Theoretical Foundations of Equity Based Foreign Market Entry Decisions: A Review of the Literature and Recommendations for Future Research

ABSTRACT

This paper reviews the theoretical foundations of the equity based foreign market entry (FME) decisions literature. We analyse 1,055 academic FME papers published over four decades (1970-2013). We identify and analyse the theories that informed and guided FME research over time. Our review indicates that scholars have recently started to challenge some of the core assumptions of established theories, draw on and integrate insights from multiple theoretical perspectives which, in turn, generated a multiplicity of approaches for studying FME decisions and their performance outcomes. The paper discusses the explanatory power of the different theories, assesses the relevance of the different theoretical perspectives to our understanding of current FME phenomena and recommends directions for further research.

Keywords: Multi-theoretical studies; Equity based foreign market entry; Systematic review; Emergent theories

1. Introduction

Foreign market entry (FME) is a critical managerial decision that has attracted significant scholarly attention (Brouthers, 2002; Delios & Henisz, 2003; Hitt, Hoskisson & Kim, 1997; Hoskisson, Wright, Filatotchev & Peng, 2013; Madhok, 1997; Meyer, Estrin, Bhaumik & Peng, 2009). FME decisions involve choosing foreign market entry mode (FMEM hereafter) (Brouthers, Brouthers & Werner, 2008a; Hennart, 1986; Meyer et al., 2009), timing of market entry as to whether to be late entrant, early follower, or first to market (Isobe, Makino & Montgomery, 2000; Sapienza, Autio, George & Zahra, 2006), motives for FME such as learning in the foreign market and/or access to market (Buckley, Forsans & Munjal, 2012; Chang & Rosenzweig, 2001; Deng, 2009), and location decisions such as the choice between entering developed and emerging host markets (Buckley, Devinney & Louviere, 2007a; Makino, Lau & Yeh, 2002). These facets of FME decisions are interrelated and affect one another. Foreign market location choices, for instance, affect FMEM and vice versa (Brouthers, 2013; Filatotchev, Strange, Piesse & Lien, 2007; Meyer & Nguyen, 2005).

FMEM is perhaps the most studied aspect of FME decisions. It refers to the means by which firms choose to enter a foreign market (Hennart & Slangen, 2015; Madhok, 1997; Root, 1987). Root's (1987, p.5) often-cited definition refers to FMEM as "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country". Across the FMEM literature, entry modes have been categorised as non-equity based modes such as exports and contractual agreements and equity based modes which include wholly-owned operations and equity joint ventures (De Villa, Rajwani & Lawton, 2015; Kumar & Subramaniam, 1997; Pan & Tse, 2000). Because of the large number of FME studies and given the differences in the theoretical underpinnings of equity and non-equity entry mode research (Hennart, 1988;

Erramilli, Agarwal & Dev, 2002; Madhok, 1997; Pan & Tse, 2000), this review focuses on equity based FME decisions, sometimes referred to as FME through foreign direct investment (FDI) (Mudambi & Mudambi, 2002). Equity based FMEs have grown at a faster rate than most other international transactions as they provide firms with access to new technologies, access to markets and managerial knowledge and as such, have a profound impact on performance. Over the years, this has led to a growing number of theorisations in this area from organisational economics, management and sociology, each with its specific focus of interest and research agenda (Barkema & Vermeulen, 1998; Brouthers & Brouthers, 2003; Buckley, Clegg, Cross, Liu, Voss & Zheng, 2007b; Deng, 2009; Hoskisson et al., 2013; Isobe et al., 2000; Lu & Beamish, 2004).

A comprehensive review of the FME literature is timely and important. First, the field of FME is amid a theoretical flourishing, as scholars are drawing on a multitude of theoretical perspectives to examine FME decisions. Our review reveals that while early FME studies drew on a small number of theoretical perspectives, since the 2000 scholars have started to adopt new theories as well as combine different theoretical perspectives to capture the complexity of FME decisions. Thus, it is important to see, for instance, whether the integration of multiple theoretical perspectives is resulting in a further fragmentation of FME research, or whether it is providing a better understanding of the phenomenon. Also, it is interesting to see how “old/established” FME theories have been revised, set aside, discarded or superseded by new theories. A review of the origins and evolutionary path of theories used to examine FME, would not only discuss the theoretical progress of the field so far, but, we hope, would stimulate debate about the benefits and drawbacks of the current theoretical diversity of the field, and the ability of existing theories to explain current and future FME decisions, such as FMEMs and their impact on performance.

Second, although a number of reviews of FME literature have been published over the years (e.g., Buckley & Casson, 2009; Hitt, Tihanyi, Miller & Connelly, 2006a; Jormanainen & Koveshnikov, 2012), existing reviews do not provide an integrated discussion of the theoretical foundations underpinning this research. Existing reviews focused on a specific theory or specific aspects of FME overlooking how theoretical perspectives have evolved over time. Previous reviews include Hitt et al's (2006a) review of the main antecedents of international diversification; Buckley and Casson's (2009) synthesis on the progress of internalisation theory; and Jormanainen and Koveshnikov's (2012) article about the international activities of emerging market MNEs. This review complements previous reviews by mapping out the theoretical evolution of the FME literature published between 1970 and 2013.

2. Research Methodology

We adopted a systematic review approach to capture an extensive and diverse body of FME literature and minimise researcher bias (Transfield, Denyer & Smart, 2003). In line with the review scope, we (a) excluded studies examining solely non-equity foreign investment such as exporting, licensing, franchising or contractual alliances; (b) excluded studies where the unit of analysis was business groups and macro country, industry, or subsidiary level studies; and (c) excluded studies focusing on activities related to post-market entry such as subsidiary knowledge transfer or foreign market withdrawal.

2.1. Literature search

We followed the standard approach used to review international business (IB) studies (e.g., Jormanainen & Koveshnikov, 2012). We limited our search to full academic articles published in broad and specialist journals that publish IB research, namely *Academy of*

Management Journal (AMJ), Academy of Management Review (AMR), Journal of Management (JM), Journal of Management Studies (JMS), Management Science (MS), Strategic Management Journal (SMJ), Organization Science (OS), Organization Studies (OSS) ; and key IB journals, namely *International Business Review (IBR), Journal of International Business Studies (JIBS), Journal of International Management (JIM), Journal of World Business (JWB),* and *Management International Review (MIR).* Although our review is extensive, we only included journals that were indexed in the ISI Web of Knowledge database. The inclusion of broad and specialist journals help ensure a representative coverage of the FME literature which transcends international business.

2.2. The sample

Our next step was to identify the articles to be reviewed. Given the focus of our review we identified papers whose main emphasis was on equity based FME decisions namely, FMEM, timing of entry, location decisions and motives for entry. Whereas some authors (e.g., Jormanainen and Koveshnikov 2012) use key word searches to identify the articles in their reviews, we decided to manually search all issues of selected journals published between 1970 and 2013. Our initial piloting using key words suggested that a number of papers do not use FME in the title, abstract and/or key words. Also, authors often do not explicitly distinguish between equity and non-equity FME decisions. We chose to include articles published since the 1970s because we wanted to provide a comprehensive review as possible, but also because early studies still inform current FME research.

In the initial stage of the sampling selection, we read all abstracts and identified all articles whose title and abstract referred to, and or focused exclusively, on FME decisions. While identifying the papers, we focused on two criteria for inclusion: judging from the title and/or abstract the paper must focus exclusively on FME decisions; and deals with equity based FME. This process resulted in the selection of 1,312 academic articles. For papers which did not depict with accuracy the research scope in their title or abstract, we read the introductory and methodology sections to ensure that they were relevant, and properly classified and coded. The authors met regularly to discuss the inclusion or otherwise of papers whose focus was not clear. As a result, 257 articles were eliminated. A total of 1,055 academic articles were included in our analysis of the FME literature.

In the final step of the sampling process, we read the 1,055 articles to extract relevant information using a standard protocol which includes the focus of the paper on a specific FME decision, theoretical perspective(s) used, author citations, and key findings. The authors cross checked each other's coding on a random sample suggesting that there was high coding accuracy between them. Given the long time span, and similar to other reviews (e.g., Xu & Meyer, 2013), we categorised articles into "episodic" periods and used ten-year time frames to facilitate the analysis. We then classified the articles according to the theoretical lens adopted. *Fig. 1* illustrates the distribution of articles based on their coded theoretical perspectives. The theories can be grouped into two broad categories: "traditional" IB/FME theories that have been applied since the 1970s and 1980s, namely transaction cost (TCE)/internalisation theories, the eclectic paradigm/OLI and the Uppsala stage theory of internationalisation; and "non-traditional", i.e. emergent, theories which were introduced to the FME field since the 1990s. The latter group includes resource-based perspectives[1], institution-based views, real options and network theories.

3. Publication patterns, types of articles, and general citation structure

[1] We included not only Barney's (1991) resource based view, - but classified organisational (dynamic) capabilities, and organisational learning theories under resource based theories (see Meyer & Peng, 2005). Furthermore, we added the knowledge based view to this category since, by distinguishing between different knowledge capabilities, it is widely recognised as an extension of the resource based view rather than a theory of the firm in its own right (cf. Phelan & Lewin, 2000, for a more detailed discussion).

The current outpouring of FME research started with a steady trickle of articles in the 1970s. The number increased from 56 articles in the 1970s to 652 articles published between 2000 and 2013. *Table 1* illustrates the pattern of publications over time. The table reveals the space devoted to FME research relative to other management topics published in mainstream journals. The publication pattern reveals that, despite the apparent growth in the number of papers, FME studies continue to represent a small proportion of the total number of studies published in management journals, from one per cent in the 1990s to still fewer than two per cent in the 2000s. In turn, FME studies are published predominantly in core IB journals (82 per cent, 862 articles). Specifically, between 2000 and 2013, around 18 per cent of studies published in IB journals were on FME. Most of the studies during the latter period deal with FME decisions in emerging markets. Overall, JIBS published the highest number of FME papers (25 per cent, 267 studies), followed by IBR (182), MIR (175) and JWB (162).

As shown in Table 1, FME studies represent just one per cent of the total number of studies published in generic management journals since the 1970s. This said, of the 193 FME articles published in generic management journals, nearly 70 per cent were published in the 2000s (133 studies) which suggests that the FME literature may be starting to gain some relevance within the broader management community. As explained later, this increase observed in the number of FME papers published in management journals in the 1990s and more so in the 2000s corresponds with FME scholars borrowing theories and concepts that are popular in management, such as resource and institution based theories.

- *Insert Tables 1 and 2 here* -

Our analysis reveals that the FME literature is dominated by empirical studies representing around 80 per cent (838 studies), with conceptual studies (including 26 reviews) representing 14 per cent (149 studies), followed by perspectives and commentaries (five per cent, 54 studies) and meta-analyses (one per cent, 14 studies). Furthermore, amongst empirical studies, there is a strong propensity towards quantitative methodologies (88 per cent, 740 studies), typically using regression analysis of survey data. These findings perhaps reflect the fact that leading IB journals in the field have traditionally been dominated by quantitative methodologies. *Table 2* classifies empirical and conceptual studies according to each major strand of theoretical perspectives. The relatively small proportion of conceptual studies indicates that fewer efforts have been directed towards developing FME specific theories, or towards tailoring existing theoretical perspectives to this topic area.

Our citations analysis for FME papers in our sample is provided in *Table 3*. A majority of FME papers (74 per cent) have received less than five citations per year, of which eight per cent have zero cites. Johanson and Vahlne (1977) and Kogut and Singh (1988) have been cited more than 1,000 times, whilst six other papers have been cited over 500 times (e.g., Dunning, 1988; Hitt et al., 1997). These findings seem to indicate that, only a limited number of FME studies have become truly influential in the academic community.

- *Insert Table 3 about here –*

The analysis reveals that some of the theories are more influential and cited more than others. *Table 4* illustrates the most impactful studies drawing on each major theoretical strand. Traditional FME theories - TCE/internalisation theory and Uppsala process theories - have been published predominantly in IB journals such as JIBS and IBR (13 out of 24 articles respectively).When drawing on the non-traditional group of theories, specifically emergent resource-based and institution perspectives, FME studies appear to make a significantly stronger contribution to the broader management field, particularly through publication in AMR and AMJ (12 out of 17 articles respectively). Also, we pay special attention to the degree to which ideas incorporated in FME theories have received empirical support, by looking at whether some of the notable studies do not support the key premises of a theory (classified as "no support"); whether an extension of a theory/contingency perspective is suggested ("partial support") or whether the contributions of a theory are confirmed and supported ("support"). Whereas the assumptions of non-traditional theories have generally received support in the most cited FME studies, traditional theories, particularly the Uppsala theory, have received partial or no support for their assumptions, especially in more recent studies (see *Table 4*). As will be discussed in more detail in Section 4, because FME research tends to apply theories and constructs from other adjacent disciplines, most highly cited articles in our database are empirical.

- *Insert Table 4 about here* -

4. Theoretical developments in the FME literature (1970 - 2013)

4.1. 1970s: Theoretical Foundations of FME Research

The 1970s laid the theoretical and conceptual ground work for FME research. This decade was dominated by stage theories explaining the episodic nature of firm's internationalisation process, and the industrial organisation perspective tackling big questions such as '*Why do MNEs exist?* These two perspectives were used to underpin FME research in over 90 per cent of studies published in the '70s (19 studies)[2].

The two stage theories, namely Vernon's international product life cycle (Vernon, 1966) and Uppsala stage model of internationalisation (Johanson & Vahlne, 1977), evolved independent of each other because they dealt with different FME questions. The product lifecycle theory focuses on the "where" question, i.e. location of production. In contrast, the

[2] Calculations (%) include studies that adopt one or more theoretical perspectives; 1970s (21 out of 56); 1980s (56 out of 107); 1990s (174 out of 240); 2000s (535 out of 652). This excludes perspectives and commentaries, purely empirical articles and studies drawing on a wide range of literature sources with no clear theoretical basis.

Uppsala model, deals with process of FME, particularly the "how" and "when" questions. The main thrust of the Uppsala model of internationalisation, proposed by Johanson and Wiedersheim-Paul (1975) and later Johanson and Vahlne (1977), is that MNEs internationalisation process deepens over time as a function of knowledge gained to deal with uncertainties associated with 'psychic distance'. The Uppsala theory was also the first theory advocating that FMEM and timing of entry are contingent on the psychic distance between home and host countries.

In contrast with the stage theories, studies drawing on industrial organisation perspectives were less preoccupied with the FME process and more interested in *why* FME occurred. This perspective rests on two assumptions. First, due to structural market imperfections from barriers to entry and government restrictions over international trade, (Dunning & Rugman, 1985), (monopolistic) firms from well-endowed countries tend to utilise local resources, such as superior technology, managerial skills, and reputable brand names to engage in FME and pre-empt the emergence of local competitors in final product markets (Hymer, 1976). Second, competing firms follow one another into foreign markets so that no firm develops superior advantages over the competition (e.g., Flowers, 1976).

Drawing on Hymer's market imperfection hypothesis and TCE, Buckley and Casson (1976) developed the internalisation thesis which unpacks FME into two interdependent decisions: best location for, and most efficient mode to control, a firm's bundle of resources; thus, retaining control of production activities abroad through vertical integration to minimise transactions costs (rather than other forms, such as licensing and franchising). With the minimisation of transaction costs considered the primary reason for the existence of international production, internalisation theory helped scholars link the characteristics of transaction costs required to enter a foreign market with efficient FMEM selection.

4.2. 1980s: Theoretical refinements and supremacy of internalisation/TCE approaches

In the 1980s, the bulk of FME research focused on the costs and benefits associated with FMEs. As firms intensified their international activities, there was a growing recognition of the need for an FME theory that centres on identifying for instance, the most appropriate foreign locations (Hisey & Caves, 1985) or the most efficient FMEMs (Anderson & Gatignon, 1986; Hennart, 1986). The relative number of FME papers that used the industrial organisation perspective dropped significantly in the 1980s (25 per cent, 14 studies). Also, most of these studies began questioning the earlier assumptions underpinning why firms engage in FME activities advocating, for instance, that MNEs internationalise in order to differentiate their international activities from their competitors (most notably Porter, 1985).

In contrast, studies focusing on organisational economics theories such as internalisation/TCE approaches grew exponentially to about 60 per cent (35 studies). In this context, the internalisation theory (Buckley & Casson, 1976) became the theory of choice and the bedrock of FME research in the 1980s. Internalisation/TCE logic was expected to help scholars conceptualise the link between transaction costs and FME decisions. In particular, scholars used the theory to explain FMEMs and reduce uncertainties associated with foreign market activities (e.g., Anderson & Gatignon, 1986; Beamish & Banks, 1987). Anderson and Gatignon (1986) drawing on TCE logic posited that the appropriateness of FMEM is based on the trade-off between control by the entrant firm and the cost of resource commitment, which may increase with a firm’s exposure to internal and external uncertainties associated with operating in a foreign market. Anderson and Gatignon’s proposition that appropriateness of FMEM is contingent on resource commitment was replicated by several studies in the 1990s (cf. Erramilli & Rao, 1993; Hill, Hwang & Kim, 1990). Furthermore, scholars proposed theoretical extensions to the internalisation theory. Notably, Hisey and Caves

(1985) added that prior international knowledge and experiences motivated firms to engage in FMEs by reducing the transaction costs associated with foreign market entry uncertainty.

4.2.1. From internalisation theory to OLI paradigm

Theoretical refinements and extensions of the internalisation theory and dissatisfaction with partial explanations of why, where and how firms engage in foreign activities (Dunning, 1979) formed the basis for Dunning and colleagues' (1980, 1988) eclectic framework to explain FME decisions. The eclectic paradigm, commonly known as the Ownership, Location, and Internalisation (OLI) paradigm, draws on multiple theoretical lenses, including Hymer's market imperfections and the internalisation theories, and incorporates both country and firm level factors. The paradigm explains the MNE phenomenon as a function of ownership, locational and internalisation decisions (Boddewyn, Halbrich & Perry, 1986; Hennart, 1989). The eclectic theory - OLI paradigm - invigorated FME research as several scholars sought to extend it by taking a closer look at the characteristics of transactions. For instance, non-market knowledge and expertise concerning relevant governmental regulations were proposed as valuable ownership advantages. Particularly, Nigh (1985) put forward the argument that the internalisation of political skills by firms is positively associated with protection of non-market know-how and consequently, can be an important motivation for firms to engage in FME. Scholars in the 1980s also applied and extended Hofstede's national culture theory (Hofstede 1980) to argue that transaction cost explanations for market entry decisions should take into consideration factors within the cultural environment of firms (7 studies). Specifically, when differences between home and host national cultures were significant, MNEs were found to opt for FMEMs such as joint ventures to avoid the risks of post-acquisition integration (Kogut & Singh, 1988).

4.3. 1990s – Theoretically diverse landscape

"Non-traditional" theoretical tenets emerged in the 1990s (see *Fig. 1*) purporting to explain firms' decisions to commit resources to foreign markets and their impact on performance. Notable among FME studies in the 1990s were scholars' attempts to connect with other business and management fields by embracing broader and multi-theoretical frameworks, drawing in particular on the increasing repertoire of knowledge available in adjacent disciplines such as strategic management. Whereas the internalisation/TCE/OLI perspectives remained prevalent in studies drawing on a single theoretical lens (48 per cent of articles, 84 studies), 11 per cent of papers published in the 1990s (20 studies) combined them with newly introduced theories such as RBV (Barney, 1991), organisational learning (Barkema, Bell & Pennings, 1996) and dynamic capabilities (Teece, Pisano & Shuen, 1997) to shed new lights on FME decisions and performance (Hitt et al., 1997 and Madhok, 1997). Even so, few studies argued explicitly for the substitution of old perspectives with new theorisations. Amongst notable exceptions, Madhok (1997) compared and contrasted FME decisions from TCE and dynamic capabilities perspectives disputing that the dynamic capabilities view "may be more in tune with today's business context" (p. 39).

- *Insert Figure 1* -

4.3.1. Re-evaluation and extension of established theories

The 1990s witnessed scholarly efforts geared towards extending and refining earlier theories. Amongst established FME theories, stage theory of internationalisation, often labelled as the Uppsala model, re-gained momentum in the 1990s as it was investigated in 19 per cent of articles (33 studies) (see *Figure 1*). Whilst it continued to be used as a theoretical basis for some empirical studies published in the 1990s (Johanson & Vahlne, 1990), scholars have also illuminated the inherent limitations of the theory, particularly with regards to accurately depicting the timing and sequence of FMEs. The theory is often (re)labelled as the "evolutionary theory" of internationalisation to emphasise the importance of learning as firms increase their international involvement. In their research, Benito and Gripsrud (1992, p. 474) found "only a weak tendency for the first investments to be made in countries that are culturally closer than those where later investments were made". Andersen (1993) also suggested that the Uppsala model cannot predict the transition from one internationalisation stage to another. Eriksson, Johanson, Majkgard & Sharma (1997, p. 337) revisited key assumptions of the model by "identif(ing) and delineat(ing) components of experiential knowledge in the internationalisation process" and purporting the idea that relevant host country experience is internal to the firm and applicable to all markets (Barkema et al., 1996).

Our reading of the reviewed papers suggests that a number of key factors triggered the revival of interest in the stage theory of internationalisation in the 1990s. First, technological developments and improved global transportation systems altered perceptions of psychic distance between countries. O'Grady and Lane (1996) challenged the "psychic distance paradox" illustrating with empirical evidence that operating in familiar environments does not necessarily result in better FME performance. Second, the internationalisation patterns of small firms, including the emergence of so-called "born global" firms, contradicted the core assumptions of the stage theory of internationalisation (Madsen & Servais, 1997; Eriksson et al., 1997). Third, the appreciation of the role of networks in internationalisation (Madsen & Servais, 1997) challenged the necessity for an incremental and sequential pattern of internationalization process dictated by prior experiences possessed by the individual organisation. As discussed in detail in *section 4.4.5.*, this research has triggered a new line of inquiry highlighting the role of networks in firm internationalisation in the 2000s period.

Amongst what we classified as organisational economics/TCE theories, the OLI/eclectic paradigm continued to be drawn on, in around 17 per cent of papers published in the 1990s

(30 studies). In one of the highly cited studies in our sample and building on foundations provided by the eclectic paradigm, Agarwal and Ramaswami (1992) addressed the independent as well as joint influence of OLI factors on FME decisions; noting that MNEs which lack strong ownership advantages tend to enter highly attractive host locations through joint ventures. Kumar and Subramaniam (1997) added to this theoretical reasoning by examining the contingent relationship between OLI specific advantages and managerial expectations, time and resource constraints throughout the FME process.

Several studies extended the application of the OLI/eclectic paradigm in new contexts. Dunning and Kundu (1995) investigated mode of entry selection in the hotel industry, concluding that OLI advantages influence FMEM choices in a manner similar to that of manufacturing firms. Brouthers, Brouthers & Werner (1996) studied FMEs of small- and medium-sized computer software firms, confirming the applicability of the eclectic paradigm to SMEs as well as another service sector. Furthermore, several studies tested the OLI assumption that FME motivations and location decisions vary by country of origin. Notably, Schroath, Hu, and Chen (1993) confirmed that, whilst MNEs from countries such as Hong Kong tend to exploit language similarities to operate in smaller, labour intensive areas in China, European and US firms invest predominantly in capital intensive locations.

4.3.2. Drawing on emergent management theories

In addition to refining established theories, scholars started drawing on then newly introduced strategic and other management theories, such as resource based view (RBV), organisational learning, institutional, and network theories to examine and theorize FMEs in the 1990s. Resource based theories (RBTs) posit that firms compete primarily on capabilities, and that FME decisions are strategic decisions that serve as mechanisms for the creation and transformation of firms' critical resources and capabilities (14 per cent, 25 studies) (Barkema, Shenkar, Vermeulen & Bell, 1997; Barkema & Vermeulen, 1998; Morosini, Shane & Singh, 1998). This marks a shift in focus from transaction and transaction cost minimization to deployment, acquisition and development of resources and capabilities. RBTs challenge the implicit assumption in the TCE literature that firms already possess the required capabilities to minimise transaction costs and make efficient FMEM decisions (e.g., Barkema & Vermeulen, 1998; Morosini et al., 1998). Implicit in these assumptions is that foreign market entrants may decide to bear higher transaction costs to develop valuable resources. RBT proponents also advocated that the performance of FME decisions is, to a large extent, driven by the resources and capabilities the firm is able deploy, acquire or develop in the international market (see Pennings, Barkema & Douma, 1994).

As scholars begin to probe into emerging market contexts, there was a greater appreciation of understanding the institutional differences between entering advanced versus emerging markets. Kostova (1999) introduced the concept of institutional distance which promises to expand the location context beyond the narrow focus of only examining psychic distance (Johanson & Vahlne, 1977) or cultural distance (Kogut & Singh, 1988). The thrust of this line of research is that institutional environments, namely the regulative institutions, social values, and cognitive structures in society, impact FME decisions. Even as studies drawing on institutional theory were still scarce (under three per cent, five studies), almost a third of TCE studies published in the 1990s controlled for host country institutional conditions in their analysis of FME (25 studies).

The growing interest in the benefits of becoming embedded in business networks and the role of decision makers also characterised the shift of focus in the 1990s FME literature. FME studies drawing on a network perspective (three per cent, six studies) were less concerned with the exploitation of firm advantages and more focused on the development of network relationships to overcome host market uncertainty. Burt (1992, p. 5) noted that “people and organizations are not the source of action as much as they are the vehicles for structurally induced actions". According to network theory proponents, the timing and sequence of market entry depend on a firm's position in a network and how it uses it for subsequent development in the host market (cf. Madsen & Servais, 1997). The underlying assumption in these studies is that, the nature and structure of the ties determine the level of flexibility and reliability firms possess in their networks of relationships.

Studies incorporating individual/managerial level antecedents of FME grew from two studies in the 1980s to 50 studies in the 2000s. Despite efforts to extend management concepts to IB contexts, at present, relatively few studies center around how managerial knowledge and international experience influence FME (30 studies). This said, the upsurge of research on the role of management in FME decisions and their performance is expected to increase as scholars move from the study of "factors to actors" (Barkema & Shvyrkov, 2007).

4.4. 2000s: Pick and mix approach and theoretical diversity

Interest in the 'original' research question of why MNEs exist declined to only two per cent in the 2000s. As can be observed in *Figure 1*, to overcome some of the limitations associated with drawing on single theoretical lenses, the multi-theoretical approach gained momentum in the 2000s (27 per cent, 145 studies). The proportion of FME studies using the stage theory of internationalisation decreased from 19 per cent in the 1990s to 16 per cent in the 2000s (83 studies), and over half of these studies (42 studies) used it in combination with other theories such as the network view and RBTs (see *Figure 1* and *Table 5*). Similarly, as the overriding perspectives for theorising FME decisions, internalisation/TCE theories are represented in a smaller percentage of single theory studies published in the 2000s (24 per cent, 130 studies) compared to the 1990s (48 per cent) and particularly 1980s (63 per cent). In turn, of the 239 studies drawing on internalisation/TCE theories in the 2000s, the remaining

109 studies use them in multi-theoretical frameworks (see *Table 5*). Over 50 per cent of FME studies used 'emergent' theories in single and multi-theoretical approaches, most notably RBTs (31 per cent, 165 studies), institutional theories (19 per cent, 101 studies), network theories (nine per cent, 47 studies), and real options theory (three per cent, 16 studies).

- *Table 5* -

4.4.1. Internalisation, TCE: Framework of debate or dead end?

Scholars continued to draw on internalisation/TCE assumptions to understand FME. Brouthers and Brouthers (2003) drew on TCE's reasoning to further contribute to the debate on whether service and manufacturing firms' FMEMs differ. In addition to applying internalisation/TCE theories to understand FME of different types of firms and/or in different contexts, scholars tested whether TCE assumptions are applicable to more refined FMEM decisions (Gong, Shenkar, Luo & Nyaw, 2007; Phene & Tallman, 2012).

A number of highly cited studies questioned the applicability of traditional TCE theories, such as Luo, Shenkar and Nyaw's (2001) paper on the differences in the relationship between control and performance amongst foreign and Chinese parents. Filatotchev et al. (2007) used agency theory[i] to argue that it is not the ability to appropriate rent by exploiting firm specific advantages that influences firms' FMEM and location decisions, but "the ability of the parent to deal with information asymmetries and potential agency conflicts associated with overseas ventures" (p. 558). Gomez-Mejia, Makri & Kintana (2010) conceptualised a new agency theory model to better explain the risk preferences and FME locations of family-owned firms.

Indeed, our readings of papers published in 2000s reveal that the findings of these studies do not fundamentally extend or challenge the core assumptions which internalisation/TCE theory rests on. As illustrated in *Table 4*, scholars tend to cite academic papers published in the 1980s or 1990s, whereas recent papers employing transaction cost-based theories have not be as cited. These results appear to indicate that, this line of research is saturated with extensions of previous studies which often lack theoretical tensions that were apparent some decades back. Research using internalisation/TCE to examine FMEs does seem to be running out of steam in the 2000s, with most studies being little more than a rehash of old ideas with few new original insights. Thus, we posit that it is unlikely that a line of research based solely on TCE issues would yield significantly new insights into the FME phenomenon.

4.4.2. Stage-evolutionary model of internationalisation: Is it still relevant?

Studies using stage theory focus on its limitations and the relevance of the theory. They advocate that, given the decreased relevance of geographic distance because of information revolution and rapid dispersion of technology, the FME process is no longer constrained by stages as suggested by the Uppsala model. Fletcher (2001) reported that MNEs were starting to adopt a more dynamic approach to FME by adapting the timing of entry to changing market environments. Several studies highlighted the theory's simplistic approach to learning (Delios & Henisz, 2003; Forsgren, 2002; Kalinic & Forza, 2012). Whereas knowledge of host cultural environments and consumer preferences may have represented a source of uncertainty for firms going from developed into other developed markets; other sources of uncertainty play an increasingly important role in FME decisions. It is advocated that the stage model should be extended to incorporate the importance of knowledge about host market policy environments as well as the role of home country contexts in choosing the optimal investment timing (see Delios & Henisz, 2003). In their longitudinal study, Johanson and Johanson (2006) found that firms also made new knowledge discoveries throughout the FME process, particularly in transition economies with high degrees of uncertainty.

Following concerns about the relevance of the theory, Johanson and Vahlne (2003) revised and reconceptualised the Uppsala model, focusing less on the focal firm and more on the different types of useful knowledge that could be obtained from external sources such as business relationships (see also Johanson & Vahlne, 2009). This view was particularly applied to explain the behaviour of early internationalisers that operate within international networks which facilitate their learning process enabling them to leapfrog over stages and engage in direct investment (Sharma & Blomstermo, 2003). We found that, amongst the most notable FME papers drawing on the Uppsala stage theory of internationalisation, the majority provide partial or no empirical support for its original theoretical assumptions (see *Table 4*).

4.4.3. ‘Emergent’ strategy theories: RBTs

Scholars drew extensively on the RBV and related perspectives in the 2000s; thus, the idea that the value of FME decisions is contingent on the firm’s reservoir of resources and capabilities became well established. As with the 1990s period, resource-based proponents conceptualised FME decisions in terms of their potential to deploy and or augment the resource base of the firm in foreign markets (Cuervo-Cazurra, Maloney & Manrakhan, 2007; Hitt, Bierman, Uhlenbruck & Shimizu, 2006b; Sapienza et al., 2006). In their study on the timing and sequence of market entries, Sapienza et al. (2006) advocate that the earlier a firm internationalises, the more likely it is to develop dynamic capabilities and exploit foreign market opportunities (see Cuervo-Cazurra et al., 2007 for a conceptual framework). Meyer et al. (2009, p.571) (re) conceptualise the FMEM decision by arguing that “…firms with geographically fungible resources may focus on exploiting their own resources, benefiting more from low resource-augmenting entry modes. Firms rich in location-bound resources may need to acquire local complements, and thus find it worth-while to enter through resource-augmenting modes”.

As shown in *Table 4*, highly cited empirical studies drawing on RBT rationales have, thus far, provided support for the theoretical assumptions of these theories. In particular, a significant strand of the RBT literature considered the influence of resources and capabilities on the performance implications of FME decisions such as FME motivations (Kotabe, Srinivasan & Aulakh, 2002; Hitt et al., 2006b); market entry timing (Barkema & Drogendijk, 2007; Prange & Verdier, 2011); international alliance formation (Lavie & Miller, 2008); and international acquisition decisions (Vermeulen & Barkema, 2001). Specifically, RBT scholars advocate that, because firms are endowed with different levels and types of resources, their ability to increase performance through FME will differ amongst MNEs. Kotabe et al. (2002) found that unique resources, such as R&D and dynamic marketing capabilities, facilitate the implementation of firm strategies across different international environments, enabling MNEs to achieve the differential advantages of being internationally diversified. Hitt et al. (2006b) added that intangible resources such as human and relational capital have been associated with FME performance for professional service firms. Barkema and Drogendijk (2007) concluded that successful companies understand how to balance short term knowledge exploitation with new host market exploration to enhance future growth.

In comparison to the 1990s, there is growing emphasis on MNEs abilities to attain and deploy new knowledge, experience and various other resources in emerging market contexts. Thus far, 10 studies in our database draw on RBTs to explain FME activities in emerging economies. In particular, Gao, Pan, Lu & Tao (2008) highlighted the different types of knowledge resources motivating US MNEs to enter the Chinese market and potentially influencing their performance in the host market. Fang and Zou (2009) added that, amongst firm resources, dynamic marketing capabilities significantly influenced international joint venture adaptation to, and performance in, emerging contexts.

4.4.4. Institutional Theory: Compliment or a substitute to TCE and RBT?

It was not until the 2000s that FME scholars started drawing significantly on institutional theory. Institutional theory is grounded in the notion that institutional norms shape the evolution of economic activities between countries and regulate the behaviour of firms (Kostova, 1999). Xu and Shenkar's (2002) highly cited paper advocates that MNEs' firm advantages are rooted in their ability to bridge institutional distances and exploit the uneven distribution of resources that rests in their home and host environments.

Scholars used the institutional lens mainly to propose that establishing external legitimacy by adapting to the regulative, normative and cognitive rules of host environments in institutionally distant foreign markets is more significant in making FME decisions, than for instance, efficiency concerns (e.g., Bevan, Estrin & Meyer, 2004; Deng, 2009; Hoskisson et al., 2013; Makino, Isobe & Chan, 2004; Owens, Palmer, & Zueva-Owens, 2013). Bevan et al. (2004) found that firms which embraced, and adapted to, changes in the formal institutions of Eastern European countries were able to both exploit and augment their resource base. Several studies emphasized the importance of the heterogeneity of institutional contexts within host market environments, particularly for making FME location decisions. In a notable study, Meyer and Nguyen (2005) reported that firms were influenced either by the availability of scarce resources in some regions in Vietnam or by institutional pressures arising from state-owned local firms dominating sub-national regions in the host country.

The increased popularity of, and empirical support received by, studies drawing on institutional theory (see *Table 4*) has not only led to a re-assessment of the concept of distance between countries (see Berry, Guillén & Zhou, 2010 for a discussion on the dimensions of distance), but it has also explicitly challenged some of the basic assumptions of organisational economics models. Several scholars explored how the quality of institutions, as opposed to transactional concerns, influenced FMEM decisions. Highly restrictive host institutional environments are expected to motivate investors to opt for co-operative modes of entry to facilitate MNEs adaptation to local institutional contexts (Meyer et al., 2009; Owens et al., 2013; Xu & Shenkar, 2002). Pervasiveness of corruption is associated with foreign firms' inability to establish legitimacy in the local market, leading to a higher likelihood of joint ventures over wholly-owned subsidiaries (Meyer et al., 2009; Rodriguez, Uhlenbruck & Eden, 2005). In a notable study on the performance of FMEs, Makino et al. (2004) concluded that, because emerging economies are characterised by underdeveloped market transactions and institutional rules, external, country and industry effects tend to play a more important role than internal, corporate and affiliate effects.

Studies focusing on FME decisions of emerging market MNEs highlighted new insights into FME motivations. For emerging market MNEs, which do not possess firm specific advantages traditionally associated with developed MNEs, home institutional environments can offer other types of advantages (Deng, 2009; Hitt, Ahlstrom, Dacin, Levitas & Svobodina, 2004; Hoskisson et al., 2013). As latecomers, Chinese firms are provided with incentives from home governments to enter developed host environments via mergers and acquisitions strategies to acquire strategic assets and capabilities from firms in economically advanced host regions (Deng, 2009). Also, when entering other emerging markets, MNEs from countries characterised by weak institutional environments tend to be less deterred by host country policy risks due to their experience with operating in idiosyncratic institutional environments; thus, challenging the conventional wisdom that location decisions should be viewed as location specific advantages of chosen markets (e.g., Holburn & Zelner, 2010).

4.4.5. Network theory

Amongst FME studies published in the 2000s, almost nine per cent (47 studies) drew on network theory, compared to six studies in the previous decade. This reflects the increase in the use of network theory in business management research (see Parkhe, Wasserman & Ralston, 2006). In the context of market entry, scholars noted that home and/or host country networks tend to weaken the effect of asset specificity on FME motivations and entry mode selection (Buckley et al., 2012; Maekelburger, Schwens & Kabst, 2012). Building on its multidisciplinary foundations, studies drawing on network studies have made significant and different theoretical as well as empirical contributions to the FME literature. This line of research underscores the influence of institutional networks in enabling firms to navigate more efficiently the institutional environments of home and host markets (Buckley et al., 2012). By focusing on relational ties, network theory shifts the focus of FME research from the focal firm, its resources and institutional context to the type and strength of relationships between the firm and the various other actors and organizations involved.

Thus, the growing scholarly work on network resources is a result of four factors. Foremost, research on the FME decisions of smaller and medium firms (Ojala, 2009; Sharma & Blomstermo, 2003; Maekelburger et al., 2012) represents an important explanation for the growth of network theories in the 2000 to 2013 period. In particular, smaller firms are expected to recognise international opportunities through network ties which act as a bridge to foreign markets (Crick & Spence, 2005). Second, an extensive body of research has recently pointed to the benefits of engaging in international alliances, including access to information, shared risk and timely entry into host markets (Hitt et al., 2004). To this end, network theory proponents argued that the costs and constraints associated with FME could be overcome and/or reduced through becoming embedded in partner networks (Lu & Beamish, 2001). Third, more recent studies debate the role of network tie utilisation in overcoming uncertainty associated with entering ‘non-traditional’, emerging market contexts (Li, Poppo & Zhou, 2008a). Fourth, emerging market firms were also highly motivated to use business networks to acquire scarce resources necessary for FME, such as knowledge and financial capital (Elango & Pattnaik, 2007).

A number of studies sought to integrate network theories with other widely used theories in FME research. Given that in emerging markets such as China, India and even advanced markets such as Japan, inter and intra firm networks are the dominant structure of firms belonging to business groups, and given the strong cooperative-based network of supply chains, network theory is integrated with institutional theory to explain foreign and local firms' behaviours in such contexts (cf. Shi, Sun & Peng, 2012). Furthermore, the literature highlights some of the potentially negative impacts of overreliance on networks. Fletcher and Harris (2012) argued that networks may limit the scope of market opportunities identified by firms due the relatively limited exchanges of knowledge and experience between partners.

4.4.6. Real options theory

Real options theory has attracted significant attention in management studies as it conceptualises the process of decision making under uncertainty. Since the 2000s, FME scholars draw on the real options theory perspective to understand the growth value and risks of engaging in FMEs (Reuer & Leiblein, 2000; Tong, Reuer & Peng, 2008). Real options theory observations are, however, studied in a small proportion of articles (three per cent, 16 studies). A central proposition of real options theory, - as applied in FME research, - is that high commitment, equity FMEs provide valuable options for the MNE to grow internationally and subsequently expand into other markets. In this context, previous theoretical perspectives have been criticised for over emphasising the sources of uncertainty, i.e. transaction costs, and partner opportunism (TCE) (Brouthers, Brouthers & Werner, 2008b), and lack of experiential knowledge (Uppsala model) (Reuer & Leiblein, 2000). For instance, Schilling and Steensma (2002) suggested that, although threat of opportunism

(TCE) and desire to acquire resources (RBT) influence FMEMs, real option rationales may help explain whether and how decision makers vary in their risk aversion to different sources of uncertainty.

A renewed interest in how firms can reduce FME risks comes at a time when the ability of MNEs to effectively take advantage of international opportunities may be limited by uncertainties arising from institutionally distant markets. Particularly when discussing FME timing in emerging markets, - it was hypothesised that the risks of not investing early in high growth markets are higher than the financial risks associated with environmental (institutional) and partner related uncertainties (e.g., Isobe et al., 2000). Furthermore, under high levels of uncertainty associated with host markets such as China, MNEs are expected to reduce downside risk and improve their flexibility in the market by choosing less irreversible FMEMs such as minority joint ventures (see Li & Li, 2010).

However, scholars failed to provide empirical evidence that FMEM decisions such as entering via joint ventures lowered levels of risk associated with market entry; noting there may be contingencies preventing MNEs from becoming strategically flexible and exploiting such options (Reuer & Leiblein, 2000). Thus, similar to the case of network theories, more research should be dedicated to deepening our understanding of how firms manage such options when making FME decisions.

4.5. Multi-theoretical approaches to the study of FME decisions – Exploring complementarities between FME theories

The analysis of papers published in the 2000s indicated that around a quarter of these studies drew on multi-theoretical perspectives (see *Fig. 1* and *Table 5*). Studies adopting multi-theoretical frameworks focused almost singularly on overcoming the limitations of one theory with another perspective viewed as complementary. As presented in *Table 5,* this is particularly prevalent for traditional theories in that 109 out of 145 multi-theoretical studies include organisational economics theories, i.e. internalisation theory/TCE.

4.5.1. Combining TCE with RBTs: Inseparable considerations of risk, control and firm capabilities

Critics of internalisation/TCE theories advocate that these theories conceptualise FME decisions as static, disregarding the dynamic characteristics of firm resources (e.g., Fang & Zou, 2009). Given this important limitation, in 40 per cent of multi-theoretical studies published in the 2000 to 2013 period (57 studies), scholars advocate that combining the internalisation/TCE logic with RBV would lead to more encompassing explanations of FME decisions than either theory individually (e.g., Chang & Rosenzweig, 2001; Li, Eden, Hitt & Ireland, 2008b; Martin & Salomon, 2003). The core assumption here is that typically managers are expected to make FME decisions based on inseparable considerations of risk and control (TCE) as well as firm capabilities (RBTs) in that, firm capabilities (such as knowledge and experience) can influence perceived host market costs thereby affecting firm motivation to engage in FME. For instance, Chang and Rosenzweig (2001) found that as MNEs learn about local practices and gain experience in managing foreign affiliates, the initial liability of foreignness disappears, motivating firms to engage in further expansion in areas of business where they appeared to lack a superior competitive advantage.

The view, informed by internalisation theory, that knowledge assets have the potential to support FME investments because they are easily replicated abroad, is complemented by the RBT logic which advocates that only over time firms truly learn how to transfer resources abroad, which in turn, is expected to motivate subsequent FMEs (e.g., Martin & Salomon, 2003; Xia et al., 2009). To this, Pitelis (2007) proposed that a more dynamic and forward looking strategy theory could be developed by studying how managers' efforts to influence the internal and external environment of the firm based on their prior learning, can shape ownership, locational and internalisation decisions. Interestingly, he explains that O, L, I decisions made by firms based on prior knowledge and experience may appear sub-optimal and imperfect at first, but prove successful over time if and when market conditions change as anticipated by decision makers (Pitelis, 2007). In a recent paper, Teece (2014) reinforces the idea that combining TCE theories and resource-based perspectives such as the dynamic capabilities view, has the potential to help us better understand how initial firm advantages erode over time, as well as when and how organisations should change to remain competitive in the marketplace. Implicit in these studies is the idea that (emerging) market entries should be viewed not only in terms of the initial investment costs but also in regards to how acquiring host market experience may be leveraged for future performance.

TCE and RBT perspectives are also combined to attain a more nuanced understanding of the various challenges and rewards associated with different modes of entry. FMEM decisions are re-conceptualised as capability-related decisions, based not solely on risk minimisation, as proposed by TCE, but also on considerations of value created through generating new firm capabilities (see Martin & Salomon, 2003). MNEs can choose FMEM strategies that reduce risk by balancing control over critical assets with the attainment of new resources from local partners, to offset the initial liability of foreignness (Meyer & Estrin, 2001; Schilling & Steensma, 2002). For instance, Meyer and Estrin (2001) found that the optimal FMEM for Western firms entering Central and Eastern European markets, "matches the resources required for the strategic objectives of the entry with those available within the multinational enterprise, in local firms and in unbundled form in local markets, taking into account the pertinent transaction and integration costs" (p. 577). In the context of international alliances, whilst TCE emphasises partner ability to appropriate alliance benefits and reduce opportunism, RBT perspectives highlight the value and potential drawbacks of a long term relationship of resource sharing (cf. Li et al., 2008b).

4.5.2. Combining TCE and Institutional Theory: Entering emerging markets, institutional immaturity and transaction costs

Because institutions provide the context in which transactions between firms occur, around 17 per cent of multi-theoretical studies published in the 2000s (25 studies) sought to combine institutional theory with TCE. Scholars suggested that host markets characterised by institutional voids tend to influence managers' perceptions of transaction costs and business risks thereby influencing FME decisions (Isobe et al., 2000; Meyer, 2001; Meyer & Peng, 2005). Isobe et al. (2000) argued that FME depends not only on the ability of firms to innovate and exploit technological advantages; noting that being able to identify the institutional idiosyncrasies in the host market and secure strong relationships with local communities is increasingly viewed as a source of competitive advantage and an important motivation for early market entry (see also Henisz, 2003). Thus, MNEs potential to create rent is expected to increase when firms have the ability to manage institutional environments.

Adding institutional distance factors to the TCE logic is deemed to have more explanatory power, particularly when entering non developed market contexts characterised by institutional immaturity (Luo, 2005; Meyer, 2001; Meyer et al., 2009; Yiu & Makino, 2002). Specifically, institutional variables such as legal restrictions on foreign ownership, investment risk (Brouthers, 2002), host government intervention (Henisz, 2003) and corruption (Rodriguez et al., 2005) are suggested to extend the TCE logic by capturing how institutional idiosyncrasies create market imperfections that determine the value of, and potential to expand, firm specific advantages. For instance, FMEM studies drawing solely on TCE emphasised that MNEs entering emerging markets would opt for wholly owned entries to avoid the risks of knowledge dissipation; whereas according to institutional theory proponents, the coercive power of host institutions stimulates uncertainty avoidance behaviour, increasing the likelihood of joint ventures over other entry strategies (meyer, 2001; Meyer et al., 2009). Meyer (2001) specified that, firms entering emerging (Eastern European) markets internalised only managerial knowledge via wholly owned subsidiaries, whereas all FMEMs were suitable for transferring technological knowledge, due to the availability of technological skills in the host region. Ma and Delios (2007) found that variance in sub-national institutional environments affects FMEM choices and performance, in that government agencies administrating foreign investment into China influenced transactions in political orientated locations (i.e. Beijing), - leading to a large number of underperforming international joint ventures, compared with locations where liberalisation had strengthened market mechanisms and reduced the need for local partnerships.

4.5.3. Combining institutional theory and RBTs: Institutional immaturity at home and emerging market MNEs FME decisions

Amongst multi-theoretical FME studies published in the 2000s, around 12 per cent combined insights from institutional and RBT perspectives (17 studies) to examine the interaction between institutional factors and MNEs' ability to attain and deploy resources and capabilities. The assumption here is that home country institutional environments are key determinants of firm resources, strategy and structure (e.g., Brouthers et al., 2008a; Buckley et al., 2007b). Consequently, scholars such as Brouthers et al. (2008a, p. 189) suggested that "adding the moderating influence of national institutional environment to a resource based perspective better explains strategic decisions in an international context than does a mere resource-based approach". Particularly in the latter half of the 2000s, the combination of RBT and institutional view was adopted mainly to deliver a more integrative framework of FMEs from emergent market contexts. As a departure from previous research, scholars combining resource- and institution-based views to study emerging market MNEs propose that, the effect of home institutions on their FMEs depends on firms' own resources and capabilities to identify and adopt potential institution-based advantages (Buckley et al., 2007b). Amongst notable studies, Buckley et al. (2007b) pointed to a relationship between institutional legacies and the dynamic capabilities of management, such as strategic flexibility and political awareness necessary to utilise those legacies. Also in the context of Chinese MNEs, it was suggested that home government support affected risk taking capabilities and reduced the importance of learning from prior knowledge and experience, thereby motivating inexperienced firms to engage in FMEs (see Wang, Hong, Kafouros & Boateng, 2012a). Wang et al. (2012a) also found that, accessing organisational skills and capabilities from collaborating with foreign firms in the home market can, at times, demotivate Chinese MNEs from investing abroad due to the riskier and more resource-intensive nature of FME.

Although significantly fewer at this point, - mainly due to the limited research conducted on emerging market MNEs (70 out of 1055 studies), - the key tenet of aforementioned studies is that, by combining resource-, and institution-based theories we may actually learn more about firms from emerging markets, particularly with regards to the roles played by home governments in these firms acquiring necessary knowledge, resources and capabilities to internationalise. We summarised in *Table 6* the multi-theoretical studies that have received most academic attention, along with their main findings and contributions to FME research.

- Insert Table 6 -

5. Discussion and some directions for future research

This review maps out the conceptual landscape of FME research and provides an overall trajectory of how the field has evolved over time. The review provides important insights on the underlying assumptions of the various theories used to examine FME, their main focus, and their key contributions. Broadly, the analysis of the FME literature reveals that while the 1970s and 1980s were dominated by a small number of theories, the 1990s and 2000s witnessed a proliferation of theories, most of which were borrowed from adjacent disciplines such as strategic management. Below we discuss the findings of the study, and propose several directions for future research.

The analysis reveals that internalisation/TCE rationales have been, and remain the most drawn on theoretical perspectives to study FME decisions. However, our reading of recent studies drawing on internalisation/TCE perspectives suggests that they are little more than a rehash of past work, with little original contributions to the FME literature. Most of the big questions were tackled in the 1970s and 1980s. We believe it is unlikely that significant new insights would emerge from this line of research in the future.

The Uppsala theory, a key theory within FME research, emphasises the incremental and sequential stages of market entry. Early studies drawing on the Uppsala theory explained how MNEs increased their commitment to international markets through a series of sequential decisions guided by management experience and perceptions. Recent studies drawing on the Uppsala theory have concentrated on expanding the explanatory power of the theory by adding a new set of explanatory variables and relationships such as speed of internationalization, psychic distance, and learning capacity of the MNE.

While the early FME literature made significant and unique contributions to the IB discipline, the recent literature has been borrowing from the broader management literature. This said, what we labelled non-traditional “new or emergent” theories continue to represent a smaller proportion of the FME literature. Largely due to their growing popularity in related disciplines such as strategic management, RBT and institutional perspectives were brought in the 1990s to explain FME decisions and their performance consequences. Studies drawing on

RBT perspectives view the MNE as the primary unit of analysis and focused on its unique bundle of resources and capabilities, FME decisions and performance outcomes. The analysis of the most impactful empirical studies drawing on RBT perspectives reveals that their predictions are broadly supported in that an alignment between MNEs' resources and capabilities and FME choices enhances organisational performance.

Considerations of institutional contexts have been examined through an institutional lens (Hitt et al., 2004; Meyer et al., 2009). Institutional theory was proposed as an alternative explanation to organisational economics theories, switching focus from the factors that influence individual transactions to broader institutional contexts and their impact on FME decisions. The unique contribution of institutional theory is its emphasis on how institutional norms, uncertainties, and regulations impact FME decisions. Furthermore, studies are beginning to pay explicit attention to the sociological rationale of FME behaviour. One of the core assumptions examined by scholars drawing on institutional theory is how FME decisions impact the MNE's external legitimacy which is important to its survival in a foreign market.

Studies drawing on network theory addressed some of the limitations of the stages model by shifting the focus from the MNE to the role of network partners in deciding the pace and sequence with which the firm acquires knowledge and reduces uncertainty associated with FME (Li et al., 2008a). In turn, studies drawing on real options theory emphasised how making decisions in conditions of uncertainty could result in international growth opportunities for the MNE (Reuer & Leiblein, 2000; Tong et al., 2008).

Interestingly, in spite of the large number of "competing" theories used to frame FME research, scholars typically accentuate the complementarity of theories. For instance, studies that combine resource and transaction cost theories argue that, whilst the latter explain the control mechanisms and hierarchical structures that reduce the costs of venturing abroad, RBTs emphasise that MNEs may enter foreign markets as a means of acquiring value (Li et al., 2008b). There is also a greater emphasis that contingent (institutional) factors, i.e. home and host country environments can intervene to increase the transaction costs associated with initial FMEs. Scholars adhering to this rationale have suggested that, by making FME decisions that fit the organisational capabilities and goals of the firm as well as environmental contingencies, transactional hazards associated with FME into emerging markets can be mitigated (Brouthers et al., 2008a; Henisz, 2003).

A small but growing number of studies have sought to combine emergent perspectives i.e. RBTs and institution-based perspectives to test how contingencies arising particularly from underdeveloped home market institutions influence the ability of new (emerging market) internationalisers to attain new resources and capabilities successfully (Brouthers et al., 2008a). These studies provide important insights into FME decisions of emerging market firms. For instance, several emerging market MNEs possess unique institutional resources and capabilities, not available to conventional MNEs (i.e. increased government involvement) that shape their FME decisions. This stream of research addresses, in part, the need to incorporate more contextual variables in the theoretical reasoning of RBTs (Meyer & Peng, 2005). The integration of RBT and institutional perspectives is justified by the fact that, despite the empirical support for RBT predictions, one of the key shortcomings of these perspectives is that it does not account for the institutional factors that affect FME and performance. The difficult challenge here would be to develop frameworks that examine the simultaneous interaction between macro institutional and firm level - RBT- level factors. Attempts at integrating the two perspectives have, so far, examined the moderating influence of institutional factors on the relationship between firm resources and capabilities and FME performance (Brouthers et al., 2008a). Recently, Brouthers (2013) also called for the testing of the moderating impact of institutional variables on transaction cost attributes. Other studies extended findings from TCE studies on FME choices and performance (Brouthers, Brouthers

& Werner, 2003 and Chen & Hu, 2002), by combining insights from TCE and real option theories (Brouthers et al., 2008b).

Studies that deal with the tensions between the theories are under-represented. This is perhaps intertwined with the rarity of warring camps and rifts in the FME scholarly community. This can be explained at least in part by the fact that FME research is geared overwhelmingly towards *applying* theories. With the exception of the stage theory of internationalization, very little research has sought to put the dominant theories to stringent tests of appropriateness. The FME conceptual landscape perhaps is in need of a major pruning. As Edwards (2010, p. 616) advocated, to judge real theoretical progress in organizational and management research "we would have much to gain by relocating to the Colosseum, girding our theories for battle, pitting them against one another, and applauding as the strong vanquish the weak. In this manner, theoretical progress would be gauged not by how many theories we develop but by how we refine theories by sharpening their predictions, putting them at risk through strong inference tests, revising them as indicated by the obtained results, and setting them aside when they prove inferior to competing theories".

5.1. Directions for future FME research

We identified a number of areas which hold promising directions for future research for scholars interested in FME decisions. We argue that interesting FME research in the future would come from integrating insights from multiple theories (e.g., Brouthers, 2002; Gaur & Lu, 2007). We argue that combining two or more theoretical approaches represents an opportunity for future research in this area. The network perspective could be integrated with existing theories to shed new insights into FME choices and performance. Institutional differences in regulations governing the formation and dissolution of partnerships have a strong influence on a firm's FME choices. That is the impact of ties on FME could be moderated by institutional factors such as institutional distance. In some markets such as China, the performance gains from tie utilisation may be relatively low for foreign entrants, whereas domestic firms were found to extract more value from their network ties (Li et al. 2008a). Given that networks are often viewed as important sources of valuable resources such as vital information and knowledge, scholars could combine network theory with RBT to examine the link between the networks, quality of resources being transferred through the networks and FME choices and performance. Also, firms must possess the requisite resources and capabilities to exploit their external networks. Scholars may draw on RBT and network theories to examine the interaction between firm resource and capabilities, use of networks, and FME choices and performance. Similarly, networks could be a source of trust or mistrust and therefore scholars could integrate network theory with TCE to determine the type of effectiveness of FME decisions (Zaheer, Hernandez & Banerjee, 2010). Furthermore, He and Wei (2013) argued that managers with extensive external networks may leap frog those that do not possess such networks in accessing psychically distant markets. Therefore, scholars could also draw on network and Uppsala theory to understand more specifically how the strength of external networks influences the sequence and timing of FME decisions.

Furthermore, the excessive focus on the transactions between MNEs has left the role of management largely masked. The current focus on firm- and institutional level antecedents may therefore benefit from incorporating theoretical approaches that take into account how managerial experiences and differing risk preferences influence perception of those antecedents. A few attempts have been made in this direction by applying the real options logic to FME decisions. This said, scholars have not yet looked considerably at aspects such as, whether adversity to risk and uncertainty decrease as managers acquire more resources such as experience (RBTs) to better assess the options available. In turn, understanding the sources of managers' adversity to risk may also help overcome some of the limitations of real options theory in that, it cannot fully explain what influences the ability of firms to make strategically flexible FME decisions.

Institutional theory was brought in primarily to capture the influence of institutional factors in emerging economies and highlight the impact of institutional distance on FME choices and performance. The focus has been on how MNEs understand, and adapt to, the institutional 'rules of the game' in foreign markets to obtain legitimacy in order to survive. Capturing how those institutional rules change over time and the impact thereof on FME choices and performance is one major blind spot of FME research (Xia, Boal & Delios, 2009). An institutional perspective could also be adopted to explore the role of home and host individual agents in minimising institutional distance (Kostova & Roth, 2002). In particular, there is a need for a micro-level research focusing more on how organisational actors make sense of and take FME decisions incorporating the institutional environments of both home and host markets.

Another promising area for future research is concerned with the themes studied in FME research, including the study of FME performance. Great strides have been made to advance our theoretical rationales for FME decisions such the choice between wholly owned and joint subsidiaries or the motivations for firms to engage in FME, whilst there are still relatively fewer studies that have sought to understand the performance implications of FME decisions. Over a decade ago, Peng (2004, p.1000) advocated that 'the big question on the determinants of international firm performance is likely to leverage IB's comparative advantage and propel its research agenda to new heights in the years to come'. Our analysis reveals that we still know very little about the performance implications of FME decisions. More research is needed to understand how FME decisions impact organizational performance. Specifically, although considered a key and complex question, only a small number of studies published on FME performance adopted a multi-theoretical approach. We posit that multi-theoretical approaches are useful in understanding the complex interplay between institutional factors, inter-organizational/network factors, firms' resources, and individual managers' characteristics, particularly to derive a sophisticated understanding of FME performance.

Similarly, although learning and particularly, barriers to learning have become an important part of FME research, scholars continue to examine FME as an irreversible process (e.g., Sharma & Blomstermo, 2003). However, firms may exit a foreign market for various reasons and re-enter them at a later stage (Javalgi, Deligonul, Dixit, and Cavusgil, 2011). Future research examining foreign market re-entry is highly warranted. Finally, given space constraints and focus of the current study, this review does not provide a detailed bibliometric analysis of the FME literature. Future studies using rigorous bibliometric analysis are highly warranted.

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Table 1
Publication patterns of FME studies in top journals (1970-2013)

Period	Generic management journals[a]										IB journals[b]							Overall no. of FME studies/year	Overall no. of studies/year
	Number of FME studies								**FME /Total studies**	**%**	Number of FME studies					**FME /Total studies**	**%**		
	SMJ *1980-*	**JMS** *1964-*	**AMJ** *1958-*	**OS** *1990-*	**OSS** *1980-*	**AMR** *1976-*	**MS** *1955-*	**JM** *1975-*			**JIBS** *1970-*	**MIR** *1960-*	**IBR** *1993-*	**JWB** *1965-*	**JIM** *1998-*				
1970-1979	N/A	1	1	N/A	N/A	1	1	0	**4/2,612**	**0.2**	18	10	N/A	24	N/A	**52/1,177**	**4.4**	56	3,789
1980-1989	5	0	1	N/A	0	0	0	1	**7/3,526**	**0.2**	39	29	N/A	32	N/A	**100/1,079**	**9.3**	107	4,605
1990-1999	21	4	8	4	2	1	6	2	**48/4,451**	**1.1**	71	38	35	36	12	**192/1,209**	**15.9**	240	5,660
2000-2013	47	28	26	10	4	4	5	10	**134/7,842**	**1.7**	139	98	147	70	64	**518/2,909**	**17.8**	652	10,751
Overall no. of FME studies/journal	73	33	36	14	6	6	12	13	**193/18,431**	**1.0**	267	175	182	162	76	**862/6,374**	**13.5**	1,055	24,805

[a]SMJ = Strategic Management Journal; JMS = Journal of Management Studies; AMJ = Academy of Management Journal; OS = Organization Science; OSS = Organization Studies; AMR = Academy of Management Review; MS = Management Science; JM = Journal of Management; [b]JIBS = Journal of International Business Studies; MIR = Management International Review; IBR = International Business Review; JWB = Journal of World Business; JIM = Journal of International Management.
Note: We used Business Source Premier Database to calculate the total number of studies published in each journal.

Table 2
Distribution of broad types of FME articles according to major theoretical perspectives (1970-2013)

Broad type of article	Number of studies per theoretical strand					
	Organisational economics/TCE theories (380)	Uppsala stage theory of internationalisation (118)	RBTs (190)	Institutional theory (106)	Network theories (53)	Real options theory (16)
Empirical	327	105	162	97	49	15
Conceptual	53	13	28	9	4	1

Table 3
General citation structure in FME research

TC	Number of papers	% of papers	TC/Y	Number of papers	% of papers
≥1000 citations	2 papers	0.2%	≥50 C/Y	1 paper	0.1%
≥500 citations	6 papers	0.6%	≥40 C/Y	5 papers	0.5%
≥250 citations	29 papers	2.8%	≥30 C/Y	6 papers	0.6%
≥100 citations	125 papers	12.0%	≥20 C/Y	16 papers	1.5%
≥50 citations	115 papers	11.0%	≥10 C/Y	90 papers	8.5%
≥10 citations	376 papers	36.0%	≥5 C/Y	156 papers	14.8%
≤10 citations	402 papers	38.0%	≤5 C/Y	781 papers	74.0%
of which "no citations"	80 papers	8.0%.	0 C/Y	80 papers	8.0%
Total	1,055 papers		Total	1,055 papers	

Abbreviations: TC, total citations; TC/Y, total citations per year since publication until Sept. 2015
Source: Web of Knowledge

Table 4
Most influential FME studies drawing on major theoretical perspectives (1970-2013)

	Theory	J	TC	Author(s)	Y	TC/Y	Empirical support
1	OLI	JIBS	463	Dunning, J. H.	1998	27.24	Conceptual
2	TCE/Internalisation theory	AMJ	269	Lu, J. W.; Beamish, P. W.	2004	24.45	Partial support
3	Agency theory	JMS	114	Gomez-Mejia, L. R.; Makri, M.; Kintana, M. L.	2010	22.80	No support
4	TCE/Internalisation theory	JIBS	543	Anderson, E.; Gatignon, H.	1986	18.72	Support
5	OLI	JIBS	356	Agarwal, S.; Ramaswami, S. N.	1992	15.48	Support
6	TCE/Internalisation theory	MS	346	Hennart, J.-F.	1991	14.42	Support
7	OLI	JIBS	450	Dunning, J. H.	1980	12.86	Support
8	OLI	SMJ	312	Hill, C. W. L.; Hwang, P.; Kim, W. C.	1990	12.48	Conceptual
9	TCE/Internalisation theory	JIBS	211	Buckley, P. J.	1998	12.41	Conceptual
10	TCE/Internalisation theory	SMJ	205	Hennart, J.-F.; Reddy, S.	1997	11.39	Support
11	Agency theory	JIBS	90	Filatotchev, I.; Strange, R.; Piesse, J.; Yung-Chih, L.	2007	11.25	Support
12	TCE/Internalisation theory	JMS	122	Brouthers, K. D.; Brouthers, L. E.	2003	10.17	Support
13	TCE/Internalisation theory	MS	219	Hennart, J.-F.; Park, Y.-R.	1993	10.00	Support
14	Uppsala theory/Network theory	JIBS	339	Johanson, J.; Vahlne, J.-E.	2009	56.50	Conceptual
15	Uppsala theory	JIBS	1530	Johanson, J.; Vahlne, J.-E.	1977	40.26	Support
16	Uppsala theory	SMJ	472	Barkema, H. G.; Bell, J. H. J.; Pennings, J. M.	1996	24.84	Partial support
17	Uppsala theory	JIBS	344	Eriksson, K.; Johanson, J.; Majkgard, A.; Sharma, D. D.	1997	19.11	No support
18	Uppsala theory/Network theory	MIR	136	Johanson, J.; Vahlne, J.-E.	2006	15.11	Conceptual
19	Uppsala theory	SMJ	167	Delios, A.; Henisz, W. J.	2003	13.92	Partial support
20	Uppsala theory	JMS	541	Johanson, J.; Wiedersheim-Paul, F.	1975	13.53	Support
21	Uppsala theory	JIBS	108	Elango, B.; Pattnaik, C.	2007	13.50	Partial support

Note: We included all studies with >=10 citations per year; Source: Web of Knowledge

Abbreviations: J, journal; TC, total citations since publication; Y, year of publication; TC/Y, total citations per year since publication until Sept. 2015

Table 4
Most influential FME studies drawing on major theoretical perspectives (1970-2013) *continued*

	Theory	J	TC	Author(s)	Y	TC/Y	Empirical support
22	Network theory	IBR	481	Madsen, T. K.; Servais, P.	1997	26.72	Support
23	Network theory	SMJ	137	Li, J. J.; Poppo, L.; Zhou, K. Z.	2008a	19.57	Support
24	Network theory	IBR	219	Sharma, D. D.; Blomstermo, A.	2003	18.25	Support
25	Dynamic capabilities view	AMR	257	Sapienza, H. J.; Autio, E.; George, G.; Zahra, S. A.	2006	28.56	Conceptual
26	Organisational learning theory	AMJ	438	Barkema, H. G.; Vermeulen, F.	1998	25.76	Support
27	RBV, Organisational learning theory	AMJ	371	Hitt, M. A.; Dacin, M. T.; Levitas, E.; Arregle, J.-L.; Borza, A.	2000	24.73	Support
28	Organisational learning theory	AMJ	268	Vermeulen, F.; Barkema, H.	2001	19.14	Support
29	RBV	AMJ	159	Hitt, M. A.; Bierman, L.; Uhlenbruck, K.; Shimizu, K.	2006b	17.67	Conceptual
30	RBV	JIBS	274	Morosini, P.; Shane, S.; Singh, H.	1998	16.12	Support
31	RBV	JIBS	189	Kotabe, M.; Srinivasan, S. S.; Aulakh, P. S.	2002	14.54	Support
32	Institutional theory	JIBS	85	Berry, H.; Guillén, M. F.; Nan, Z.	2010	17.00	Support
33	Institutional theory	JWB	101	Deng, P.	2009	16.83	Support
34	Institutional theory	OS	183	Hitt, M. A.; Ahlstrom, D.; Dacin, M. T.; Levitas, E.; Svobodina, L.	2004	16.64	Support
35	Institutional theory	AMR	203	Xu, D.; Shenkar, O.	2002	15.62	Conceptual
36	Institutional theory	OS	189	Yiu, D.; Makino, S.	2002	14.54	Support
37	Institutional theory	JMS	28	Hoskisson, R. E., Wright, M., Filatotchev, I.; Peng, M. W.	2013	14.00	Conceptual
38	Institutional theory	SMJ	62	Holburn, G. L. F.; Zelner, B. A.	2010	12.40	Support
39	Institutional theory	JMS	121	Meyer, K. E., Nguyen, H. V.	2005a	12.10	Support
40	Institutional theory	IBR	122	Bevan A., Estrin, S., Meyer, K. E.	2004	11.09	Support
41	Real options theory	AMJ	76	Tong, T. W., Reuer, J. J., Peng, M. W.	2008	10.86	Partial support

Note: We included all studies with >=10 citations per year; Source: Web of Knowledge
Abbreviations: J, journal; TC, total citations since publication; Y, year of publication; TC/Y, total citations per year since publication until Sept. 2015

Table 5
Combinations of theoretical perspectives in the FME literature (2000-2013)

	TCE/Internalisation theory/OLI	RBTs	Institutional theory	Uppsala stage theory	Real options theory	Network theory	Other “emergent” theories
TCE/Internalisation theory/OLI	**109**						
RBTs	57	**90**					
Institutional theory	25	17	**47**				
Uppsala stage theory	12	11	2	**42**			
Real options theory	4	1	0	0	**5**		
Network theory	0	0	1	14	0	**15**	
Other “emergent” theories	11	4	2	3	0	0	**20**

[c]Since the majority of papers using network theories address, and aim to overcome, the limitations of the stage model of internationalisation; - it is relatively more challenging to distinguish between single-theory studies and multi-theoretical studies in this case.
Note: Other “emergent” theories can include: Resource dependence theory, Upper echelons theory, Contingency theory, Regionalisation thesis, and emerging market-specific theorisations.

Table 6
Most influential multi-theoretical studies, empirical findings and contributions (2000-2013)

	Theory	J	TC	Author(s)	Y	TC/Y	Key findings/Contributions
1	TCE/Internalisation theory, Institutional theory	JIBS	342	Buckley, P. J.; Clegg, L. J.; Cross, A. R.; Xin, L.; Voss, H.; Ping, Z.	2007	42.75	Cultural proximity may reduce FME transaction costs, whilst institutional network effects are strongly associated with Chinese firms' FME motivations. Institutional networks are proposed as a special ownership advantage of state-owned firms from emerging economies.
2	TCE/Internalisation theory, RBV, Organisational learning theory	AMJ	676	Hitt, M. A.; Hoskisson, R. E.; Kim, H.	1997	37.56	FME is motivated by the need to use resources and capabilities to exploit market imperfections in foreign markets. Over time, high levels of FME are paralleled by increased transaction costs due to high co-ordination costs which can outweigh the benefits derived from learning through FMEs. FME is positively related to performance in highly-product diversified firms.
3	RBV, Institutional theory	SMJ	224	Meyer, K. E.; Estrin, S.; Bhaumik, S. K.; Peng, M. W.	2009	37.33	Institutional and resource effects interact. Stable host environments are associated with FMEM via cross-border acquisitions and greenfield compared to international joint ventures. However, even when host institutions are developed and stable, foreign entrants who need intangible local resources may opt for joint ventures in the presence of product-related inefficiencies in host markets.
4	TCE/Internalisation theory, Institutional theory, Cultural distance theory	JIBS	273	Brouthers, K. D.	2002	21.00	FMEM selection is driven by a combination of transaction cost characteristics, institutional factors (legal restrictions) and cultural factors (investment risk). MNEs perform better when they make FMEM decisions based on transaction cost efficiency criteria (TCE) as well as considering the value enhancement potential of alternative entry modes.
5	Organisational economics theories, RBV, Institutional theory	JIBS	195	Meyer, K. E.; Peng, M. W.	2005	19.50	Transaction costs are moderated by institutional factors and vary less with firm specific characteristics. Indigenous resources may be a source of value creation even in transitioned environments, if reconfigured by the firm. This study gives examples of the advantages and limitations of existing theories in the context of the FME motivations, and FMEM choices of firms entering Central and Eastern European environments.
6	TCE/Internalisation theory, Organisational capabilities theory	SMJ	304	Madhok, A.	1997	16.89	The authors develop a conceptual paper which compares and contrasts FMEM from the TCE/internalisation theory and organizational capabilities perspectives.
7	TCE/Internalisation theory, Cultural theory, Knowledge-based view	SMJ	196	Chang, S.-J.; Rosenzweig, P. M.	2001	14.00	The factors which explain initial FMEM (transaction costs, cultural distance, uncertainty, opportunism) may not explain subsequent FMEM decisions. MNEs gain experience in managing host market affiliates, after which the liability of foreignness can disappear. MNEs were found to make subsequent FME decisions in unrelated lines of business to tap into host country resources (RBTs).

Note: We included all studies with >=10 citations per year; Source: Web of Knowledge
Abbreviations: J, journal; TC, total citations since publication; Y, year of publication; TC/Y, total citations per year since publication until Sept. 2015

Table 6
Most influential multi-theoretical studies, empirical findings and contributions (2000-2013) *continued*

	Theory	J	TC	Author(s)	Y	TC/Y	Empirical support/theoretical contributions
8	TCE/Internalisation theory, Organisational learning theory	AMJ	81	Li, D. A. N.; Eden, L.; Hitt, M. A.; Ireland, R. D.	2008b	11.57	Concerning FMEM, MNEs choose alliance partners by weighing the benefits from smooth knowledge transfer (associated with trust and low information asymmetry) (RBTs) against the risks of technology appropriation and opportunism (TCE). Knowledge gained from partners contributes to firms' efforts to innovate and compete internationally, whilst simultaneously protecting their own knowledge assets.
9	TCE/Internalisation theory, Knowledge-based view	JIBS	134	Martin, X.; Salomon, R.	2003	11.17	Motivations to engage in FME are affected by the replication of (tacit) knowledge in foreign locations, in that firms need to exploit knowledge advantages abroad (TCE). Scholars proposed that, only over time firms learn how to transfer knowledge abroad and become more likely to undertake significant foreign investments (KBV).
10	Organisational economics theories (Hymer; Caves), Institutional theory, RBV	AMJ	150	Isobe, T.; Makino, S.; Montgomery, D. B.	2000	10.00	A firm's degree of commitment to technology transfer (including transfer of tacit knowledge) influences FME timing and performance in emerging market environments (RBV, Institutional theory). Equally, early entrants capture more control in joint ventures and were found to perform better (Organisational economics). These relationships are contingent on the strategic importance of an investment, parental control of a JV, and the availability of supporting local infrastructure.
11	TCE/Internalisation theory, Institutional theory	JIBS	138	Lu, J. W.	2002	10.62	TCE rationales concerning the efficient exploitation of firm advantages in foreign markets are only partly supported. MNEs followed the FMEM decisions of earlier entrants to reduce uncertainty and gain host market legitimacy (Institutional theory).
12	Institutional theory, Organisational learning theory	JM	84	Gaur, A. S.; Lu, J. W.	2007	10.50	A contingency approach is used to test the relationship between FMEM and performance. In institutionally distant countries, subsidiaries are more likely to survive if foreign parents have more ownership (Institutional theory). Host country experience (Organisational learning) had a negative impact on subsidiary survival, but the effect was weaker when foreign parents had larger ownership positions.
13	RBV, Institutional theory	JM	70	Brouthers, K. D.; Brouthers, L. E.; Werner, S.	2008a	10.00	The effectiveness of resources varies cross-nationally. For MNEs with high level of firm specific resources, differences in institutional contexts have little impact on FMEM. The effect of institutional distance was significant for firms with weak firm specific resources which opted for joint ventures when distance was high and wholly owned subsidiaries when distance was low.

Note: We included all studies with >=10 citations per year; Source: Web of Knowledge
Abbreviations: J, journal; TC, total citations since publication; Y, year of publication; TC/Y, total citations per year since publication until Sept. 2015

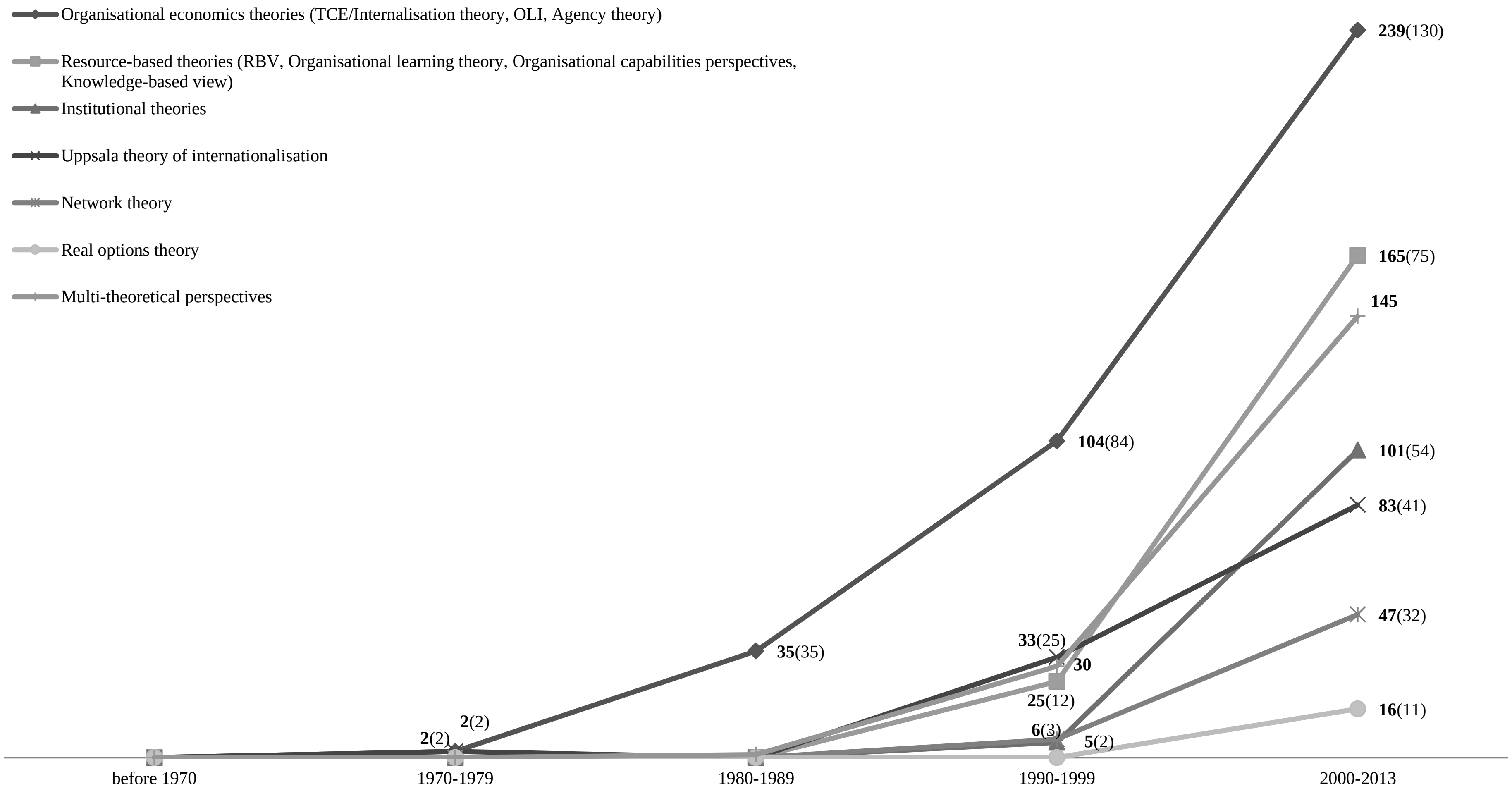

Fig. 1. The theoretical evolution of the FME literature (1970-2013)

Note: The figures in bold represent the total number of papers in which each major theory has been studied –some FME studies are double counted due to authors drawing on two or more theoretical perspectives starting with the 1990s. Between parantheses we captured (the number of single theory studies for each theoretical perspective) (Details on the specific distribution of multi-theoretical studies can be found in *Table 5*).

[i] Given its roots in organisational economics, agency theory has been classified under the organisational economies/TCE umbrella. As applied to FME research, agency theory is concerned with the effect of governance characteristics on the ability of firms to manage information asymmetries and opportunistic behaviour in overseas ventures (see Filatotchev et al., 2007 for a succinct overview of the theory).