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Determinants of export intensity in emerging markets: An upper echelon perspective

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ABSTRACT

Using India as an example, this article extends the application of upper echelon theory to emerging markets to consider the effects on firms' export intensity. Five characteristics of top management teams that influence a firm's export intensity were analyzed—educational level, functional heterogeneity, international exposure, age, and length of tenure with their current firm. The time period studied was 2007–2012, with a focus on these industries: rapidly changing consumer goods, automobiles, pharmaceuticals, and textiles. Most of the study's hypotheses were supported, and some of the results obtained differ from those found previously for developed markets.

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1. Introduction

During the past few years, with increasing levels of liberalization, privatization, and globalization, firms from emerging markets have internationalized rapidly (Ramaruti & Singh, 2009). This is evident from the fact that by 2010, 23,000 firms were reported as emerging market multinationals (Sauvant, Maschek, & McAllister, 2010). Firms pursuing internationalization from these economies face several challenges. For example, some emerging markets remained closed for a long time with the macro environment being almost stable (Gilpin & Gilpin, 2000). This resulted in risk averse tendencies in the business culture of emerging markets. Hence, firms rarely invested in risky projects (Courtney, Kirkland, & Viguierie, 1997). Furthermore, emerging markets suffer from institutional voids (Khanna, Palepu, & Sinha, 2005). This implies that several intermediaries, such as a well-developed stock market, credit market, or labor market, are uncommon in these economies. Still, despite these challenges, when the economies opened, firms from emerging markets internationalized successfully (Gubbi et al., 2010).

Booming internationalization of firms from emerging markets, when institutional environment is not supportive indicates the valuable and non-substitutable resource embedded in the capabilities of the “upper echelon,” the top management team of firms in emerging markets (Crook, Ketchen, Combs, & Todd,

2008). This is because internationalization of firms is unlikely to be successful without the benefit of their exposure and knowledge to evaluate and act on business opportunities in resource constrained environments. Furthermore, because of risk aversion and resource-constrained environments in emerging markets, exporting is often the first stage of internationalization consistent with the “Uppsala model” (Figueira-de-Lemos, Johanson, & Vahlne, 2011; Johanson & Vahlne, 1977). Thus, before looking at other means of internationalization, such as subsidiary creation, it is vital first to explore the role of the upper echelon in a firm's strategic decision of export intensity, particularly when a firm belongs to an emerging market.

Studies investigating the internationalization of firms from emerging markets have relied mainly on institutional theory (Chittoor & Ray, 2007), eclectic perspective (Demirbag & Glaister, 2010), and network theory (Elango & Pattnaik, 2007). Unfortunately, scant studies from emerging markets explore the important role of the upper echelon in the internationalization process. As such because of reasons explained above, it is vital to analyze how emerging market managers' traits and capabilities influence the internationalization performance of firms.

Exploring upper echelon aspect contributes to filling an important gap in the literature, as studies of internationalization conducted in developed markets also have seldom analyzed the upper echelon's role in the first stage of internationalization, which is export intensity (Ganotakis & Love, 2012; Loane, Bell, & McNaughton, 2007). Thus, the objective of this study is to extend previous upper echelon research to the first stage of internationalization of firms for emerging market firms, focusing on their export performance and export intensity.

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We make three contributions to the literature. First, we introduce a seldom-applied theoretical perspective—upper echelon theory—to consider internationalization in an emerging market. The upper echelon perspective, despite its significance, has not been used in earlier studies of the internationalization strategies of emerging market firms. Second, we specifically analyze the role of the upper echelon in influencing firms' export performance. Studies of this issue are lacking, even for developed markets. Third, we explore the role of top management traits suggested by upper echelon theory in more depth. For example, we investigate if tenure has a curvilinear relationship with export intensity and if international exposure of top management acts as a moderator.

2. Theory and literature review

2.1. Upper echelon theory

Upper echelon or top management team refers to the Chief Executive Officer and other senior executives who are involved in strategic decision making (Amason, 1996). Upper echelon theory predicts organizational outcomes based on the demographic characteristics and traits of the top management teams (Hambrick & Mason, 1984). Some of these traits include age of the team members, tenure, international exposure, and teams' functional heterogeneity (Belso-Martínez, 2006; Ginsberg, 1994; Sambharya, 1996; Tihanyi, Ellstrand, Daily, & Dalton, 2000). These traits are used to predict organizational outcomes because they influence communication, socio-cognition, conflict management, and information processing competencies of the top management team, especially in an uncertain globalized international environment (Hitt & Tyler, 1991). Thus, a strong relationship exists between socio-cognitive capabilities of top management teams and their demographic traits (Hambrick, 2007). This implies that whether a firm takes risk aggressive strategic actions, such as exploring new capabilities, or risk conservative strategic actions, such as exploiting existing capabilities, largely depends on the demographics of top management team (Das & Teng, 2001). Thus, the competencies and capabilities of top management team provide the firm with valuable, rare, inimitable, and non-substitutable resource and potential competitive advantage (Barney, Wright, & Ketchen, 2001), as reflected in upper echelon or top management team (TMT) theory.

2.2. Emerging markets and internationalization

Firms from emerging markets suffer from resource constraints generated by institutional voids (Khanna et al., 2005). These voids refer to poorly developed financial and labor markets (Khanna & Palepu, 2000). Firms have survived in resource-constrained environments because earlier these emerging markets were closed economies, implying less competition (Gilpin & Gilpin, 2000). Thus, firms met domestic demand in a satisfactory manner (Cooper, Huang, & Li, 1996). With liberalization, markets opened up and domestic firms faced intense competition from multinational firms. Furthermore, the pressure increased for firms to internationalize by adopting a market-seeking mindset in a globalized economy (Luo & Tung, 2007).

Internationalization is a risky strategy as firms venture into completely unknown markets (Carpenter, Pollock, & Leary, 2003). The Uppsala model of internationalization suggests that inexperienced firms in the initial stages of internationalization expand via exports since it involves the least resource commitment (Johanson & Vahlne, 1977). Then gradually over years as their knowledge of the market increases, firms shift to more resource committed modes, such as mergers and acquisitions or wholly owned

subsidiaries (Johanson & Vahlne, 2006). Recently liberalized emerging markets firms are in their infancy of internationalization (Ramamurti, 2012). They are more likely to adopt more risk adverse modes of internationalization. Hence, it becomes vital to explore factors that could influence performance of emerging markets firms in their first stage of internationalization, i.e., export intensity.

2.3. Upper echelon theory and organizational outcomes

Top management team traits have been extensively studied to explore their impact on several organizational outcomes. Wiersema and Bantel (1992) found a significant relationship between a firm's level of diversification and top managements' educational level, age and tenure. Upper Echelon theory has been validated in different business and corporate strategy arenas (Hambrick, Cho, & Chen, 1996). The most widely explored realm amongst organizational outcomes in relation to TMT attributes has been firms' performance (Carpenter, Geletkanycz, & Sanders, 2004; Certo, Lester, Dalton, & Dalton, 2006; Finkelstein & Hambrick, 1990; Smith et al., 1994). Performance here refers to financial, market, social and innovation based performance (Carpenter et al., 2004). However, results at large have remained inconsistent (Ensley, Pearson, & Pearce, 2003). Importantly, out of 52 studies conducted to date, only five have analyzed top managements' impact on firms' internationalization performance and none has focused on emerging markets (Nielsen & Nielsen, 2011). Thus, further research is needed, particularly with a focus on developing nations.

2.4. Upper echelon theory and internationalization of emerging market firms

In a risk-reluctant and closed economy environment of emerging markets, executives also develop a risk-averse attitude (Burgman, 2005). This happens because the macro environment is nearly always stable, requiring little risk-taking (Baird & Thomas, 1985). International diversification is a risky strategy (Amason, Shrader, & Tompson, 2006; Karami, Analoui, & Kakabadse, 2006); therefore, traits of the top management team in emerging markets could influence strategic outcomes of internationalization (Child & Rodrigues, 2005). Accordingly, we examine five traits of top management teams—educational level, functional heterogeneity, international exposure, age, and total tenure in their current organization regarding their effects on export intensity. In our study, export intensity or export performance refers to firms' revenues or sales from international markets as a ratio of total sales (Majocchi, Bacchiocchi, & Mayrhofer, 2005). In the next section, we discuss hypotheses based on upper echelon theory and empirically test the hypotheses.

3. Hypotheses

3.1. Educational level

Firms in emerging markets often lack managers with elite higher education degrees (Khanna et al., 2005). However, since the economies of many developing nations were also closed, environmental scanning was less challenging and restricted to domestic boundaries. The need to process information was less compared to firms operating in developed markets, mainly due to less uncertainty in emerging markets operating in a closed economy (Eisenhardt, 1989). Thus, the lower educational qualifications of managers did not pose significant problems, with the consequence that management gave less emphasis to higher education qualifications (Kirby, 2004).

Education is important for the top management team because it increases information processing capabilities and enhances the cognitive base that supports strategic decision making by top management (Hambrick & Mason, 1984). Top management teams with higher education qualifications have a broader business perspective and have better risk taking ability (Wiersema & Bantel, 1992). Such teams are also able to process marketing and cultural information related to foreign markets with less ethnocentric bias, and hence are more receptive and adaptive to the needs of foreign markets (Andersen, 1993). Consequently, more rational and more creative internationalization solutions result (Bantel & Jackson, 1989).

After opening of emerging markets' economies and the entry of multinational firms into the local economy, domestic firms faced intense competition. They sought not only to protect their home markets, but also to venture into international markets. Globalization thus gave a boost to the significance of higher education for the upper echelon of firms entering new markets.

Educational qualification of managers remains a vital element of success for internationalization of developed market firms (Herrmann & Datta, 2005; Sambharya, 1996; Tihanyi et al., 2000; Wally & Becerra, 2001). It becomes even more important for executives of newly liberalized economies. This is because firms from emerging markets have comparatively less expertise at handling international projects and also often face local challenges resulting from bureaucratic barriers. Since qualified executives have better lobbying skills (Clarke, 1999), by exploiting their political connections, they can do away with the bureaucratic barriers they face while internationalizing, especially through exporting. Hence, we hypothesize:

H1. The educational level of a top management team is positively associated with the export intensity of the team's firm in entering emerging markets.

3.2. Functional heterogeneity

The phrase "heterogeneous top management team" refers to a team that has members with diverse functional backgrounds such as marketing, finance, human resources, operations, R&D, or law (Sambharya, 1996; Herrmann & Datta, 2005). Lack of diverse functional experts in a top management team can be disadvantageous for emerging markets' firms for two reasons. First, institutional voids exist in emerging markets, resulting in resource constraints like lack of qualified human capital. Furthermore, the availability of external expert advice is limited and expensive. So, even, though strategy and marketing consultancy firms operate in emerging markets, it is extremely expensive to hire their services, which a resource constrained firm cannot afford (Meyer, Estrin, Bhaumik, & Peng, 2009). Thus, while advice-seeking from external markets is one of the prominent ways through which the upper echelon gains knowledge in developed markets (Hayden, 2013), in emerging markets this is not possible because of lack of resources and the presence of institutional voids. Moreover, even if external resources are available, they might increase transaction costs because of probable opportunistic behavior in a weak institutional environment (Williamson, 2003).

Second, in a closed economy, where the needs of only local consumers had to be catered to, mere CEOs were able to make decisions based on various reports generated by functional heads or information available in newspapers. Thus, other senior executives were not required in strategic decision making. This might have also given rise to unnecessarily expensive and time-consuming conflicts, thus slowing decision-making in closed environment (Eisenhardt & Schoonhoven, 1990). But globalization and the opening up of economies resulted in the volatile and

turbulent environment. The complexity of information processing also increased. Managers suffer from the limitations of bounded rationality and cognitive ability, hence cannot process all the complex information available to them (March & Herbert, 1958). When a firm diversifies internationally, it must process complex, multi-faceted information regarding consumer tastes and preferences, legal barriers for exports, customs duties, and macro-environmental conditions in the international economy, etc. (Kutschker, Bäurle, & Schmid, 1997). This implies that in a complex environment a single top executive cannot satisfactorily take strategic decision of internationalization. It thus becomes essential to involve other senior executives with diverse backgrounds to in these key strategic decisions. For example, marketing personnel could analyze international consumers' behavior, and human resource manager could offer an understanding of cultural issues related to hiring and contracting with dealers in international markets.

In developed markets, evidence regarding the impact of heterogeneous teams on internationalization has been mixed. Research by Herrmann and Datta (2005) found that heterogeneity enhances firms' international performance. Conversely, Tihanyi et al. (2000) claimed that heterogeneous teams have no impact on firms' internationalization whereas Wally and Becerra (2001) reported a negative impact of functional heterogeneity on changes brought about by internationalization. Carpenter and Fredrickson (2001) reported a negative impact of functional heterogeneity under conditions of low environmental uncertainty. Diversity may not be important in developed economies, possibly because of the availability of expert advice externally. But in emerging markets the role of a heterogeneous team cannot be ignored, as firms in these markets are newly liberalized, and they have less capability and fewer resources to manage their business across international boundaries.

Thus, based on these arguments, it is hypothesized that:

H2. Heterogeneous top management teams are positively associated with a firm's export intensity.

3.3. International exposure of top management teams

When managers work for international firms or attain education in foreign country, they get exposure to international markets and become familiar with them (McDougall, Oviatt, & Shrader, 2003). International exposure thus, raises executives' ability to analyze different cultures, economic environment and taste and preferences of consumers in international markets (Markus & Kitayama, 1991). Managers also develop some external ties and relational capital during course of their education or work experience which makes access to information and its processing much easier compared to top management that does not have any international exposure (Gulati, 1995). Executives, with increasing exposure can thus better understand challenges associated with internationalization, and as they climb the learning curve of exposure, they become more apt to solve these challenges. Broadly, with increasing international orientation, their ability to gauge attractiveness of foreign market, adapt the product according to social norms of the society and manage relationships with stakeholders in foreign country increases (Sousa & Bradley, 2008). Consequently, they are able to lower the risks associated with internationalization (Figueira-de-Lemos et al., 2011).

Extant study indicates that top management with international exposure had a significant positive association with international alliance formation (Lee & Park, 2008). Similarly, Eberhard and Craig (2013) found that inter-organizational networks positively influenced international market venturing by small and medium size enterprises. In developed markets, international exposure of top

management teams has realized positive benefits for firms from internationalization (Herrmann & Datta, 2005; Reuber & Fischer, 1997; Sambharya, 1996; Tihanyi et al., 2000; Wally & Becerra, 2001).

When firms from developed markets that have a well established reputation and relational capital thrive on international exposure of their top management team to enhance their international performance, then for firms from emerging markets, international exposure can be at least expected to raise their international market performance. This is because managers from emerging markets are in general risk conservative as they have been operating in closed economy for several years (Tan, 2001). Their prior international exposure can reduce the risk associated with international diversification and they could easily internationalize through least risky mode of internationalization, i.e., exports (Johanson & Vahlne, 1977). Thus, we hypothesize:

H3. International exposure of a top management team is positively associated with export intensity.

3.4. Age

Past research suggests that the average age of members of top management teams influences the teams' entrepreneurial and risk-taking attitude (Wiseman & Gomez-Mejia, 1998). Younger top management teams are more enthusiastic and have a greater propensity and ability to take risks; as a result, they tend to make riskier strategic decisions (Ensley et al., 2003). As a top management team ages, it becomes more risk averse and thus more conservative to implement risky strategies. Further, stability rather than growth tends to become the goal and objective of team members (Macpherson & Holt, 2007). Also, personal agendas for financial and career stability become more important for older executives than they are for younger executives (Tihanyi et al., 2000).

In emerging markets, the risk-taking propensity among the business community was low due to the closed economy before liberalization (Jain, 2011). To understand the international market, broader marketing knowledge and more information processing ability are required, in which an aging upper echelon may not be interested. Thus, international diversification is a risky strategy compared to domestic expansion (Trabold, 2002). Furthermore, the economic risks of currency fluctuation are also involved, which may result in lower cash flow if the home country's currency is devalued. Thus, riskiness coupled with want of stability would discourage a top management team from opting for diversifying internationally even through the least risky mode, i.e., exports.

Past empirical evidence is inconclusive regarding the impact of age on strategic outcomes. Where Rivas (2012) and Karami et al. (2006) found this relationship insignificant, Herrmann and Datta (2005) and Tihanyi et al. (2000) found that age had a negative impact on internationalization. Given risk averseness in the closed economy context, we propose a negative impact of age on firms' internationalization, i.e., on exporting. We further propose that this negative relationship is moderated by international exposure of a top management team. The past international exposure of a top management team, either in terms of prior employment or education, will lessen their perception of the risks likely to be encountered when operating in international markets. Lu, Liu, Filatotchev, and Wright (2014) found that international exposure positively moderated domestic and international diversification relationship in China. Similarly, it was found to moderate international market performance and culture distance relationship (Hutzschenreuter & Horstkotte, 2013). Thus, although with age rigidity of operations in the home country increases, prior exposure in the international market will make the top echelon

more receptive to conducting business in foreign countries. This is because culture and market conditions of the foreign countries would to some extent be known by the top management. In other words, the negative relationship between the age of the management team and export intensity is reduced with higher levels of upper echelon international exposure.

Hence, this two-part hypothesis:

H4(a). Age of the top management team has a negative impact on export intensity.

H4(b). International exposure has a negative moderating impact on the relationship between export intensity and aging of a top management team such that the negative relationship between the age of the management team and export intensity is reduced with higher levels of the top management team's international exposure.

3.5. Organizational tenure

As tenure of a top management team increases, its ability to predict the competitive environment increases (Dixit & Nalebuff, 2008). Export strategy poses several challenges to top management teams. First of all, they have to deal with local suppliers in the host country, fulfill regulatory requirements and search for the appropriate target market where demand for the product exists. As a top management team gains experience in the organization, they consequently climb the learning curve (Henderson, Miller, & Hambrick, 2006). In other words, a top management team is able to tackle challenges of exports in a better manner as they gain experience over time. In addition, cohesion among top management members increases with time, resulting in faster resolution of disputes over market identification distributor selection and other such issues (Bantel & Jackson, 1989; Kor, 2003). Thus, an internationalization strategy is implemented even faster resulting in enhanced export intensity. However, after this stage, a top management team may develop a myopic view of the business environment, become resistant to change, and therefore ignore signs of changes and volatility in the macro environment (Abdellatif, Amann, & Jaussaud, 2010). This is especially true for emerging markets as top management in such markets often prefer to operate in a stable, predictable environment because of the risk-conservative attitude developed during years of isolation. Thus, as enhanced global competition increases, a top management team with long duration may nonetheless remain unaffected because of a narrow and rigid view of the business environment (Wiersema, Lévesque, & Phan, 2005). This might impact export performance of the firm.

While longer tenure provides advantages of a learning curve and cohesive capabilities especially with past success, it may also have a negative impact due to a narrowing view of strategic options. Other studies have also shown that as tenure of an executive in an organization increases, he starts conforming to the norms of the organization and consequently, the cognitive structure of executive becomes more rigid (Li, 2013). These aspects signal a negative influence on internationalization and hence on exporting. Herrmann and Datta (2005) and Rivas (2012) reported a negative relationship between international diversification and average executive tenure. Tihanyi et al. (2000) and Fernández-Ortiz and Lombardo (2009) found that firms' internationalization activity increased with an increase in length of tenure. Carpenter and Fredrickson (2001) reported an insignificant impact of tenure on international diversification of firms. Taking into consideration the contradictory evidences, we propose a curvilinear relationship of tenure with firm performance. A top management team's tenure first provides advantages, but only up

to a limited extent, in terms of enhanced competitive reasoning, learning ability, and cohesiveness, but later disadvantages emerge in terms of a myopic and rigid view of the environment, suggesting there is possibly a curvilinear relationship of length of tenure with export performance, i.e., export intensity first increases and then decreases, following an inverted U relationship. Hence, we hypothesize:

H5. A top management team's tenure has a curvilinear relationship with export intensity.

4. Data and methodology

Some of the fastest growing export sectors in India were selected for the study. In recent years, India has become one of most liberalized economies and hence set right context for the study (Naceur, Ghazouani, & Omran, 2007). We focused on fast growing export industries for two reasons. First, this automatically controls for industry growth rate, and second, finding information on fast growing sectors through secondary sources is comparatively easier. The industries studied were pharmaceuticals, fast-moving consumer goods, and textiles. We could not include a larger number of industries, as there is no existing database that provides information for all industries on the attributes of top management teams. Top management team information was therefore collected from various websites and reports. The CMIE Prowess database was used to collect financial information about the firms. Data was collected for ten years, from 2002 to 2012. The total number of firms representing the target industries was 862. However, some of these firms could not be considered for two reasons. First, data on top management teams were not available for many firms, especially for small firms, and second, there were missing financial data for many other firms; thus, calculating export intensity was difficult. After eliminating the firms with incomplete information, we were left with a sample of 450 firms, thus making a total sample of 45,500 firm years.

5. Data collection

Following the approach of Finkelstein and Hambrick (1990) and Wiersema and Bantel (1992), a top management team was defined as comprising a firm's chief executive officer, chief operating officer, chairman, president, executive vice president, chief financial officer, chief information officer, and R&D head. Thus, the two top-most levels of hierarchy were used to measure top management teams. For the industries studied, the number of executives in these two layers varied from 9 to 17. Data on demographic details of each top management team—their education, age, tenure in the organization, functional expertise, and international exposure—were collected from the companies' websites and other web sources such as Google searches, the ZoomInfo app, Bloomberg BusinessWeek, investing.businessweek.com, the Moneycontrol app, and LinkedIn.

Operationalization of dependent variable: Export intensity was calculated as total exports of a firm in a year divided by total sales of the firm in the same year (Pla-Barber & Alegre, 2007).

Independent variables: For educational level, the logarithm of the total length of formal education of top management team was considered as an operationalizable variable (Finkelstein & Hambrick, 1990). Here formal education refers to official education received at various schools, institutes, and universities (Tihanyi et al., 2000). A logarithm was used for two reasons. First, we observed much variation, and second, the same approach has been used in many pioneer papers like that of Finkelstein and Hambrick (1990).

For calculating tenure in an organization, a natural logarithm of the average number of years that executives have spent in the organization was used. Each executive's tenure was calculated as the number of years since joining the organization to the reference year (Herrmann & Datta, 2005). Thus, for year 2009, if tenure of a manager in the organization had been 10 years, for 2010, it became 11 years, and for 2011, it became 12 years, and so on. If an executive left the organization during this period, that person's tenure, and hence other demographic details as well, was not included from the next year. Such details of new executives were then considered. To calculate tenure square and hence test a curvilinear relationship, the mean centering technique was used (Hancock & Mueller, 2010). Thus, we subtracted tenure from mean tenure and then squared it.

To quantify heterogeneity in function, Blau's index (1977) was used with the formula $1 - \sum p_i^2$, where p_i is the proportion of group members in the i th category. Various categories considered for functional heterogeneity were sales and marketing, research and development, operations, legal, finance, logistics or equivalent, human resources, strategy, and general management. Thus, if one person from each category was present, then functional heterogeneity received a score of 0.87.

International exposure of a top management team was calculated as the total number of years each top management member had spent abroad. Average international exposure was calculated using the formula: logarithm of summation of the number of years spent in foreign countries for educational purposes or any international assignment or job of each top management team divided by the total number of top management members (Lee & Park, 2008).

Age of a top management team was calculated as the logarithm of average age of the top management team, where age of each member was calculated either from the date of birth to the year of reference (Tihanyi et al., 2000), or taken directly when given on the Internet. For example, the age of a CEO of Dabur on the money control website was mentioned as 46 years as of 2005. So, with that year of reference, age was calculated accordingly.

Control variables: Apart from these independent variables, various control variables were also used. These were firm's age and size (Tallman & Li, 1996) and prior organizational performance (Geringer & Hebert, 1989). Data on a firm's age and size were obtained from the Prowess database. A firm's age was calculated from year of incorporation of the firm, size was measured in terms of total assets of the firm, and again a natural logarithm was used. Apart from this, industry structure would also influence a firm's propensity to diversify. For example, the nature of demand conditions and government policy and regulations would also affect firm's decision to go international. Thus, industry as a control variable was also included by way of dummy variables. Two dummy variables (i.e., 0 and 1) were used three times as there were four industries and the textile industry was treated as the base industry. Use of dummy variables was based on the approach suggested by Maddala and Lahiri (1992).

5.1. Analysis

Five independent variables were used to tap the characteristics of the top management team: educational level, functional heterogeneity, international exposure, average tenure in the company, and average age. Along with these variables, three control variables were also incorporated, controlling for industry effect, age of the firm, and size of the firm. The dependent variable under consideration was export intensity. A panel Tobit model was used for statistical analysis with a lower limit specified as zero. Since the dependent variable is a ratio, its value ranges from 0 to 1. Furthermore since, this is a censored variable, it implies use of Tobit regression.

6. Results

Table 1 displays the means, standard deviations, and correlations.

Table 2 presents panel Tobit regression results. Model 1 of Table 2 shows the Tobit regression results with only control variables. From the controls variables, the data showed that industry and firm age had significant impacts on export intensity.

Models 2, 3, and 4 present the tests of the hypothesis. The first hypothesis predicted a positive relationship between education level and export intensity. As can be seen, the beta coefficient of level of education ($\beta = 0.25, p < 0.005$) is significant supporting the first hypothesis. Extant studies also found a positive relationship (Herrmann & Datta, 2005; Tihanyi et al., 2000). However, regarding the prediction that in a newly liberalized economy, education of top management team plays a more vital role in internationalization, these findings showed a stronger relationship than past studies

According to the second hypothesis, functional heterogeneity positively impacts firms' export intensity. Since the beta coefficient was positive and significant at 5% level of significance, evidence supported the second hypothesis ($\beta = 0.16, p < 0.005$). In developed economies, findings regarding functional heterogeneity are mixed, with most studies finding non-significant or negative relationships between functional heterogeneity and internationalization (Carpenter & Fredrickson, 2001; Tihanyi et al., 2000; Wally & Becerra, 2001).

The third hypothesis stated that the international exposure of top management executives enhances export performance of the firm. The findings supported the hypothesis ($\beta = 0.12, p < 0.005$). These results are consistent with findings of studies conducted in developed markets (Eriksson, Johanson, Majkgård, & Sharma, 1997; Herrmann & Datta, 2005; Reuber & Fischer, 1997; Sambharya, 1996; Tihanyi et al., 2000; Wally & Becerra, 2001).

The fourth hypothesis (H4(a)) stated that TMT age has a negative influence on export intensity. Evidence supported the hypothesis ($\beta = -0.22, p < 0.05$). Prior studies remain inconclusive regarding impact of age on firms' internationalization, with some finding a negative relationship (Herrmann & Datta, 2005), while others finding no significant relationships (Karami et al., 2006). This study's results are consistent with those of Herrmann and Datta (2005), who reported a negative association between firms' internationalization and TMT average age. A further hypothesis (H4(b)) extended H4(a) and stated that international exposure moderates the age internationalization relationship. Since the beta coefficient was statistically significant ($\beta = -0.14, p < 0.005$), the data supported H4(b). Fig. 1 shows the plot of interaction effect.

The fifth hypothesis stated that tenure has a curvilinear relationship with export intensity. Since the beta coefficient of tenure is positive and significant ($\beta = 0.14, p < 0.000$) and that of tenure square is negative ($\beta = -0.18, p < 0.05$), evidence in supports the fifth hypothesis.

To give context to the findings in terms of comparisons with more developed markets, Table 3 compares the results with those of earlier studies.¹

7. Conclusion, contribution, and discussion

The study extends the application of upper echelon theory by investigating its impact on the first stage of internationalization of firms from emerging markets—that of exporting. Prior studies have extensively leveraged upper echelon theory to investigate various

¹ We also ran multiple linear regressions. All results were consistent with Tobit regression. But, beta coefficients were inflated in some cases and their significance level was also higher in a few cases.

Table 1
 Descriptive statistics and correlation matrix.

	1	2	3	4	5	6	7	8
Export intensity	1							
Education level	0.38***	1						
Functional heterogeneity	0.49***	0.12	1					
Inter. Exp.	0.32***	0.23*	0.05	1				
Tenure	0.40**	0.14*	0.15**	0.11	1			
Age TMT	0.29**	0.13*	0.14*	0.12	0.13*	1		
Lnsize	0.1	0.15**	0.23	0.10	0.08	0.07	1	
Lncomage	0.13*	0.02	0.06	0.21*	0.05	0.03	0.15**	1
Mean	0.36	1.33	0.37	2.56	1.48	3.27	6.12	3.19
S.D.	0.035	0.085	0.019	0.13	0.058	0.052	0.1718	0.05

* Statistical significance was defined as 10% levels.
 ** Statistical significance was defined as 5% levels.
 *** Statistical significance was defined as 1% levels

firm-related phenomenon such as strategic change or firm performance (Carpenter et al., 2004), but its application to firm internationalization has been limited (Hitt, Tihanyi, Miller, & Connelly, 2006). Moreover, most studies that have investigated upper echelon theory from the perspective of internationalization focused on higher orders of internationalization, where firms specifically dedicate their assets and resources to seek foreign markets, captured as an entropy ratio (Herrmann & Datta, 2005), or create subsidiaries in international markets, captured as the number of global subsidiaries (Tihanyi et al., 2000). This way, along with market seeking, other motives for internationalization, i.e., strategic asset seeking or resource seeking perspectives are also captured (Chittoor, Sarkar, Ray, & Aulakh, 2009). Top management teams' role in higher order internationalization does not automatically validate their significance for lower level internationalization, i.e., exporting, which represents only a market-seeking motive (Lyon & Ferrier, 2002).

In developed markets, where risk-taking propensity is higher, the role of middle-level managers may become more important than that of top management (Kanter, 1981). But for newly liberalized and risk-averse emerging markets, resources and competencies provided by the top management team for even primitive stages of internationalization like exports cannot be neglected. Our study thus reflects the vital contribution of top managements' capabilities in terms of their demographic traits in raising their firms' export performance.

Furthermore, export intensity in emerging markets has been studied from a resource-based theory perspective. Most of these studies have been conducted in only one emerging market, which is China (Liu, Li, & Xue, 2011). Our study extends application of upper echelon theory in another emerging market, which is India. It specifically indicates that a TMT's education, functional heterogeneity, and international exposure enhance export performance. Furthermore, with a team's increasing age, export performance deteriorates, but this impact is reduced if the top management team has prior international exposure. We also find that tenure follows a curvilinear relationship with export intensity, where it first increases export intensity and later decreases it.

Thus, our study makes the following contributions to the field of internationalization and upper echelon theory. First, the study extends the application of top management team trait theory in emerging markets, where due to presence of institutional voids, the demographic profile of the top management team becomes even more important, as the external human resource market is not completely developed and management has to rely completely on its in-house talent for strategic decisions. Second, we probe the initial stages of internationalization of firms in emerging markets. We analyze their export intensity by leveraging upper echelon theory, a perspective that has not been used previously to

Table 2
 Results of probit regression.

Export intensity	Model 1		Model 2		Model 3		Model 4	
	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.
Intercept	0.13**	0.05	0.41**	0.10	0.41**	0.08	0.42**	0.08
Pharmaceuticals	0.66***	0.07	0.19***	0.05	0.14**	0.05	0.14**	0.05
Automobile	0.25**	0.05	0.20**	0.04	0.18**	0.04	0.180**	0.04
FMCG	0.03	0.09	0.18	0.04	0.17**	0.04	0.17**	0.03
Educational level			0.25**	0.02	0.21**	0.03	0.20***	0.02
Functional heterogeneity			0.16**	0.08	0.16**	0.07	0.17**	0.08
International exposure			0.12***	0.02	0.17***	0.03	0.18**	0.010
Lntenure			0.15**	0.01	0.15**	0.02	0.14**	0.017
Lntenure2					−0.18**	0.02	−0.182**	0.02
Lnage			−0.22**	0.02	−0.20**	0.01	−0.19**	0.01
Lnage × Intl exp							−0.14**	0.02
Lnsize	0.11**	0.01	0.006	0.009	0.06**	0.008	0.06	0.01
Lncompany age	0.11**	0.02	0.12**	0.011	0.02**	0.01	0.02**	0.01
Pseudo R ²	0.15		0.27		0.29		0.31	

* Statistical significance was defined as 10% levels.
 ** Statistical significance was defined as 5% levels.
 *** Statistical significance was defined as 1% levels

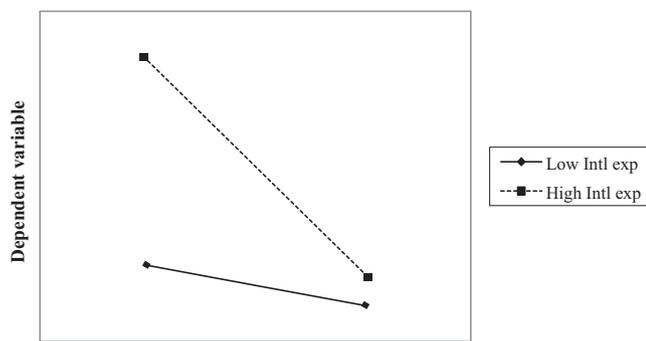


Fig. 1. Plot of the interaction effect.

investigate export performance of a firm. Third, most of our findings are different from those found in the majority of the studies on developed markets. See Fig. 1 for details. Except for international exposure, where our findings are consistent with the majority of earlier findings, for other traits our results are different. Fourth, we probe deeper into the role of some of the demographic traits: viz., tenure and international exposure, dimensions not covered in earlier studies, finding that they have curvilinear and moderating impacts, respectively.

8. Managerial relevance

Post liberalization, managers from emerging markets face the constant challenge of establishing footholds in developed

international markets. Our study indicates that in a resource-constrained economy, only those executives who possess a particular set of demographic traits would be successful in the first stage of internationalization. This trait set comprises a high education level, a functionally diverse team, and executives with international exposure. This has several implications for recruiting top executives. A corporate parent should aim for a diverse, heterogeneous team, rather than hiring a homogenous team to minimize conflicts. Our results further indicate that longer tenure can inhibit successful internationalization of firms. This could be rather challenging in some emerging markets, as the national culture does not encourage termination of employees, especially those at senior levels (Segalla, Jacobs-Belschak, & Müller, 2001).

8.1. Limitations and future research

The data have been taken from just four manufacturing industries. This is because of the constraints of the available data. Furthermore, since this is a single country study, our results cannot be readily generalized to other emerging markets. We have focused on the first stage of internationalization, i.e., exporting. Upper echelon theory can also be extended to other stages of internationalization in emerging markets. However, given that our sample consisted of only one country and a few industries, the results cannot be confidently generalized to other emerging markets. As the motives for international diversification change with level of diversification, the impact of the traits to explain the relationship may change. But this can be observed if other measures of international

Table 3
 Comparison of extant studies and our results.

Authors	Demographics of TMT investigated					
	Economy	Tenure	International exposure	Education	Functional heterogeneity	Age
Carpenter and Fredrickson (2001)	Developed—USA	Insignificant	Positive		Positive	
Herrmann and Datta (2005)	Developed—USA	Negative	Positive	Positive	Insignificant	Negative
Fernández-Ortiz and Lombardo (2009)	Developed—Spanish			Insignificant	Negative	
Rivas (2012)	Developed (US and Europe)	Negative			Positive	Insignificant
Sambharya (1996)	Developed—USA		Positive			
Tihanyi et al. (2000)	Developed—USA	Positive	Positive	Positive	Positive	Negative
Wally and Becerra (2001)	Developed—USA	Positive		Insignificant	Negative	
Our Result	Emerging market—India	Curvilinear	Positive and moderating	Positive	Positive	Negative and moderated by International exposure

diversification such as strength of foreign employees or ratio of foreign assets to total assets are used. The demographic profile of top management teams can also be used to analyze their entry-level decisions.

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