources, in order to enhance competitiveness in international markets (Child & Rodrigues, 2005; Li et al. 2017). Instead, what we see in our study of SMEs from a SMOPEC, is that these firms are already internationalised – either via exporting or OFDI – on the basis of existing competitive capabilities (O-advantages). These advantages, rather than being developed through inward FDI, make the SMEs attractive to inward investors, and subsequent outward FDI is undertaken to secure supply chain relationships, either through low-cost manufacturing offshore or connections to key customers in order to exploit these existing advantages.

Second, differences in macro-economic regimes between SMOPECs and emerging economies may also contribute to differences in sequencing between SMEs in New Zealand and MNEs from emerging economies. Development of free market systems, government policies and independently-led firm growth, means government agencies tend to intervene less frequently in private firms' economic activities in general and their FDI in particular (Meyer et al., 2009; Peng, Wang & Jiang, 2008). In contrast, emerging economies tend to have a high level of government intervention, and this tendency is particularly significant in China, where policies of "bring in" and "go out" aim to attract inward FDI and promote outward FDI (MOFCOM, 2017; Gaur, Ma & Ding, 2018). These government policies have sought to develop firm capabilities through international JVs, building O-advantage to internationalise into foreign markets (Li et al., 2016).

These findings enable us to extend our understanding of FDI from the SME perspective as a phenomenon where inward FDI can be complementary to, but not necessarily precede, outward FDI. The FDI strategies of SMEs are not the same as those of MNEs profiled by mainstream research (focused on outward FDI), nor those of more recent studies examining the connection between inward and outward FDI in emerging economies, which have conceptualised inward FDI as a strategy to achieve outward internationalisation (Hernández & Nieto, 2016; Li et al., 2012; 2017; Lyles et al., 2014). Thus, in the SMOPEC context, we propose:

Proposition 4: *Outward FDI by the SME shows no consistent sequencing with inward FDI into the SME.*

6. Conclusions

Research focusing explicitly on FDI driven by exploration and exploitation is still in its infancy. More specifically, we know little about the relationship between FDI and exploration/exploitation in the context of SMEs. Aiming to identify and describe the emerging phenomenon of FDI by SMEs, our study has shown that existing theories of FDI do not explain this phenomenon well. Our core contribution lies in extension of the stage model in the SME context, by including both inward and outward FDI, then integrating with exploitation/exploration strategy in the conceptual framework of FDI activity. Our finding that combination patterns exist between inward/outward FDI and exploitation/exploration strategy demonstrates the value of a more integrative internationalisation model, as proposed in our study.

By extending mainstream FDI theory to examine the established SMEs' pursuit of outward and inward FDI as the modes of internationalisation coupled with exploitation/exploration strategy, our study has made two distinct contributions. First, the approach taken in this study not only captures outward FDI by the SME, which is in itself an under-researched area, but also FDI involving the SME in its own home market through investment by foreign MNEs, a phenomenon that has received even less attention from an SME internationalisation perspective (Scott-Kennel, 2013; Welch & Luostarinen, 1993). We find both types of FDI important to SME internationalisation in the SMOPEC context. The key difference to previous work, and herein lies our contribution, is that through inclusion of inward FDI as a path for learning we find these SMEs are actively involved in such FDI to further their growth, not by acquiring or co-developing O-advantages, which have already been developed at home, but rather to access complementary resources to facilitate domestic, regional and international expansion. In contrast with other 'inward' internationalisation modes, such as importing (Welch & Luostarinen, 1993) which contribute to early learning, inward FDI may also occur much later once the SME has already established itself in foreign markets on the basis of its own O-advantages. Our findings demonstrate the value of an integrated framework in the SME context, enriching our understanding of involvement in, motive and strategy for FDI as part of the SME internationalisation process.

Second, our study extends previous work on O-advantage by explicitly linking the firm's inward/outward FDI with exploration/exploitation of these advantages by the SME. Our empirically grounded frameworks (Figures 2 and 3) re-conceptualise this relationship in the SME context, identifying six distinct patterns of exploitation/exploration pursued through involvement in differently motivated FDI. Our research propositions synthesise key relationships as follows. Outward FDI is associated with exploitation of existing O-advantages of the firm which in turn is motivated by market- and efficiency-seeking objectives. Inward FDI is associated with exploration motivated by strategic asset-seeking and sharing objectives of both the SME and the investing partner, or simultaneous exploration and exploitation (Kim et al., 2015). Ambidextrous strategy is also observed through pairs of inward and outward FDI projects by focal SMEs, associated with exploration and exploitation respectively.

Our study also calls previous theory and empirical findings suggestive of sequential FDI (i.e. inward then outward) into question. In direct contrast to the findings of prior studies in the context of large MNEs from emerging economies where inward FDI contributes to development of O-advantages to enable subsequent outward FDI (Gu & Lu, 2011; Hernández & Nieto, 2016; Li et al., 2012; 2017), our findings do not support a clear or consistent sequencing link between these two activities. Thus, our findings highlight the importance of considering temporal aspects of FDI theory in the context of SMEs, who may benefit from implementing an ambidextrous strategy argued previously to be beyond their resource capabilities (Voss & Voss, 2013). We attribute these findings to the context of SMEs in SMOPECs, where greater innovation capability and independence in the SME prompt initial development of O-advantage and internationalisation to circumvent limited domestic demand, which in turn attracts foreign interest later in the firm's internationalisation trajectory (Scott-Kennel, 2007).

6.1 Implications

This study provides important practical implications for policy makers as well as for managers of SMEs. Opportunities for international expansion, and associated learning, are all the more important for SMEs in the SMOPEC context, who often find themselves propelled into foreign markets due to the small size of their domestic market (Casey & Hamilton, 2014; Chetty et al., 2015). However, the use of FDI as a more advanced mode to exploit and explore international opportunities by the SME has not been well documented, nor has it been the focus of research to date. The evidence from this study suggests that SMEs not only frequently pursue outward FDI but also seek to attract inward FDI, pursuing exploitation and exploration, respectively, via these modes. Both types of FDI should be considered by policy makers and managers alike as viable modes for expansion, upgrading of advantages and strategic growth. FDI into SMEs (in the form of full or partial foreign ownership) is rarely acknowledged in research – but frequently adopted – as a potential means to access strategic assets and resources for the internationalising firm, as evident in the SMEs in this study. It should also be noted that rather than being subject to hostile takeover as a large public firm might be, such a strategy is often driven by – or at least desirable to – the SME, which seeks to fill resource gaps and extend the reach of its international activity (Scott-Kennel, 2013; Voss & Voss, 2013). Our findings suggest that SMEs tend to be involved in inward FDI when pursuing exploration to respond to international opportunities, an important finding that warrants further investigation in the broader discussion of SME internationalisation.

6.2 Limitations and future research

While this study has highlighted the complexity and plurality of the relationships between exploration/exploitation and FDI, the findings must be considered in the light of research limitations and avenues for future research. First, the empirical context of this research is limited to New Zealand SMEs and future research would benefit from extending this study to SMEs in other SMOPECs and eventually to large economies. Such international comparative studies would allow researchers to identify distinctive patterns that better reflect the strategies of SMEs while at the same time acknowledging the diversity of economic contexts in which they operate. Second, the research design of our study limits conclusions related to sequencing of FDI and causality. Longitudinal case studies would allow exploration of the causal relationships between exploration, exploitation and FDI as well as the sequencing of inward and outward FDI over time. Given the high prevalence of firms that solely pursued exploitation, primarily through outward FDI, it would be worth investigating how those firms avoid the 'exploitation trap' (March, 1991; Sirén et al., 2012) associated with high levels of exploitation at the cost of exploration, or current versus future viability. Third, ownership change resulting from inward FDI to local SMEs is likely to affect decision making and strategic behaviour of the newly formed JVs, including any subsequent outward FDI. This is an important and interesting issue and worthy of further study. Lastly, while our use of maximum variation sampling provided us with a heterogeneous group of firms and FDI projects that allowed the identification of previously overlooked outliers, we cannot claim that the identified patterns are representative of the wider SME population. As such, pattern IV, consisting of a sole firm engaging in exploration strategy through outward FDI, remains an intriguing outlier whose unique approach may warrant further investigation through an in-depth case study.

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Figure 1: Initial conceptual framework: Inward/outward FDI and exploitation/exploration strategy

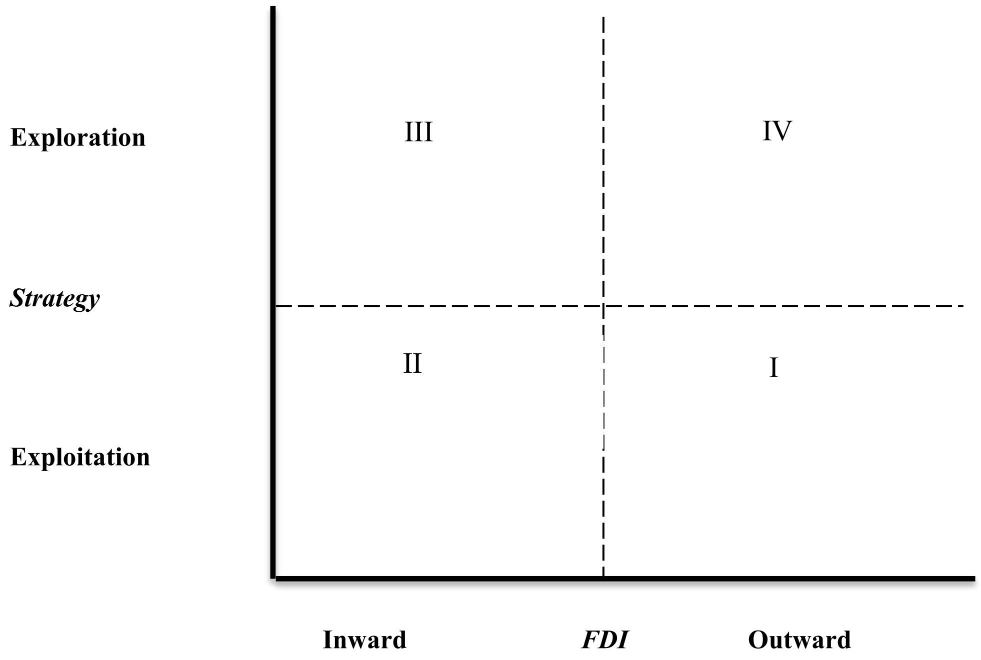
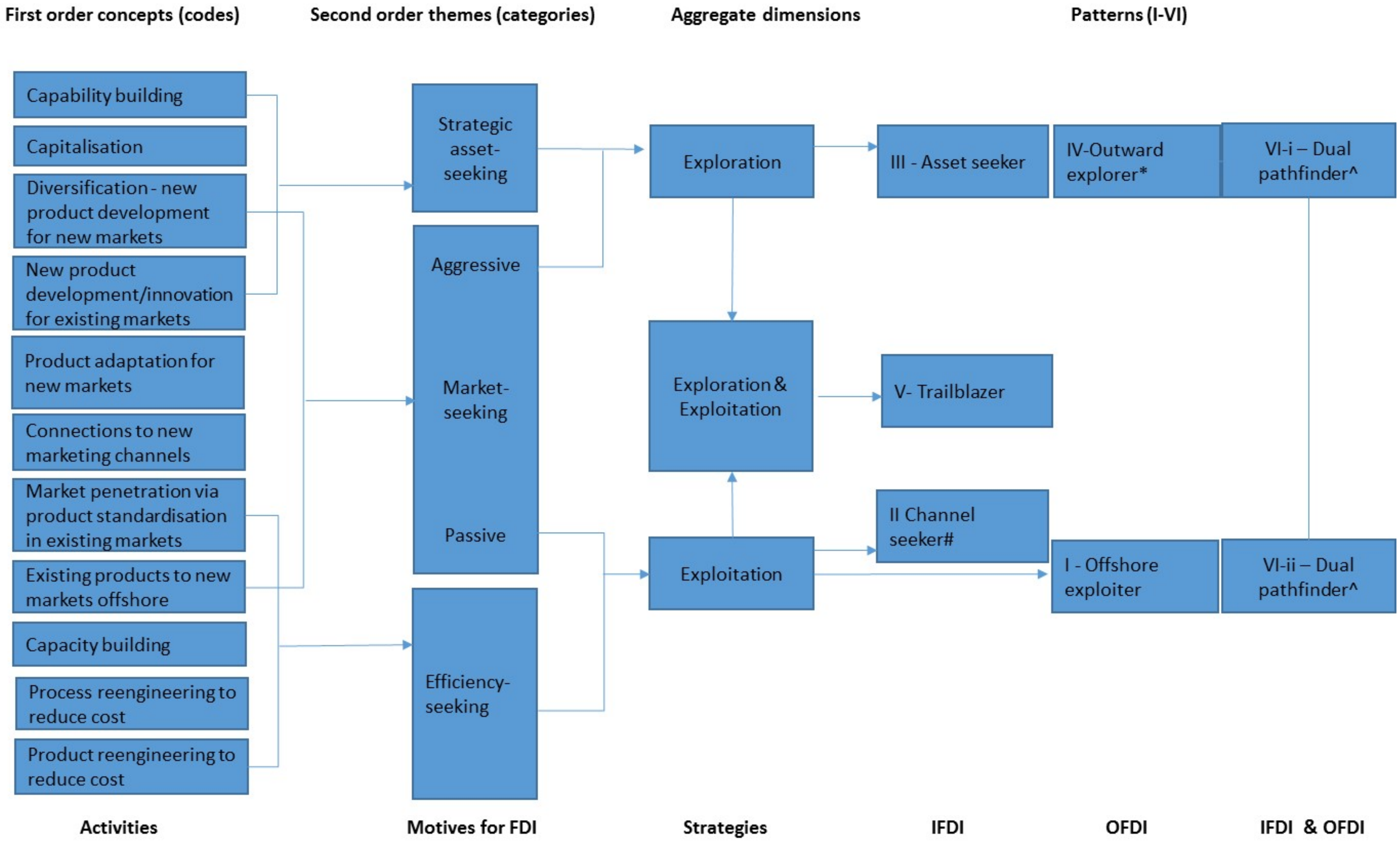
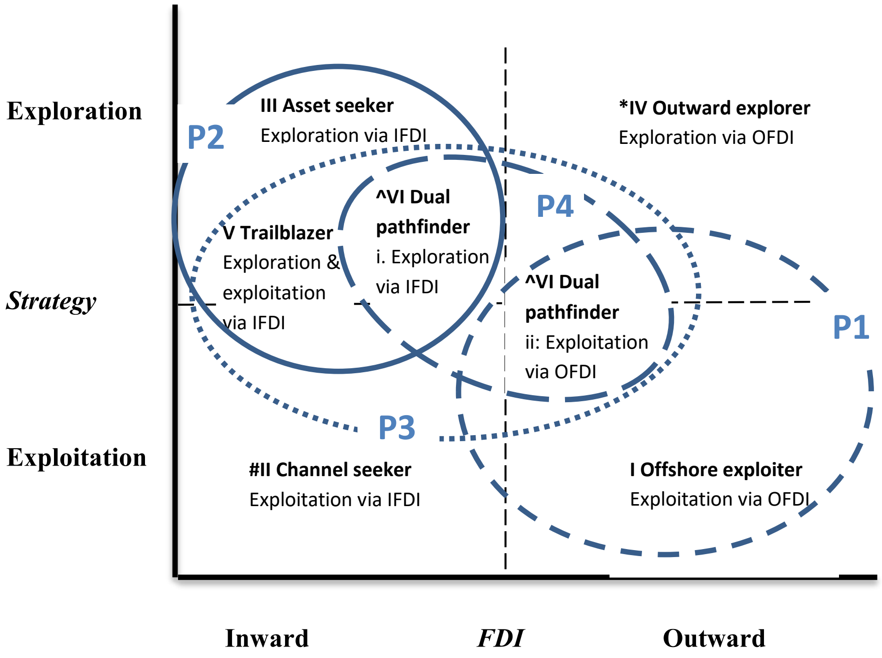


Figure 2: Framework of SME patterns linking activities, motives for FDI, strategies and types of FDI



*sole firm in this pattern ^Consists of project pairs, where VI-i=IFDI, VI-ii=OFDI #only two firms in this pattern

Figure 3: Empirically grounded framework of FDI and exploitation/exploration strategies showing SME patterns and propositions 1-4



*Sole firm in this pattern, #only two firms in this pattern, both excluded from propositions as do not conform to other patterns, see text.

^Pattern VI Dual pathfinder consists of seven project pairs, where each firm undertook one project involving exploration via IFDI and one project involving exploitation via OFDI, as shown in the centre of the matrix (inner corners of top left hand quadrant and bottom right hand quadrant, respectively).

Table 1: SME profiles[2]

Size	Age	Speed	Firm description	No. of FDI projects	Size	Age	Speed	Firm description	No. of FDI projects
M	32	14	Manufacturer of pharmaceuticals	1	M	32	5	Natural gas producer	1
S	21	15	Printing	1	M	45	32	Cable producer	1
M	11	6	Manufacturer of wood fittings	1	M	17	5	Textile manufacturer	2
M	66	43	Clothing manufacturer	1	S	11	9	Developer and distributor of IT services	2
S	5	4	Mining equipment manufacturer	1	M	8	unknown	Shipping services	2
S	9	6	Manufacturer of food products	1	M	78	58	Food production	1
S	17	6	Screen printing	1	M	34	10	Wood and paper pulp manufacturer	1
S	63	60	Food packaging	1	M	17	11	Food marketing services	2
M	27	20	Switchboard manufacturer	1	M	50	unknown	Biotechnology	2
M	76	6	Animal skin tannery	2	M	53	34	Manufacturer of plumbing products	1
S	25	9	Pasture seeds breeding	1	M	20	9	Bathroom fittings	1
M	20	unknown	Computer network equipment producer	1	M	26	7	Tourism	2
M	11	6	Manufacturer of vegetable processing machinery	1	S	7	4	Social media marketing services	1
M	136	unknown	Manufacturer and supplier of dairy technology	1	S	12	5	Animal breeding	1
M	53	22	Engineering consultancy services	1	S	18	3	Software development and supply	1
S	10	unknown	Manufacturer of transport signage technology	1	M	10	3	Software development and supply	1
M	19	6	Manufacturer of food display and storage	1	S	14	7	Emergency services	1
S	27	23	Manufacturer of mowing equipment	1	S	22	18	Software development and supply	1
M	25	11	Printing and visual imaging producer	1	M	24	3	Media production services	1

Note: Size (of firm): S = small (<50 employees); M = medium (>50 and < 250 employees). Age of firm in years. Speed of internationalisation: difference between founding and first international activity in years.

[2] We have removed the firm codes from this table and separated the firm description from the analysis tables to fully protect the anonymity of participating firms.

Table 2: Data trustworthiness and methods of assurance

Trustworthiness criteria	**Methods of assurance in this study**
Credibility: Extent to which the results are acceptable representations of the data	Writing a summary immediately after each interview (within 24 hours) for feedback from the interview participants
Transferability: Extent to which findings of this study have applicability in similar contexts.	Theoretical sampling
Dependability: Extent to which the study findings would be the same if the study were repeated with similar subjects and context	Guidelines for data collection and analysis were strictly followed.
Confirmability: Extent to which the findings are attributable to the subjects and context rather than the researcher's bias and motives	Multiple analysts were involved in analysis to confirm interpretation of data.
Integrity: Extent to which the findings are influenced by participant misinformation	Participants were assured anonymity and each interview lasted 60-90 minutes, giving participants time to 'open up'

Table 3: Exploitation strategy

SME/ FDI Project code	Size	Sector	FDI mode	Year of FDI	Ownership mode	Local firm ownership	FDI Motive Market-seeking	FDI Motive Efficiency-seeking	FDI Motive Strategic asset-seeking	SME's strategy via FDI	Pattern
Pattern I Offshore exploiter											
2	S	M	O	2006	JV	majority	No	Yes	No	Exploitation	I
3	M	M	O	2007	WOS	full	Yes	Yes	No	Exploitation	I
4	M	M	O	1989	WOS	full	Yes	Yes	No	Exploitation	I
5	S	M	O	2011	WOS	full	Yes	No	No	Exploitation	I
7	S	M	O	2001	WOS	full	Yes	Yes	No	Exploitation	I
6	S	M	O	2009	JV	majority	Yes	No	No	Exploitation	I
9	M	M	O	2005	WOS	full	Yes	Yes	No	Exploitation	I
13	M	M	O	2007	WOS	full	Yes	No	No	Exploitation	I
14	M	M	O	unknown	WOS	full	No	Yes	No	Exploitation	I
15	M	S	O	1981	JV	majority	Yes	No	No	Exploitation	I
16	S	M	O	unknown	WOS	full	Yes	Yes	No	Exploitation	I
17	M	M	O	1994	WOS	full	Yes	Yes	No	Exploitation	I
18	S	M	O	2008	WOS	full	Yes	Yes	No	Exploitation	I
19	M	M	O	1998	WOS	full	Yes	No	No	Exploitation	I
30	M	M	O	2001	WOS	full	Yes	No	No	Exploitation	I
32	S	S	O	2009	WOS	full	Yes	No	No	Exploitation	I
36	S	S	O	2005	WOS	full	Yes	No	No	Exploitation	I
37	S	S	O	2008	WOS	full	Yes	No	No	Exploitation	I
Pattern II Channel seeker											
33	S	M	I	2001	JV	minority	Yes	No	No	Exploitation	II
34	S	S	I	2011	unknown	unknown	Yes	No	No	Exploitation	II

Table 4: Exploration Strategy

SME/ FDI Project code	Size	Sector	FDI mode	Year of FDI	Ownership mode	Local firm ownership	FDI Motive Market-seeking	FDI Motive Efficiency-seeking	FDI Motive Strategic asset-seeking	SME's strategy via FDI	Pattern
Pattern III Asset seeker											
1	M	M	I	1994	JV	majority	No	No	Yes	Exploration	III
8	S	M	I	2009	JV	minority	No	No	Yes	Exploration	III
26	M	M	I	1988	JV	minority	No	No	Yes	Exploration	III
29	M	M	I	1993	JV	minority	No	No	Yes	Exploration	III
Pattern IV Outward explorer											
38	M	S	O	1991	JV	minority	No	No	Yes	Exploration	IV

Table 5: Exploration and exploitation strategies (in singular projects)

SME/ FDI project code	Size	Sector	FDI mode	Year of FDI	Ownership mode	Local firm ownership	FDI Motive Market-seeking	FDI Motive Efficiency-seeking	FDI Motive Strategic asset-seeking	SME's strategy via FDI	Pattern
Pattern V Trailblazer											
11	S	M	I	1996	JV	minority	Yes	No	Yes	Exploration and exploitation	V
12	M	M	I	1993	JV	minority	Yes	No	Yes	Exploration and exploitation	V
20	M	M	I	1985	JV	minority	Yes	No	Yes	Exploration and exploitation	V
21	M	M	I	1999	JV	minority	Yes	No	Yes	Exploration and exploitation	V
25	M	M	I	1992	JV	minority	Yes	No	Yes	Exploration and exploitation	V
35	M	S	I	2005	JV	minority	Yes	No	Yes	Exploration and Exploitation	V

Table 6: Exploration and exploitation strategies (in dual projects)

SME code	Size	Sector	FDI project code	FDI mode	Year of FDI	Ownership mode	Local firm ownership	FDI Motive Market-seeking	FDI Motive Efficiency-seeking	FDI Motive Strategic asset-seeking	SME's strategy via FDI	Pattern
Pattern VI-I (IFDI) and VI-ii (OFDI) Dual pathfinder												
10	M	M	10a	O	Early 1980s	WOS	full	Yes	Yes	No	Exploitation	VI
			10b	I	Late 1980s	JV	minority	No	No	Yes	Exploration	
22	M	M	22a	I	2009	JV	minority	No	No	Yes	Exploration	VI
			22b	O	2010	WOS	full	Yes	Yes	No	Exploitation	
23	S	S	23a	I	2010	JV	minority	No	No	Yes	Exploration	VI
			23b	O	2012	WOS	full	Yes	Yes	No	Exploitation	
24	M	S	24a	O	1999	JV	minority	Yes	Yes	No	Exploitation	VI
			24b	I	2004	JV	minority	No	No	Yes	Exploration	
27	M	S	27a	I	2006	JV	minority	No	No	Yes	Exploration	VI
			27b	O	2012	JV	majority	Yes	Yes	No	Exploitation	
28	M	S	28a	O	1962	WOS	full	Yes	Yes	No	Exploitation	VI
			28b	I	1972	JV	minority	No	No	Yes	Exploration	
31	M	S	31a	O	1993	WOS	full	Yes	Yes	No	Exploitation	VI
			31b	I	2011	JV	minority	No	No	Yes	Exploration	