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**BACK AGAIN?
THE EFFECTS OF ORGANISATIONAL LEARNING AND
INSTITUTIONAL LEGITIMACY ON
FOREIGN MARKET RE-ENTRY DECISIONS**

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**A thesis submitted in the partial fulfilment of the requirements
for the degree of Doctor of Philosophy**

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DECLARATION

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- AIB UK conference, Birmingham 21-23 March 2013 – "A study on the re-internationalisation phenomenon" [doctoral stream]
- AIB Annual conference, Vancouver 23-26 June 2014 - "The Evolution of Foreign Market Entry Literature: A Systematic Review and Future Directions" [competitive]
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ABSTRACT

This study examines foreign market re-entry after exit, demonstrating with empirical evidence that exit is not an irreversible, win or lose process characterised by location and asset specificity. Organisations repeatedly attempt to return to once failed internationalisation projects. Drawing upon insights from organisational learning and institutional perspectives, this study examines the changes (if any) in commitment mode between exit and re-entry, the timing of re-entry, and whether developed and emerging market re-entrants differ in their re-entry choices. The highlights of this research are as follows; 1) for some re-entrants, re-entry carries with it learning inertia in that (both developed and emerging market) firms tend to re-enter via the same commitment modes in which they were operating prior to exit irrespective of prior knowledge and experience accumulated over time; 2) favourable host institutional changes, in turn, lead to commitment escalation; 3) early re-entries are motivated by the quality of host institutional environments, the choice to imitate the behaviour of other foreign (re)entrants to gain legitimacy, and the re-entrant's strategic intent; and 4) how firms interpret exit plays a key role in their re-entry commitment and timing decisions, together with institutional pressures for legitimacy. Contrary to prior studies on *de novo* foreign market entry, this study proposes that it is not just the experience accumulated over time that influences the effectiveness and applicability of organisational learning. For re-entrants, prior experience does not necessarily lead to learning and more relevant tend to be institutional changes and pressures for legitimacy, how re-entrants interpret the market exit process and the re-entrant's strategic objectives concerning the previously abandoned market. From a practitioner's viewpoint, there may be significant consequences of not being able to transform prior knowledge and experience into learning and routines in the short term, and subsequently, leverage the lessons learned when making re-entry decisions.

INTRODUCTION

News of multinational enterprises (MNEs) expanding their operations into new host markets is increasingly commonplace and an integral part of business press reporting. Foreign market entry is a critical managerial decision that has attracted significant scholarly attention (Brouthers, 2002; Delios and Henisz, 2003; Hennart and Slangen, 2015; Hitt, Hoskisson and Kim, 1997; Hoskisson, Wright, Filatotchev and Peng, 2013; Madhok, 1997; Meyer, Estrin, Bhaumik and Peng, 2009). Extant research on MNEs entering foreign markets have broadly focused on initial or *de novo* market entry by examining, inter alia, the patterns and antecedents of entry mode selection (e.g., Barkema and Vermeulen, 1998; Brouthers, Brouthers and Werner, 2008a; Brouthers, 2013; Chang and Rosenzweig, 2001; Delios and Henisz, 2001; Meyer et al., 2009), motives to enter foreign markets such as learning in the foreign market and/or access to market (e.g., Buckley, Forsans and Munjal, 2012; Chang and Rosenzweig, 2001; Deng, 2009; Nachum and Zaheer, 2005), market entry timing decisions (e.g., Araujo and Rezende, 2003; Gao and Pan, 2010; Isobe, Makino and Montgomery, 2000; Johanson and Vahlne, 1977) and location patterns including the choice between developed and emerging host markets (e.g., Buckley, Devinney and Louviere, 2007a; Hi et al., 2000; Makino, Lau and Yeh, 2002; Rugman, 2005).

Notwithstanding these advancements, scholars have observed that exit is not always permanent (Bonaccorsi, 1992; Chang, 1995; Loustarinen, 1979). Anecdotal evidence reveals numerous cases of firms returning to markets previously exited. Some noteworthy examples include the Fiat brand Alfa Romeo (Italy) recently re-entering South Korea (IHS Global Insight, 2014), the decision of Pepsi Co. (US), Carlsberg Group (Denmark), and Heineken International (Netherlands) to renew their operations in Myanmar (Beverage Daily, 2013; FT, 2014) and fast food chains such as Dunkin' Brands (US) and Wendy's (US) returning to Singapore (World Franchise Associates, 2010). These examples further suggest that foreign market re-entry is also an ongoing phenomenon. What is more, together with developed market multinationals, firms from emerging economies are also making their way back into previously exited markets; examples include Mahindra and Mahindra's (India) recently returning to the UK (2016) and the US (2015), Dusit Hotels and Resorts (Thailand) returning to Myanmar (2015), SABMiller (South Africa) going back to Brazil after a three-year absence (2015), and TATA Motors (India) returning to multiple markets including Russia (2014), Australia (2013), Philippines (2012), UK (2007), Egypt (2006) and Iraq (2004). Though the previous examples highlight the activities of firms that have already re-entered foreign markets, the business press frequently describe firms which are considering and/or planning their 're-entry', such as France's PSA Peugeot Citroën attempting to return to the US car market, - which it exited over two decades ago (FT, 2016). Google is also expected to find its way back to mainland China, five years after shutting down its operations there following disagreements with the local government (Forbes, 2016). The competition in the Indian telecom market is expected to become fiercer as both AT&T (US) and Virgin Media (UK) are planning their second coming into the market (The Times of India, 2016). Nokia (Finland), Sharp (Japan), Toshiba (Japan), Peugeot (France) and Honda Civic (Japan) are also amongst

the firms planning their return into the Indian market (Business Insider 2016; China Post, 2016). A majority of reported re-entry considerations go seemingly unactualized although there is some evidence suggesting that amongst firms which exit foreign markets, a large proportion express intentions to re-enter after a time-out period (cf. Crick, 2004; Freeman, 2007).

This may suggest a number of key differences and difficulties with re-entry decisions compared to initial or *de novo* foreign market entries. A primary difference between *de novo* entry and re-entry decisions is that managers are able to draw from their previous experience in the market. Furthermore, the experience associated with the market exit process may also influence how re-entry is interpreted and what decisions firms make upon re-entry. MNEs tend to re-consider exited markets for various reasons. MNEs tend to exit foreign markets because of lack of necessary resources and capabilities to compete effectively in a foreign market and or because of external socio-political and economic jolts in the host business environment that make the host market unattractive (e.g., Bonaccorsi, 1992; Mellahi, 2003; Pauwels and Matthyssens, 1999; Song, 2013). Firms may have a limited number of resources to compete, thus choosing to re-allocate these in other markets and re-focusing on growth in the home market (Dass, 2000) and return to previously exited foreign markets when more resources are available and or when the host environment is more favourable. In the main, the organisation and its managers may have a relatively negative and/or unsuccessful experience to draw from. Thus, firms leave and subsequently re-enter a foreign market, potentially carrying with them the stigma associated with exit. Whereas the risk mindset associated with *de novo* entry may be one of exploiting potential market opportunities; managers planning a re-entry perhaps operate from a more risk-averse position, orientated toward limiting threats and possibly even recouping previous losses. This distinction may be a critical one, as increased global and industry competition is often cited by business analysts as a key motivation for firms returning to previously exited markets (Forbes, 2016). This means that firms, rather than self-selecting opportunities for growth are instead increasingly forced through competition to review markets they may have previously failed to penetrate. The extent of knowledge and experience that the re-entrant would have accumulated about the host market by operating there and how the exit experience itself is interpreted distinguishes the re-entry process from the initial foreign market entry decision.

Second, re-entrants spend a period of time out between exit and re-entry which may potentially cause a disruption in their ability to learn from prior knowledge and experience. Specifically, the longer re-entrant firms spend out of the market prior to re-entering, the more likely it may be for prior learning and experience - such as knowledge attained from network relationships, understanding of consumer preferences, host market specific knowledge - to have dissipated. Time-out period between exit and re-entry may range between a short re-evaluation of a firm's activities in the host market to a long period of absence that may bring with it organisational forgetfulness, but also changes in the overall goals of the organisation, as well as changes in management attitudes and beliefs towards that market, which, in turn, may lead to voluntarily or involuntarily unlearning prior routines and behaviours. These aspects add complexity to the re-

entry decision as there may be significant variations in how companies withdraw from the host market and approach re-entry. Depending on the duration of the time spent out of the market after the decision to exit, foreign market re-entrants may also be able to recover some of the losses incurred upon market exit such as broken distribution partnerships and abandoned business networks (Belderbos and Zou, 2009). Re-entering a market previously exited adds greater risk and importance to the (re)entry decision than entering a market for the first time, particularly if the host environment which the firm returns to has changed significantly during the time-out period, thus potentially limiting, even more, the exploitation of lessons learned from prior knowledge and experience. This study proposes that for re-entrants, the potential and usefulness of learning from prior experience accumulated in the past may significantly depend on the duration of the time-out period between foreign market exit and re-entry.

Foreign market re-entrants may be subject to the influence of prior international experience as well as potentially newer influences pertaining to the external environment of the firm. Therefore, a third key distinction between *de novo* entry and re-entry decisions is that firms considering re-entry may also be motivated by institutional, competitive and other contextual changes rather than host market stability (Hernandez et al., 2015; Peng, 2003; Xia et al., 2009). This distinction problematises managers' previous experience of the market as the 'rules of the game' may have shifted during the time-out period. In such cases, firms without clear and objective processes to manage the formal planning of re-entry may - potentially - be influenced by the subjective and often outdated experience of managers. In light of these points, the international business discipline has yet to offer specific or general managerial advice with regards to re-entry decisions. This has left organisations seemingly ill-equipped to objectively navigate the process of re-entry, leaving managerial decisions to re-enter vulnerable to be influenced by managerial biases. The combination of increasing pressure to re-enter previously exited markets and a deficit in managerial advice concerning re-entry may be contributing to increased cases of firms' planned, yet unrealised re-entries as reported in the business press in recent years.

Surprisingly, only three studies have investigated specifically why (Javalgi, Deligonul, Dixit and Cavusgil, 2011; Welch and Welch, 2009) and how (Vissak and Francioni, 2013) firms return to previously exited foreign markets. Of these, none offer a rigorous nor robust empirical analysis of re-entry and re-entrants. Although Welch and Welch (2009) provide a definition of foreign market re-entry (which they refer to as *re-internationalisation*) and highlight some key theoretical elements concerning the re-entry phenomenon, such as the time-out period, there is little appreciation as to how time-out may affect market re-entry decisions. In turn, the institutional and contextual changes that may have taken place during the time-out period as well as the effects of the market exit process on re-entry, remain undertheorised in all three studies. Overall, foreign market re-entry is absent from the conversation concerning the effect of organisational prior learning and changes in pressures for institutional legitimacy on firm strategic behaviour.

In view of these limitations, this study contributes to our understanding of re-entry and re-entrants, by exploring three key re-entry decisions, namely **re-entry commitment mode** (compared to the mode prior to exit); **timing of re-entry** to elucidate *why some firms re-enter early versus late*; and **location patterns of re-entrants** *i.e. who re-entrants are (i.e. developed versus emerging market firms) and which host markets they re-enter*. These three market (re)entry decisions are considered amongst the “dilemmas” that challenge internationalising firms (Francis, Zheng and Mukherji, 2009; Huang and Sternquist, 2007; Peng, 2004). In particular, the question of *how* multinational firms expand into foreign markets, *i.e.* the re-entry mode commitment question, has long been considered a critical issue in international business and together with being the most studied aspect of foreign market entry decisions (see Surdu and Mellahi, 2016 for a more recent review), mode of entry has also been viewed as very important for the success and survival of internationalising firms (notably, Brouters, 2002; Anderson and Gatignon, 1986; Hennart, 1991; Hennart and Slangen, 2015; Madhok, 1997; Makino and Neupert, 2000; Root, 1987). Concerning mode of entry commitment decisions, a growing number of studies have observed that past entry mode choices co-determine present ones (Chan and Makino, 2007; Gao and Pan, 2010; Guillén, 2003; Lu, 2002; Padmanabhan and Cho, 1999, Vermeulen and Barkema, 2001; Yiu and Makino, 2002). Even so, little research has been devoted to further understanding *why* it is that firms tend to replicate prior decisions over choosing new modes of entry even when their circumstances may have changed. Thus, market re-entry also provides a novel context in which to revisit the entry mode literature, by examining the foreign market *re*-entry commitment decisions of firms, as re-entrants may opt to return via the same mode of commitment, escalate their commitment in the host market or de-escalate by reducing their commitment upon re-entry into that market.

(Re-)entering a foreign market at the right time is also generally viewed as key to the success of a firm’s international expansion (e.g., Chan et al., 2006; Delios and Henisz, 2003; Gaba, Pan and Ungson, 2002; Murray, Min and Gao, 2012). In the case of re-entry, firms may opt to wait longer prior to returning to the market, and perhaps re-enter as soon as the host economic and or institutional environment has recovered or when the firm is in a stronger position to re-enter. This is particularly important as firms deal with increased uncertainty because, whilst being a first mover in the market may bring significant benefits to successful entrants (Li et al., 2003; Sivakumar, 2002; Tuppura, Saarenketo et al., 2008), pioneering also involves high risks and investment that may not be reaped (Buckley and Casson, 1998; Li, 2003; Murray et al., 2012; Powell, 2014). Some companies remain highly committed to the host market and re-enter within a short period of time in order to capitalise on the host market specific experience and business relationships, as well as to prevent significant loss of staff (e.g., Hadjikhani, 1996). In turn, to re-entrants which spend a longer time out of the exited market, re-entry may, in fact, be perceived more like *de novo* entry due to the changes that may have occurred within the firm and its environment in the time-out period and the potential challenges of relying significantly on learning from experiential knowledge. Since most re-entrants are likely to fall somewhere between these two extremes, the decision concerning how long to wait prior to re-entering a previously exited

foreign market may be significantly more complex and thus the antecedents of re-entry timing are deserving of empirical exploration.

The third aspect of the re-entry decision-making process is concerned specifically with who re-entrants are and what explains their host market location patterns. As firms seek to re-enter foreign markets, they opt for the locations that are perceived as most attractive, whilst at the same time characterised by lower levels of uncertainty (Belderbos et al., 2011; Xia et al., 2008). When firms cannot fully observe and assess the most relevant factors that may affect their performance in a given host market location, and are uncertain as to the advantages of different locations, firms are expected to (re)enter other countries within their region (Rugman, 2005). Furthermore, (re-entrant) firms' resources and adversity to risk are expected to depend on which locations (re)entrants originate from. Developed and emerging market multinationals are suggested to be somehow different in regards to why, how and when they (re)enter foreign markets (Luo and Tung, 2007; Mathews, 2006). More specifically, the emerging nature and transitional characteristics of non-Western markets have led some scholars to suggest that emerging markets possess unique characteristics which should be incorporated into existing foreign market (re)entry literature (Buckley et al., 2012; Child and Rodrigues, 2005; Hoskisson et al., 2000; Meyer and Peng, 2004; Lin, 2010). Since institutions are important influences on business activities (North, 1990), this study also characterises and explores the factors affecting the re-entry decisions of both developed and emerging market re-entrants.

A better understanding of re-entry decisions would, therefore, make an important contribution both academically and practically. This research can address some of the recent calls to revitalise the foreign market entry agenda by looking for instance, beyond the initial foreign market entry decisions of firms (Brouthers, 2013; Buckley, 2002; Hennart and Slangen, 2015; Peng, 2004; Shaver, 2013; Surdu and Mellahi, 2016). What is more, the market entry literature has historically viewed international market entry as a linear, 'either/or' phenomenon of 'either' succeeding and staying 'or' failing and exiting foreign markets. Following this well-established logic, international expansion is broadly a linear and irreversible process, and so foreign firms can only deal with host market uncertainty by exploiting previously accumulated knowledge and experience (Buckley and Casson, 1976). Nevertheless, organisational learning itself may not be a linear, incremental process and the usefulness and relevance of prior learning and experience may, therefore, be questioned in the context of re-entry. Organisational learning should not be viewed as a rational adaptation to changes in the internal or external environment of the firm, nor can it be reduced to cases of individual behaviour. This study proposes that organisational learning has its very own level of complexity which can potentially be better reflected in the foreign market re-entry context as re-entrant firms may need to unlearn previously established practices and routines when re-entering foreign markets following a time-out period. This thesis empirically explores the effect of the different stages of a firm's re-entry process, focusing on initial international experience, exit and time-out - as these may be characterised by a range of organisational lessons and managerial experience that shape re-entry decisions.

In addition, this study models how the contextual environment of re-entrant firms shapes their re-entry commitment decisions. Since host institutions are not stable and tend to change over time (Newman, 2000; Peng, 2003; Xia et al., 2009), such changes in institutional pressures for legitimacy may have occurred in the time-out period between exit and re-entry. Transformations occurring in the national institutional environments of host markets may, in turn, increase the chances of a foreign re-entrant being accepted and gaining legitimacy in the previously exited foreign market. Although institutional changes have been theorised in parallel with institutional pressures (North, 1990; Scott, 2008), the idea that institutions, and thus, pressures for legitimacy can change over time has been overlooked in empirical research. In turn, the tendency of international business scholars to avoid engagement with the role of institutional changes on organisational strategies has been considered to prevent scholars from making significant contributions in this area (Peng, 2003; Xia et al., 2009). Thus, this study also addresses calls for a greater recognition of the role of changes in the institutional environments of firms that may serve as reference points for decision-making together with learning from prior experience (Hoskisson et al., 2000; Xia et al., 2009). By looking at the interaction between past experience and institutional legitimacy as well as changes in institutional pressures for legitimacy, this study may also contribute to the growing conversation on why firms display heterogeneous responses to institutional environments (Kostova, Roth and Dacin, 2008). For re-entrants, changes in institutional pressures for legitimacy may reduce the benefits of learning from experience and even lead to unlearning prior routines and behaviours and adapting to the new pressures for legitimacy. Re-entry is specifically conducive to combining learning and institutional rationales.

Consequently, work which unpacks the market re-entry phenomenon and the factors influencing firms' decisions to do so are of both theoretical as well as practical importance, as firms are increasingly observed to be planning a market re-entry yet not all of them commit to doing so. This may be due to a lack of sound managerial advice and/or objective tools and frameworks designed to assist re-entrants to remove the potential biases of negative prior experience and to appropriately navigate the strategic choices for re-entry. Firms which follow the prescription that foreign market entry is an irreversible process may miss out on potential host market opportunities by not considering re-entry as a viable strategic option or by waiting a very long time to re-enter. Thus, it should be emphasised here the importance for potential re-entrants to assess the contextual influence of the failed attempt and allow for some flexibility in planning international expansion. MNEs that are encouraged by local institutions such as governments, to capitalise on institutional changes are considered more likely to receive support and resources from those institutions (Banalieva, Eddleston and Zellweger, 2015; Meyer et al., 2009; Peng, 2003). In turn, institutional support may decrease the need to possess significant prior market knowledge. For instance, the decision to re-enter via a higher commitment mode may present risks in host environments that have recently transitioned, but may also present benefits for firms to capitalise on growing markets. Case in point, in markets such as South Africa or Myanmar, and more recently Iran, where restrictions were imposed on foreign investment and forced firms

to exit, the lifting of trade barriers represents a seemingly perfect opportunity to overcome adverse market exit experience and achieve early re-entry into largely untapped host markets.

Consequently, re-entry provides a novel context in which to revisit and extend the market entry literature, particularly the theoretical rationale explaining the influence of institutional contexts, including institutional change and organisational knowledge and learning on foreign market commitment, timing and location. By examining re-entry, this thesis depicts the international expansion decision as non-sequential and non-linear and which unfolds over time, through a process of trial, error, endogenous learning, external change, and perhaps even reorganisation. In doing so, this thesis offers the first empirical evidence of foreign market re-entry and re-entrants. Hypotheses are tested using an original and unique database compiled by the author, and consisting of 1,020 foreign market re-entries established by 725 MNEs between 1980 and 2015, originating from 62 home countries and re-entering 101 host countries (developed and emerging markets) and operating in 13 industries (manufacturing and non-manufacturing).

This thesis is divided into seven chapters. *Chapter one* presents the background literature. Given the lack of research on foreign market *re-entry* decisions, the thesis relies on the broader foreign market entry literature, which is an established field of research within international business. A review of the main theories used to explain market entry decisions and how they have evolved over time is followed in *Chapter two* by a conceptualisation of the foreign market re-entry phenomenon. In *Chapter two*, this study highlights the expected similarities between *de novo* entry and re-entry and most importantly, conceptualises the expected differences. Next, *Chapter three* is an overview of the methodology used to study re-entry, including a detailed account of data collection procedures, sample design and the variables used in the empirical sections of the thesis. *Chapter four* addresses how firms re-enter foreign markets; specifically, this chapter examines foreign market re-entry commitment, investigating whether re-entrants alter their commitment or whether they opt for the same modes in which they were operating prior to exit. *Chapter five* focuses on the issue of why some re-entrants take longer to return to previously exited markets than others, which is referred to as re-entry timing. *Chapter six* follows with an exploratory study on the re-entry determinants of developed and emerging market re-entrants. Finally, *Chapter seven* summarises the key findings and contributions of this study to academics and practitioners, sets out limitations and identifies areas for further research.

CHAPTER 1: LITERATURE REVIEW

Introduction

As a phenomenon, foreign market re-entry has been defined as “a process involving a period of international business activity, then exit from international operations, followed by a time-out period of some duration, then a process of international re-entry, concluding with successfully renewed international operations” (Welch and Welch, 2009, p.568). Because there is currently limited empirical evidence on the topic of foreign market re-entry and re-entrants, this review of the literature critically revisits what is known about the foreign market entry decision in general. Whilst there are only three studies investigating specifically the existence of market re-entries and re-entrants, initial or “*de novo*” foreign market entry remains one of the most studied subjects in international business (see Surdu and Mellahi, 2016 for a recent review). Re-entry draws from, and may contribute to the broader foreign market entry literature by revisiting and extending the applicability of extant theories and conceptualisations.

This chapter provides a critical evaluation of research that studies market entry decisions of multinational firms such as foreign entry mode commitment, host location decisions and timing of foreign market entries¹. Although a number of reviews of the foreign market entry literature have been published over the years (e.g., Datta, Herrmann and Rasheed, 2002; Hitt, Tihanyi, Miller and Connelly, 2006; Jormanainen and Koveshnikov, 2012), none has looked at theoretical foundations underpinning the research (for an exception, see Surdu and Mellahi, 2016). In particular, the broader field of the foreign market entry is undergoing a theoretical flourishing, as scholars are drawing on a multitude of theoretical perspectives to examine foreign market entry related decisions, each reflecting differently how foreign market entry phenomena are shaped.

While the analysis of the literature pays special attention to recent work, it includes earlier research that planted the intellectual seeds of the field and laid the theoretical foundations for contemporary foreign market entry studies. Because the literature on the initial foreign market entry decisions of firms is vast, it is interesting to consider how “old/established” foreign market entry theories have been revised, set aside, discarded or superseded by new theories. Furthermore, since the 2000s scholars have started to adopt new theories as well as combine theoretical perspectives to capture the complexity of market entry decisions. What is not clear, however, is whether the integration of multiple and disparate theories is resulting in a further

¹ This review of the literature is part of a larger systematic review of the foreign market entry literature; the methodology employed to select and analyse the articles included in the review is detailed in *Appendix 1*. See full reference: Surdu, I. & Mellahi, K. (2016). “Theoretical foundations of equity based foreign market entry decisions: A review of the literature and recommendations for future research”. *International Business Review*, 25(5): 1169-1184.

fragmentation of research in this area, or if it is providing a better understanding of the phenomenon and exciting directions for future research, such as research in the area of re-entry.

Most importantly therefore, a review of the origins and evolutionary path of theories used to examine initial foreign market entry decisions, would not only discuss the theoretical progress in the field so far, but would strengthen the theoretical arguments about the benefits and drawbacks of the current theoretical diversity, and the ability of traditional theories to explain *re-entry*. Overall, the aim of this critical literature analysis is to provide a research agenda that helps frame the theoretical rationale of re-entry and illustrate how, by investigating re-entry, this thesis can, in turn, add to, and even enrich the broader foreign market entry agenda.

Traditionally, researchers have dealt with the antecedents of market entry decisions, associated with reaping benefits from the exploitation of firm-specific advantages and reducing transaction costs by opting for high levels of commitment in host markets regarded as more attractive and less risky (Brouthers, 2002; Anderson and Gatignon, 1986; Hennart, 1991; Madhok, 1997; Makino and Neupert, 2000). Even though learning about, and dealing with, the environments of different host markets has become an important part of research on foreign market entry, scholars continue to examine initial entry as an irreversible, 'win' or 'lose' process. However, firms may exit a foreign market for various reasons and, at a later stage, engage in potentially high-risk decisions such as returning to previously failed market entry attempts. Whereas initial entrants may make rational choices, re-entrants' behaviour is perhaps not as straightforward, as the latter are also influenced by how they interpret and learn from prior knowledge and experience and potentially adapt to changes in their social and institutional environments.

This next section starts by exploring the main theories that have been used to study market entry related decisions and the key antecedents associated with foreign market entry mode, timing and location choices. The third section examines more recent research on foreign market entry published since the 2000s and includes a succinct overview consisting of the key contributions of those three studies on re-entry. Finally, the fourth section reflects on the previous discussion to develop a research agenda and identify key gaps in existing knowledge, some of which can be addressed by investigating the foreign market re-entry decisions of multinational firms.

Theoretical foundations of foreign market entry research (1970s-1990s)

The 1970s laid the theoretical and conceptual groundwork for foreign market entry research. This decade was dominated by stage theories explaining the episodic nature of the 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 foreign market entry research in over 90 percent of studies published in the 1970s. The two stage theories, namely Vernon's international product life cycle (Vernon, 1966) and the Uppsala stage model of internationalisation (Johanson and Vahlne, 1977), evolved independently of each other because

they dealt with different foreign market entry questions. The product lifecycle theory focuses on the “where” question, i.e. location of production. The model was initially proposed by Vernon (1966) who noted that increased foreign market competition led firms from well-endowed home regions to engage in direct investments (as opposed to exports) to control foreign operations and protect export market shares. In the later stages of the internationalisation process, growing local competition was associated with developed market firms moving production to lower cost locations. The international lifecycle theory was predominantly used to frame the discussion on how the initial foreign market entry decisions (i.e. entry mode choices) of US firms are contingent on the locational characteristics of the host country (e.g., Stopford, 1976).

The second stage theory, the Uppsala model, deals with the process of foreign market entry, from “how” firms should expand internationally to “when” and “where” they should go. Based on evidence from Swedish companies, the stage theory proposed that firms can overcome competitive disadvantages abroad, stemming largely from the liability of foreignness, by experientially learning about the foreign market (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). The main thrust of the Uppsala model of internationalisation, proposed by Johanson and Wiedersheim-Paul (1975) and later Johanson and Vahlne (1977), is that the MNE’s internationalisation process deepens over time as a function of knowledge gained to deal with uncertainties associated with ‘psychic distance’; i.e. with the “factors that make it difficult to understand foreign environments” (for a succinct review of the theory see Johanson and Vahlne, 2009, p. 1412-1413). Indeed, the Uppsala theory was the first theory advocating that foreign market entry mode and entry timing are contingent on the psychic distance between home and host countries and the ability of firms to reduce this distance by specifically acquiring experiential knowledge. There is the implicit assumption here that, over time, this knowledge can be leveraged and transferred to new strategic decisions, resulting in firms engaging in new modes of commitment and new host markets.

In turn, studies drawing on industrial organisation perspectives rest on the assumption that, due to structural market imperfections from barriers to entry and government restrictions over international trade (Dunning and 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 foreign market entry and pre-empt the emergence of local competitors in final product markets (Hymer, 1976). Thus, competing firms were expected to follow one another into foreign markets so that no firm develops superior advantages over the competition (e.g., Knickerbocker, 1973). Drawing on Hymer’s market imperfection hypothesis and the transaction costs economics view (TCE), Buckley and Casson (1976) developed the internalisation thesis which unpacks foreign market entry 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 market entry mode selection. Scholars also began to develop contingency models arguing that the optimal mode of commitment is a function of experience and level of product diversification (Stopford and Wells, 1972) or of the fit between characteristics of the host market and a firm's reservoir of resources and capabilities (Hood and Young, 1979).

Theoretical refinements and supremacy of internalisation/TCE approaches

In the 1980s, the bulk of foreign market entry research continued to focus primarily on *appropriate* entry modes, entry mode decisions, and costs and benefits associated with entering foreign markets (Beamish and Banks, 1987). As firms intensified their international activities, there was a growing recognition of the need for a foreign market entry theory that centres on identifying, for instance, the most appropriate foreign locations or the most efficient foreign market entry modes (Anderson and Gatignon, 1986; Hennart, 1986). The relative number of foreign market entry papers that used the industrial organisation perspective dropped significantly in the 1980s (25 percent, 14 studies). In contrast, studies focusing on organisational economics theories such as internalisation/TCE approaches grew exponentially to about 60 percent (35 studies). In this context, the internalisation theory (Buckley and Casson, 1976) became the theory of choice and the bedrock of foreign market entry research in the 1980s (see also Dunning and Rugman, 1985; Rugman, 1981). Internalisation/TCE logic was expected to help scholars conceptualise the link between transaction costs and foreign market entry decisions. In particular, scholars used the theory to explain entry mode decisions and reduce uncertainties associated with foreign market activities (e.g., Anderson and Gatignon, 1986; Beamish and Banks, 1987). Anderson and Gatignon (1986) drawing on TCE logic posited that the appropriateness of foreign market entry mode choices 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 (1986) proposition that appropriateness of foreign market entry mode is contingent on resource commitment was replicated by several studies in the 1990s (Hill, Hwang and Kim, 1990). Scholars were even proposing theoretical extensions to internalisation theory. Notably, Hisey and Caves (1985) purported that prior international knowledge and experience motivated firms to engage in foreign market entry activities by reducing the transaction costs associated with initial foreign market entry uncertainty. In a similar vein, Hill and Kim (1988) put forward a more dynamic view of internalisation advocating that changes in environmental uncertainty were associated with higher transaction costs which would potentially reduce initial benefits from entering foreign markets through high commitment modes.

Theoretical refinements and extensions of the internalisation theory and dissatisfaction with partial explanations of when, where and how firms engage in foreign activities (Dunning, 1979) also formed the basis for Dunning and colleagues' (1980, 1988) eclectic framework to explain

foreign market entry 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. The eclectic theory - OLI paradigm - invigorated foreign market entry 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. Nigh (1985) argued that the internalisation of political skills by firms was positively associated with protection of non-market know-how and consequently, tend to be an important antecedent of foreign market entry related decisions. Also, when differences between home and host national cultures were significant, MNEs were found to opt for lower commitment in the form of joint ventures to avoid the risks of post-acquisition integration (see Kogut and Singh, 1988).

A steady stream of research in the late 1980s specifically addressed the potential knowledge and revenue gains from commitment modes such as international alliances (e.g., Hennart, 1988; Beamish and Banks, 1987; Beamish and Wang, 1989). Although scholars used organisational economics theories to explain strategic alliances, they highlighted the limitations of theories such as TCE in explaining exchange relationships between partners. Most notably, Beamish and Banks (1987) suggested that internalisation rationales should incorporate the importance of trust and commitment between foreign business partners in overcoming host market uncertainty. Even so, the core thesis across studies drawing on organisational economics theories such as TCE and the OLI paradigm remains that foreign market entry is a function of the characteristics of the transaction and decisions about how or when to first enter foreign markets must be thought of in terms of their ability to minimise costs associated with those transactions.

Theoretically diverse landscape

"Non-traditional" theoretical tenets emerged in the 1990s (see *Figure 1.1*) purporting to explain initial foreign market entry and its impact on performance. Most notable among studies published 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. The need for a unified framework drawing on multiple theories is captured by Hill, Hwang, and Kim's (1990, p.117) description of the state of foreign market entry literature "*unfortunately much of the existing literature on the choice of entry mode focuses in a piece meal fashion on many seemingly unrelated factors... there is a clear need for a unified framework... while transaction cost explanations are of major importance, transaction cost logic alone does not provide all of the answers*". Whereas the internalisation/TCE/OLI perspectives remained prevalent (48 percent, 84 studies), 11 percent of papers published in the 1990s (20 studies) combined them with newly

introduced theories such as RBV (Barney, 1991), organisational learning (Barkema, Bell and Pennings, 1996) and dynamic capabilities (Teece et al., 1997) to shed new lights on market entry (Hitt et al., 1997; Madhok, 1997). Madhok (1997) compared and contrasted market entry 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). Even so, at that point, few studies argued explicitly for the substitution of old perspectives with new theorisations.

The 1990s also witnessed scholarly efforts geared towards extending and refining earlier theories. Amongst established foreign market entry theories, the stage theory of internationalisation, often labelled as the Uppsala model, regained momentum in the 1990s (see *Figure 1.1*). Although it continued to be used as a theoretical basis for some empirical studies published in the 1990s (Johanson and Vahlne, 1990), scholars also illuminated the inherent limitations of the theory, particularly with regards to accurately depicting the timing and sequence of foreign market entries. 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”. Eriksson, Johanson, Majkgard and Sharma in 1997 and later in 2000 revisited key assumptions of the model by “identify(ing) and delineate(ing) components of experiential knowledge in the internationalisation process” (Eriksson et al., 1997, p. 337) and questioning whether and when country-specific experience is applicable to all markets (see also Barkema et al., 1996). O’Grady and Lane (1996) argued that more evidence is needed to illustrate whether operating in familiar environments results in greater learning and subsequently leveraging this learning for further expansion or better foreign market performance.

Amongst what is classified as organisational economics theories, the OLI/eclectic paradigm was increasingly drawn on in the 1990s foreign market entry literature. Building on foundations provided by the eclectic paradigm, Agarwal and Ramaswami (1992) addressed the independent as well as the joint influence of OLI factors on market entry; 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 foreign market entry process. Dunning and Kundu (1995) investigated entry mode selection activities in the hotel industry, concluding that OLI advantages influence entry mode choice in a manner similar to that of manufacturing firms. Brouthers, Brouthers and Werner (1996) studied mode decisions of small- and medium-sized computer software firms, confirming the applicability of the eclectic paradigm to SMEs as well as another service sector. Schroath, Hu and Haiyang (1993), and later Tse, Yigang and Au (1997) tested previous knowledge about the relationship between OLI and foreign market entry, in the context of entry into China. As illustrated later in the chapter (see *Table 1.2a*), studies published in the 1990s

continue to test, occasionally extend, but mostly find support for, the theoretical underpinnings of TCE theories, with little attention directed towards challenging assumptions.

Drawing on emergent management theories

In addition to refining established theories, scholars started drawing significantly on then newly introduced strategic and other management theories, such as the resource-based view (RBV) to examine and theorise initial or *de novo* foreign market entries in the 1990s. In particular, resource-based theories (RBTs) posit that firms compete primarily on capabilities, and that *de novo* market entry decisions are strategic decisions that serve as mechanisms for the creation and transformation of firms' critical resources (14 percent, 25 studies) (Barkema, Shenkar, Vermeulen and Bell, 1997). This marks a shift in focus from transaction cost minimisation to the 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 foreign market entry mode decisions (Barkema and Vermeulen, 1998). Implicit in these assumptions is that foreign market entrants may decide to bear higher transaction costs to develop and enhance valuable resources, because the performance of market entry decisions is mainly driven by the resources and capabilities the firm is able to deploy, acquire or develop in the international market. Although scholars drawing on RBT rationales proposed that firms may bear short-term financial losses in favour of long-term gains in the form of access to unique and superior resources and new markets, only a few studies use resource based rationales to investigate beyond the initial foreign market entry decision.

As scholars began to probe into emerging market contexts, there was also a greater appreciation of understanding the institutional differences between entering advanced versus emerging host 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 and Vahlne, 1977) or cultural distance (Kogut and Singh, 1988). The thrust of this line of research is that institutional environments, namely the regulative institutions, social values, and cognitive structures in society, are likely to impact a firm's initial entry decisions into a foreign host market. In new, emerging market contexts, MNEs were considered less likely to benefit from importing firm-specific organisational practices, requiring an understanding of local organisational behaviours (cf. Zaheer, 1995). Even so, studies drawing on institutional theory to investigate foreign market entry were scarce in the 1990s (only five studies).

Pick and mix approach and theoretical diversity: 2000s

Multi-theoretical approaches gained momentum in the 2000s (27 percent, 145 studies). As presented in *Table 1.1*, 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. Studies using the Uppsala stage theory decreased to 16 percent in the 2000s (83

studies), and over half of these studies used it in combination with other theories (see *Table 1.1*). Although they remain the overriding perspectives for theorising market entry, TCE theories are represented in a smaller percentage of studies in the 2000s (see *Figure 1.1*).

Table 1.1: Combinations of theoretical perspectives in the foreign market entry literature (1970-2013)

	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

Note: Total number of studies (see in bold) is cumulative (includes single and multi-theoretical studies). Some multi-theoretical studies have multiple entrances as they combine more than two theories. 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. Other "emergent" theories can include: Resource dependence theory, Upper echelons theory, Contingency theory, Regionalisation thesis, and emerging market-specific theorisations (the springboard perspective, LLL).

Internalisation, TCE: Framework of debate or dead end?

Scholars continued to draw on internalisation/TCE assumptions to understand initial foreign market entry related decisions. Meyer (2001) explained that, in transition economies of Central and Eastern Europe (CEE), managerial know-how such as tacit knowledge is internalised due to knowledge dissipation risks. Brouthers and Brouthers (2003) drew on TCE's reasoning to further contribute to the debate on whether service and manufacturing firms' foreign market entry modes differ (see Brouthers et al., 2003). Merchant (2005) found that US multinationals' resources are a better fit with a location in developed markets leading to higher venture performance. Maekelburger, Schwens and Kabst (2012) applied TCE core assumptions on asset specificity to explain small and medium-sized enterprises entry modes. Buckley, Forsans and Munjal (2012) argued for adding the role of country-specific network linkages to the eclectic paradigm; noting that, home-host country linkages were important in the decisions of Indian firms to make overseas acquisitions. In addition, scholars tested whether TCE assumptions are applicable to more refined foreign market entry mode decisions. Lou and Tan (2003) find that international alliances contract completeness was suggested to increase transactional performance by reducing the risk of opportunism. Also concerning alliance governance, Dhanaraj and Beamish (2004) suggested that lower level of commitment can equal low levels of transparency and transaction costs and partner opportunism might not be reduced. Commenting on the role of internalisation/TCE theories in investigating foreign market entry related decisions, scholars (Martin and Salomon, 2003; Meyer, 2001) predicted that it will lead to a self-fulfilling prophecy by which the threat of opportunism can increase.

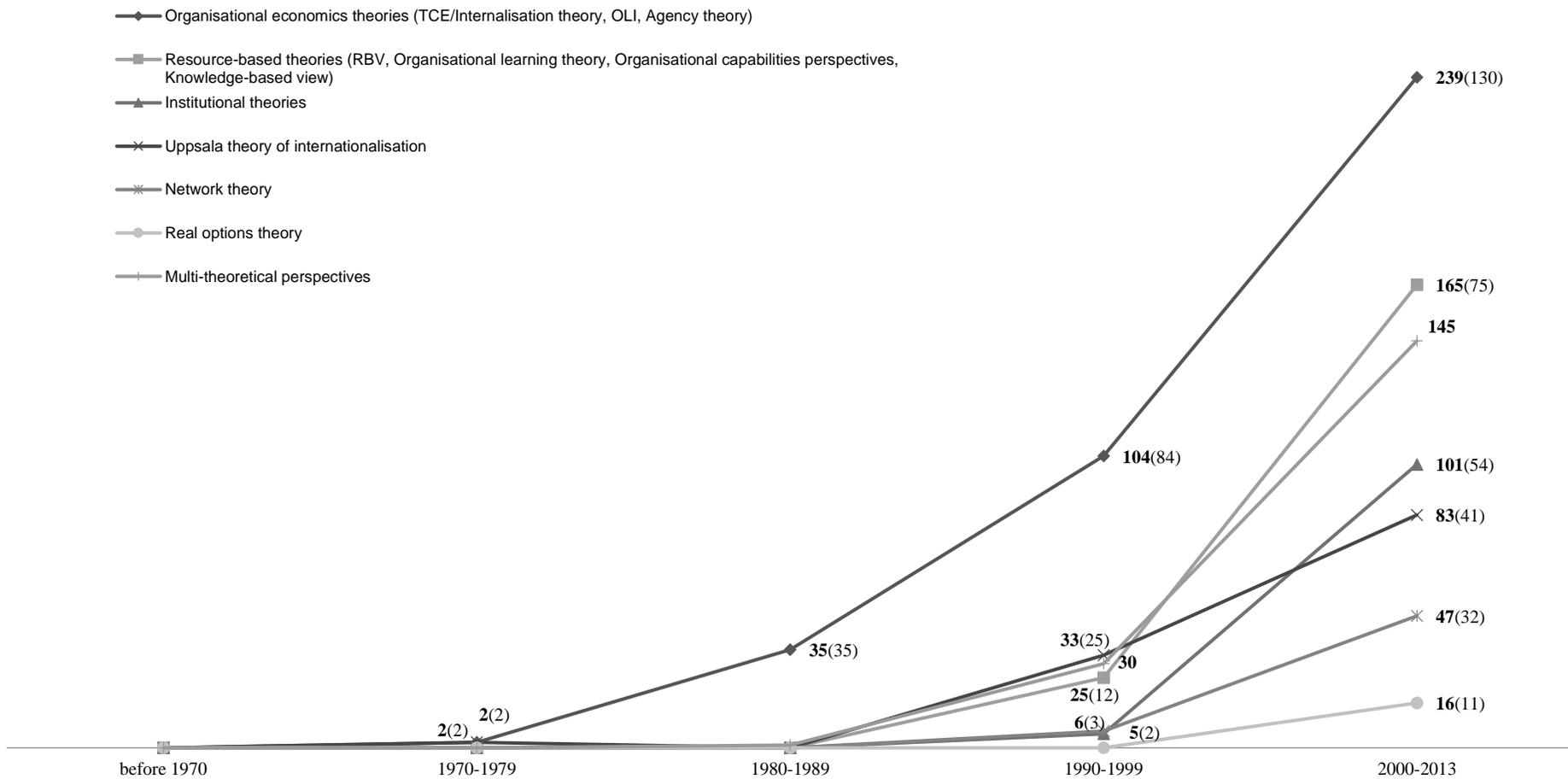


Fig. 1.1: The theoretical evolution of the foreign market entry literature (1970-2013)

Note: The figures in bold represent the total number of papers in which each major theory has been studied – some foreign market entry studies are double counted due to authors drawing on two or more theoretical perspectives starting with the 1990s. Between parentheses I captured the number of single theory studies for each theoretical perspective (Details on the specific distribution of multi-theoretical studies can be found on the previous page in Table 1.1).

Notwithstanding the contribution of TCE and related theories to our understanding of foreign market entry decisions, the findings of these studies do not fundamentally extend or challenge the core assumptions which internalisation/TCE theory rests on. Surprisingly perhaps, thus far, only a few studies have explicitly questioned the applicability of traditional TCE theories. Amongst notable exceptions, we have Luo, Shenkar and Nyaw's (2001) empirical paper on the relationship between level of control and joint venture performance amongst foreign and Chinese parents; noting that, transaction costs analysis is found more applicable to foreign parents but not Chinese parents as the latter did not associate a higher level of control in the venture with joint venture performance (see also Filatotchev et al., 2007). As illustrated in *Table 1.2a*, scholars tend to cite academic papers published in the 1980s or 1990s, whereas recent papers employing transaction TCE theories have not been 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. Most studies are little more than a rehash of old ideas with few new original insights. Based on the analysis of the literature, it is unlikely that a line of research based solely on transaction cost-based rationales would yield significantly new insights into why, how and when firms re-enter foreign host markets.

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

The increased popularity of, and empirical support received by, studies drawing on institutional theory (*Table 1.2b*) has not only led to a re-assessment of the concept of distance between countries (see Berry, Guillén and 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. Foreign market entry scholars proposed institutional theory 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 foreign organisational strategic decisions. Because institutions provide the context in which transactions between firms occur, more studies published in the 2000s sought to combine institutional theory with TCE.

Multi-theoretical studies engaging with a finer grained analysis of foreign market entry recognised that when and how firms initially enter foreign markets is not only different in firm-specific advantages but it may vary with the affiliations of firms with institutional environments (e.g. Brouters, 2013; Luo, 2005; Demirbag, Glaister and Tatoglu, 2007; Isobe et al., 2000; Ma and Delios, 2007; Yiu and Makino, 2002). Consequently, scholars suggested that host markets characterised by institutional pressures tend to influence managers' perceptions of transaction costs and business risks thereby influencing initial entry decisions (Isobe et al., 2000; Meyer and Peng, 2005). Isobe et al. (2000) argued that entry depends not only on the ability of firms to innovate and exploit technological advantages; noting that identifying institutional idiosyncrasies in the host market and securing 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, an MNE's potential to create rent is expected to increase when firms have the ability to manage the pressures posed generally by *host* 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 (e.g., Luo, 2005; Meyer, 2001; Meyer et al., 2009; Yiu and 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. In underdeveloped institutional environments, it was suggested that host market institutional frameworks shaped transaction costs, business risks and executive perceptions of stability, thereby influencing the choice of initial mode of entry (Demirbag, Tatoglu and Glaister, 2008). For instance, foreign entry mode 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 (see Meyer, 2001). Meyer (2001) found that firms entering emerging (Eastern European) markets internalised only managerial knowledge via wholly owned subsidiaries, whereas all modes were suitable for transferring technological knowledge, due to the availability of technological skills in the region. Ma and Delios (2007) found that the variance in sub-national institutional environments may also affect initial entry mode choices, in that government agencies administrating foreign investment into China influenced transactions in political orientated locations (i.e. Beijing), leading to underperforming joint ventures, compared with locations where liberalisation had strengthened market mechanisms and reduced the need for local partnerships.

In addressing how institutional uncertainties may be overcome, scholars suggested that larger firms have higher bargaining power over host institutions (Gaba et al., 2002); imitating the entry decisions of earlier entrants tends to reduce uncertainty (Ma and Delios, 2007; Yiu and Makino, 2002); whilst designing more complete contractual arrangements, accounting for unanticipated contingencies and their management was expected to lower transaction costs and enhance performance in uncertain environments (Luo, 2005). *Appendix 2* lists the most influential multi-theoretical studies on initial foreign market entry and their current impact to this area of research.

The aforementioned studies extend transaction cost rationales by adding factors associated with the host market institutional contexts which multinational firms are entering for the first time. However, if combining transaction cost and institutional rationales is the way forward, perhaps more focus should now be on a longer term view concerning how the institutional environments of host markets (and their subsequent evolution) may influence the ability of firms to exploit their pre-existing competitive advantages post initial market entry.

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

Studies using stage theory focus on its limitations and the relevance of the theory. Specifically, it is advocated that, given the decreased relevance of geographic distance because of the information revolution and rapid dispersion of technology, the foreign market entry 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 foreign market entry by adapting the timing of entry to changing market environments. Several studies highlighted the theory's simplistic approach to learning (Delios and Henisz, 2003; Forsgren, 2002). 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 market entry 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 and Henisz, 2003).

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 firm and individual networks and business relationships (see also Johanson and 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 and Blomstermo, 2003). In their study, Johanson and Johanson (2006) recognised that knowledge about host markets is not always a precondition for market entry in that firms tend to make new knowledge discoveries throughout the market entry process, particularly in transition economies characterised by high uncertainty.

Amongst the most notable foreign market entry papers drawing on the Uppsala stage theory of internationalisation, most studies (e.g., Delios and Henisz, 2003; Elango and Pattnaik, 2007) provide partial or no empirical support for its original theoretical assumptions (see *Table 1.2a*). In turn, the relative decline in the proportion of studies using the stages theory of internationalisation is paralleled by an increase in the use of network theory in international business research (see Parkhe, Wasserman and Ralston, 2006) from six studies in the 1990s to almost nine percent of studies in the 2000s (47 studies) (*Figure 1.1*). Broadly, network theory proponents argued that the costs and constraints associated with initial market entry and lack of experiential knowledge could be overcome and/or reduced through becoming embedded in partner networks (Lu and Beamish, 2001). More recent studies also debate the role of network tie utilisation in overcoming uncertainty associated with entering 'non-traditional', emerging host market contexts for the first time (e.g., Li, Poppo and Zhou, 2008a). Additionally, emerging market firms are considered to be particularly highly motivated to use business (and or institutional) networks to acquire (scarce) resources necessary for starting their international expansion, such as knowledge and financial capital (Elango and Pattnaik, 2007).

'Emergent' strategy theories: Resource-based theories (RBTs)

Scholars drew extensively on the RBV and related perspectives in the 2000s. The idea that the value of foreign market entry related decisions is contingent on the firm's reservoir of resources and capabilities became well established. Resource-based proponents conceptualised foreign market entry decisions in terms of their potential to deploy and or augment the resource base of the firm in foreign markets (Cuervo-Cazurra, Maloney and Manrakhan, 2007; Hitt, Bierman, Uhlenbruck and Shimizu, 2006b; Sapienza et al., 2006). For instance, Hitt et al (2000) and later Meyer et al (2009) found that the capabilities firms sought to leverage, the need to access complementary resources and learn from local partners drove multinational firms to increasingly engage in international joint ventures. Concerning 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 market opportunities (Cuervo-Cazurra et al., 2007). Meyer et al. (2009, p.571) (re) conceptualise the foreign market entry mode 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 1.2b*, notable empirical studies drawing on RBTs provide support for the theoretical assumptions of these theories.

A significant strand of the RBT literature considered the influence of resources and capabilities on the performance implications of foreign market entry such as market entry timing (Barkema and Drogendijk, 2007), international alliance formation (Lavie and Miller, 2008); and international acquisition decisions (Vermeulen and Barkema, 2001). The potential to support intangible resources such as knowledge, experience and learning in different international markets became important in studies published in the 2000s (notably, Vermeulen and Barkema, 2001).

Indeed, in comparison to the 1990s, there is a growing emphasis on MNEs' abilities to attain and deploy new knowledge, experience and various other resources in foreign host markets. RBT scholars advocate that because firms are endowed with different levels and types of resources, their ability to increase performance through market entry differs 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 (see also Fang and Zou, 2009). Hitt et al. (2006b) added that intangible resources such as human and relational capital have been associated with foreign market entry performance for professional service firms. Also, whereas previous studies (e.g., Johanson and Vahlne, 2003) recognised knowledge as an important part of the foreign market entry process; they often referred to it as 'generic' knowledge about the host market. Barkema and Drogendijk (2007) proposed that successful companies tend to balance short-term knowledge exploitation with new host market exploration to enhance future growth. Gao, Pan, Lu and Tao (2008) explored the different types of knowledge and experience resources motivating US firms to enter emerging markets such as China.

In the 2000s, there was a growing recognition that firms need to balance the exploitation of existing knowledge with an exploration of new knowledge in foreign markets to enhance their performance. Here, scholars argued that whilst concerns of opportunism, risks and cultural distance are relevant in the initial market entry stages when firms followed a dynamic entry process of accumulating and adapting knowledge; those factors were less likely to affect them (Chang and Rosenzweig, 2001). Given the growth in popularity of RBTs, scholars combine them with traditional, TCE and related theories, in around 40 percent of multi-theoretical studies published in the 2000s (*Table 1.1*). Amongst proponents of multi-theoretical approaches, some also emphasised that the relevance and importance of resources may be contingent upon formal and/or informal host institutions (Brouthers et al., 2008a; Gaur and Lu, 2007; Meyer et al., 2009).

Table 1.2a: Most influential foreign market entry studies (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	TCE/Internalisation theory	JIBS	543	Anderson, E.; Gatignon, H.	1986	18.72	Supported
4	OLI	JIBS	356	Agarwal, S.; Ramaswami, S. N.	1992	15.48	Supported
5	TCE/Internalisation theory	MS	346	Hennart, J.-F.	1991	14.42	Supported
6	OLI	JIBS	450	Dunning, J. H.	1980	12.86	Supported
7	OLI	SMJ	312	Hill, C. W. L.; Hwang, P.; Kim, W. C.	1990	12.48	Conceptual
8	TCE/Internalisation theory	JIBS	211	Buckley, P. J.; Casson, M. C.	1998	12.41	Conceptual
9	TCE/Internalisation theory	SMJ	205	Hennart, J.-F.; Reddy, S.	1997	11.39	Supported
10	Agency theory	JIBS	90	Filatotchev, I.; Strange, R.; Piesse, J.; Yung-Chih, L.	2007	11.25	Supported
11	TCE/Internalisation theory	JMS	122	Brouthers, K. D.; Brouthers, L. E.	2003	10.17	Supported
12	TCE/Internalisation theory	MS	219	Hennart, J.-F.; Park, Y.-R.	1993	10.00	Supported
13	Uppsala theory/Network theory	JIBS	339	Johanson, J.; Vahlne, J.-E.	2009	56.50	Conceptual
14	Uppsala theory	JIBS	1530	Johanson, J.; Vahlne, J.-E.	1977	40.26	Supported
15	Uppsala theory	SMJ	472	Barkema, H. G.; Bell, J. H. J.; Pennings, J. M.	1996	24.84	Partial support
16	Uppsala theory	JIBS	344	Eriksson, K.; Johanson, J.; Majkgard, A.; Sharma, D. D.	1997	19.11	No support
17	Uppsala theory/Network theory	MIR	136	Johanson, J.; Vahlne, J.-E.	2006	15.11	Conceptual
18	Uppsala theory	SMJ	167	Delios, A.; Henisz, W. J.	2003	13.92	Partial support
19	Uppsala theory	JMS	541	Johanson, J.; Wiedersheim-Paul, F.	1975	13.53	Supported
20	Uppsala theory	JIBS	108	Elango, B.; Pattnaik, C.	2007	13.50	Partial support

Note: I 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 1.2b: Most influential foreign market entry studies (1970-2013)

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

Note: I 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

Combining transaction-, and resource-based theories: Inseparable considerations of risk, commitment and firm capabilities

Critics of internalisation/TCE theories also advocate that these theories conceptualise foreign market entry decisions as static, disregarding the dynamic characteristics of firm resources (Fang and Zou, 2009). Given this important limitation, scholars advocate that combining the internalisation/TCE logic with RBV would lead to more encompassing explanations of foreign market entry decisions than either theory individually (Chang and Rosenzweig, 2001; Li, Eden, Hitt and Ireland, 2008b). The core assumption here is that typically managers are expected to make foreign market entry decisions based on inseparable considerations of risk and control (TCE) as well as firm capabilities (RBTs) in that, intangible firm capabilities (such as knowledge and experience) can influence perceived host market costs thereby affecting firm motivation to

engage in initial foreign market entry. For instance, a notable study by Chang and Rosenzweig (2001) suggested 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 advantage.

The view, informed by internalisation theory, that knowledge assets have the potential to support foreign market entry 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 positively influence subsequent foreign market entries (e.g., Martin and Salomon, 2003; Xia et al., 2009). In summarising these views, Pitelis (2007) proposed that a more dynamic and forward-looking strategy theory could be developed by investigating 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 (see Pitelis, 2007). In a recent paper, Teece (2014) reinforces this idea that combining TCE theories and resource-based perspectives such as organisational learning and or 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. New ideas are emerging concerning how initial 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 subsequent entries and performance both in that specific host market and internationally.

TCE and RBT perspectives are also combined to attain a more nuanced understanding of the various challenges and rewards associated specifically with different commitment modes. The limited predictability of the TCE logic is further extended to argue that over time, as MNEs accumulate experience, the value of partnering may diminish and as firms become self-sufficient, they may opt for more integrated modes of entry into foreign markets (c.f. Jung, Beamish and Goerzen, 2008). Thus, foreign market entry mode 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 and Salomon, 2003). MNEs can choose entry mode 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. For instance, Meyer and Estrin (2001) found that the optimal foreign market entry mode 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). Overall, 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.

Combining resource-based rationales with institutional theory: Resource-based advantages in an institutional context

Amongst multi-theoretical foreign market entry studies published in the 2000s, around 12 percent 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/host country institutional environments are key determinants of firm resources, strategy and structure (e.g., Brouthers et al., 2008a; Buckley, Clegg, Cross, Liu, Voss, and Zheng, 2007b). Consequently, scholars such as Brouthers et al. (2008a, p. 189) proposed explicitly 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" (see also Xu and Shenkar, 2002).

Particularly for emerging market firms, research postulates that surrounding domestic cultural and social environments imprint on their international strategies (Liu, Li and Xue, 2011). Resource-based rationales were extended with the institutional view to explain that emerging market MNEs internationalised to acquire new resources that were not available in their home institutional environments (c.f. Wan, 2005; Wang, Hong, Kafouros and Boateng, 2012). For instance, empirical studies on Chinese MNEs pointed to a relationship between institutional legacies and the dynamic capabilities of management, such as strategy flexibility and political awareness in facilitating the pursuit of international strategies (e.g. Buckley, Clegg et al., 2007b; Yiu et al., 2007). Buckley, Clegg 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 market entries. Despite lacking the knowledge and experience of developed market multinationals, emerging market firms were subject to home government intervention which was expected to increase the likelihood of their engagement in international expansion (e.g. Wang et al, 2012). Interestingly, as MNEs accumulate experience of operating in institutionally distant environments, the impact of contextual factors is hypothesised to differ between first and subsequent entries (Contractor, 2007; Estrin, Baghdasaryan and Meyer, 2009).

A line of research combining resource and institutional rationales suggests that the perspective whereby resources are independent of the context to which they are employed, put forward by organisational economics proponents is likely to be flawed. *Table 1.6 in Appendix 2* summarises the multi-theoretical studies that have received most academic attention in the international business and management literature. Scholars synthesised RBTs such as organisational learning view and DCs, with institutional theory to explain that in the initial entry stage, foreign entry commitment modes tend to vary in their implications for performance depending on the institutional distance between home and host markets (Contractor, 2007; Gaur and Lu, 2007).

Over time, despite experiencing periods of uncertainty and even decline, resources such as multinational flexibility (Chung and Beamish, 2005) were hypothesised to enable MNEs to re-adapt to their external environments, leading to higher survival likelihood in institutionally distant markets. Broadly, scholars agree that, as opposed to research that studies either institutional theory or RBTs, combining them facilitates an understanding of how resource effectiveness varies cross-nationally, potentially also influencing the performance outcomes of foreign market entry (Brouthers et al., 2008b; Yiu, Lau and Bruton, 2007; Xu and Shenkar, 2002).

Extant conceptualisations of foreign market 're-entry'

As mentioned previously, the review of extant literature revealed that only three studies have examined the decision to re-enter a foreign market after initial entry and exit. A brief overview of this (so far) small body of literature is considered useful to highlight the contribution of this current study. Welch and Welch's (2009) theoretical paper calls for research on re-entry or 're-internationalisation' by stating that, amongst firms which have exited foreign markets, some re-engage in those markets after a period of time-out. Whilst the authors do not engage with any one theoretical perspective to conceptualise re-entry, the paper emphasises the time-out period between exit and re-entry and how internal changes that may have occurred during time-out may influence a firm's decision to re-enter the exited market. Furthermore, their study proposes that the international heritage of re-entrants, - consisting of their experience of having previously operated in the host market, prior networks and business relationships -, distinguishes them from *de novo* foreign market entrants. Although Welch and Welch (2009) point towards some key theoretical elements concerning the re-entry phenomenon, such as the time-out period, there is little appreciation as to how the duration of the time-out period may affect re-entry. In turn, the institutional and contextual changes that may have taken place during the time-out period as well as the effects of the market exit process on re-entry, remain undertheorised.

In their study on foreign market re-entry, Javalgi et al. (2011) also expect there to be significant differences between initial entrants and re-entrants due to the latter having already acquired experience with operating in the market prior to exiting. The authors focus more on the motives firms have to return to previously exited markets such as the need to increase their international presence as well as the removal of host market barriers, thereby conceptualising re-entry as a function of the degree of risk (which varies according to the degree of prior experience) and host market attractiveness. Compared to the previous study, Javalgi et al. (2011) provide some limited empirical evidence of re-entrants by listing thirty examples of companies that have exited and re-entered foreign markets between the 1920s and 2005, in some cases also capturing their modes of commitment at re-entry. In turn, the third and most recent study by Vissak and Francioni (2013) used some of the rationales put forward by Welch and Welch (2009) and Javalgi et al. (2011) and discussed the motivations to re-enter and the multiple exit and re-entry events of MVM, an Italian medium size firm. In using this case example, Vissak and Francioni (2013) provide a

passing critique of the Uppsala stage model of internationalisation by emphasising that firms' international expansion processes do not always occur in stages as firms may also exit and re-enter foreign markets. Although these three studies engage, to some degree, with concepts such as experience, knowledge and organisational learning, they do not provide the theoretical lens(es) from which we can draw in order to examine re-entry phenomena.

Summary and research agenda

This review mapped out the conceptual landscape of foreign market entry and re-entry research and provided an overall trajectory of how the field has evolved over time. The systematic review of the literature facilitates an assessment of the relevance and potential of the theoretical perspectives to contribute to our understanding of foreign market *re*-entry. Perhaps surprisingly, internalisation/TCE rationales remain the most drawn on theoretical perspectives. Furthermore, although some scholars have made some initial steps towards theorising market re-entry after exit (Francioni and Vissak, 2013; Javalgi et al., 2011; Welch and Welch, 2009), the analysis revealed that the empirical literature has, thus far, focused almost exclusively on initial entry. Thus, contributions to this body of literature can be made both theoretically and in regards to the topics studied to gain a more updated understanding of the international activities of firms.

Theoretically, the literature analysis shows that studies that deal with the tensions between traditional and dominant market entry theories such as TCE and other perspectives are under-represented. This is perhaps intertwined with the rarity of warring camps and rifts in the foreign market entry scholarly community. Hence, market entry research is geared overwhelmingly towards *applying* theories and perhaps unsurprisingly, the assessment of recent studies drawing on internalisation/TCE perspectives suggests that they are little more than a rehash of past work, with a few original contributions to this literature. Most of the big questions associated with TCE rationales were tackled in the 1970s and 1980s and it is unlikely that significant new insights will emerge from this line of research in the future. Thus, it is possible to seriously question the ability of TCE theories to help understand foreign market *re-entry* phenomena.

Similarly, the Uppsala theory has been a key theory within foreign market entry research and even mentioned in discussions concerning re-entry (e.g., Vissak and Francioni, 2013) as it 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 (Johanson and Vahlne, 1990). In turn, recent studies have concentrated on expanding the explanatory power of the theory by adding a new set of explanatory variables and relationships such as speed of internationalisation, psychic distance and learning capacity of the MNE (Casillas, Barbero and Sapienza, 2015; Sharma and Blomstermo, 2003). Interestingly, the stage theory of internationalisation is potentially the only dominant market entry theory that has been

put to stringent tests of appropriateness. Although the stage theory emphasises the role of learning from experience on market entry related decisions (concepts exported to other theoretical perspectives, i.e. RBV, organisational learning), what drives firms to move from one internationalisation stage to another has not been tackled in the literature. The Uppsala theory assumes that firms internationalise by following iterative cycles of experiential learning and subsequent commitment escalation. However, as firms progress in their international operations, commitment can decrease as well as increase, an idea that has not really been explored (for an exception, see Santangelo and Meyer, 2011; Vissak and Francioni, 2013). In the case of foreign market re-entry, what happens in the time-out period may be relevant to re-entrants. Specifically, the exploitation of knowledge and experience accumulated in the past may be moderated by changes that may have occurred in the institutional environments of re-entrants during that time-out period. Thus, the Uppsala stage model, at it is currently applied to explicate initial market entry, may also not bring significant insights to the market *re-entry* phenomenon.

While the early foreign market entry 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 small proportion of the foreign market entry literature. Studies drawing on RBT perspectives view the MNE as the primary unit of analysis and focus on its unique bundle of resources and capabilities. 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 market entry choices enhances firm performance. Amongst RBT proponents, organisational learning proponents tend to emphasise the role of knowledge resources, by focusing not only on experiential knowledge but also on the roles of acquiring general knowledge about operating internationally and experience or knowledge with certain types of decisions, i.e. entry mode experience (Chang and Rosenzweig, 2001; Xia et al., 2009).

Interestingly, in spite of the large number of “competing” theories used to frame foreign market entry research, scholars are beginning to accentuate the complementarity of theories in multi-theoretical frameworks. 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 market entries. Scholars adhering to this rationale have suggested that, by making market entry decisions that fit the organisational capabilities and goals of the firm as well as environmental contingencies and pressures for legitimacy, transactional hazards associated with entry into emerging markets can be mitigated (Brouthers et al., 2008a; Henisz, 2003). Some scholars, although fewer at this point, focused specifically on combining emergent perspectives i.e. RBTs and institution-based perspectives to test how contingencies arising particularly from uncertain home and or host market institutions influence the ability of

internationalisers to attain new resources and capabilities successfully (notably, Brouthers et al., 2008a). This stream of research addresses, in part, the need to incorporate more contextual variables in the theoretical reasoning of RBTs (Meyer and 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 foreign market entry together with firm resources such as knowledge and experience. The next step here would be to develop frameworks that examine the simultaneous interaction between macro institutional and firm level - RBT- level factors. Thus far, attempts at integrating the two perspectives have shown significant effects for the inter-relationship between institutional pressures and firm resources and capabilities such as prior learning and experience on *de novo* foreign market entry decisions (see Brouthers et al., 2008a; Li et al., 2007; Xia et al., 2009).

In regards to the themes studied in the market entry literature, in recent years, scholars have called for more research to advance theorisations regarding what occurs following the initial entry decision, highlighting that the IB agenda seems to be running out of steam (Buckley, 2002; Hennart and Slangen, 2015; Surdu and Mellahi, 2016) and falling behind issues that are of importance to business practitioners (Javalgi et al., 2011; Welch and Welch, 2009; Xia et al., 2009). Particularly, some studies have observed strong effects of cumulative entry mode experience on the type and pace of sequential entry mode decisions confirming that past entry mode choices may co-determine present ones (e.g., Chan and Makino, 2007; Gao and Pan, 2010; Guillén, 2003; Lu, 2002; Padmanabhan and Cho, 1999, Vermeulen and Barkema, 2001; Yiu and Makino, 2002). Even so, little research has been devoted to understanding whether and why firms replicate prior decisions even when their internal and or external, institutional circumstances have changed. Scholars continue to examine market entry as a linear, often irreversible process. In fact, firms exit foreign markets for various reasons and re-enter at a later stage potentially employing strategies that are different from those employed by initial entrants.

This means that some relevant empirical phenomena such as re-entry may have escaped research attention because they do not fit perfectly within any of the current single theoretical frameworks, particularly theories based on transaction cost rationales which focus primarily on individual transactions and economic exchanges between firms. For re-entrants, transaction costs and perceived uncertainty are likely to be already high given that these firms have once unsuccessfully pursued entry into the market. Following a costs based logic, re-entrants are less likely to possess, and thus internalise the resource advantages necessary to do well in the host market (following their initial 'failed attempt'), in which case re-entrants would internationalise generally through lower resource commitment modes such as exports. However, firms re-enter via commitment modes such as joint ventures and acquisitions (Javalgi et al., 2011). When investigating decisions post initial market entry, it is perhaps necessary to consider the effect of prior experience (organisational learning) as well as the social view of firms (institutional theory) which is not static and evolves over time (Martinez and Dacin, 1999). For firms operating in

transitional environments, the initial market entry strategy may be revisited in order to alter it and potentially address the changing pressures for legitimacy in those markets.

Since the losses that firms may incur from changes in host institutions are believed to be significant, the stability of institutions over time is also flagged as important (Li et al., 2007; Xia et al., 2009). Institutional theory was brought in primarily to capture the influence of institutional factors in emerging economies and highlight the impact of institutional distance on market entry choices and performance. To make theoretical progress in this area, we must tackle more nuanced questions, such as regarding what may prevent firms from responding to changes in institutions. This is important because, whilst in markets characterised by stable institutional environments, the foreign firm would be aware of host institutional conditions and negotiate its market (re)entry accordingly, when institutions change, there may be new forces influencing a foreign (re)entrant's ability to learn and subsequently utilise its prior knowledge and experience.

In sum, this chapter critically examined the theoretical evolution of the market entry and re-entry literatures highlighting that traditional theoretical perspectives developed in the 1970s continue to dominate the market entry literature, whilst studies drawing on newer perspectives represent a relatively smaller proportion of this body of research. Furthermore, this literature review noted that only three studies discuss foreign market re-entry without presenting significant empirical evidence regarding the re-entry phenomenon. Based on the results of the review - particularly concerning the growing legitimacy of multi-theoretical studies in the market entry literature - in this next chapter, I extend and integrate current organisational learning and institutional theory rationales to conceptualise the foreign market *re*-entry after initial entry and exit. Following from this systematic overview of the market entry literature, the conceptualisation of the re-entry phenomenon revolves around the similarities and more interestingly perhaps, the expected differences between '*initial*' or '*de novo*' market entry and *re-entry*.

CHAPTER 2: CONCEPTUAL DEVELOPMENT

Introduction

In the previous chapter, I illustrated that foreign market re-entry remains an understudied, and thus, theoretically overlooked area in strategy and international business. Most of the extant research focuses on initial or *de novo* foreign market entry and depicts firm behaviour as rational and typically economic driven. As also illustrated in *Chapter 1*, many empirical studies that draw on theories such as TCE build on the economic perspective that first identifies the resources firms need to obtain an advantage over competitors and then concludes in the most effective manner to structure the subsidiary (through the choice of entry mode) in order to reduce transaction costs. Such studies that view market entry as mostly driven by the costs and benefits of exploiting firm-specific advantages whilst simultaneously reducing transaction costs, are increasingly criticised (Chang and Rosenzweig, 2001; Fang and Zou, 2009; Martin and Solomon, 2003; Pitelis, 2007; Surdu and Mellahi, 2016; Teece, 2014; Xia et al., 2009).

This chapter proposes that, although MNEs make rational choices, their *re-entry* behaviour may not be as straightforward; thus, theorisations that have gained most acceptance in the market entry literature (i.e. TCE) alone may have little scope for the behavioural and sociological explanations that underlie foreign market re-entry phenomena.

Specifically, this chapter discusses the similarities and differences between *de novo* entry and re-entry from an organisational learning and institutional legitimacy perspectives. In particular, organisational learning has been broadly understood as a cognitive process of incrementally accumulating knowledge over time, in order to learn to detect and correct organisational errors, which in turn, is transformed into organisational routines that are associated with superior strategic decisions (Cyert and March 1963; Feldman and Rafaeli, 2002; Feldman, 2003; Feldman and Pentland, 2003; Gavetti and Levinthal, 2000; Levitt and March, 1988). This has been its interpretation and application in the market entry literature as well (e.g., Autio, Sapienza and Almeida, 2000; Barkema et al., 1996; Brouthers et al., 2008a; Eriksson et al., 1997; Johanson and Vahlne, 1977; Xia et al., 2009). This chapter builds on the logic that one should study organisational learning not only as a linear, sequential process - whereby the firm accumulates knowledge and experience over time which is then transferred to subsequent re-entry decisions - but by also examining the factors that influence the value derived from applying the same knowledge and routines to new situations, and the possibility of organisational forgetfulness or unlearning. It also highlights that whilst institutional development in a country is indeed important, over time institutions may change and affect the ability of firms to learn from and successfully apply past knowledge and experience to new decisions.

Whilst this chapter conceptualises the expected similarities between initial entry and re-entry, it focuses predominantly on the differences between the two phenomena. Because *re-entry* is, at least to some extent, related to *de novo* entry, I consider it appropriate to assume that *de novo* entry offers a partial explanation for re-entry. However, other factors may play a more crucial role in understanding the decision to return to a foreign market after initial entry and exit. Specifically, three key aspects may potentially differentiate the re-entry process from the initial market entry, namely, the *nature of market exit motivations*, *the duration of the time-out period* and *potential host institutional changes that may have occurred* during the time-out period between exit and re-entry. Thus, it may also be appropriate to consider whether differences exist in how firms make *re-entry* decisions as a result of learning from (or unlearning) prior experience, and of responding to potential (changes in) legitimacy pressures from their institutional environments.

This chapter is structured as follows; the first section outlines the boundaries of the re-entry phenomenon and the rationale concerning the expected theoretical similarities as well as differences between *de novo* entry and re-entry. The following section unpacks what is currently assumed about the effects of learning and institutional pressures for legitimacy in the market entry literature to emphasise the expected similarities between initial market entry and re-entry. The latter half of this chapter elaborates further on how and why organisational learning and institutional theory are considered particularly relevant to investigating foreign market *re-entry*.

Outlining the boundaries of foreign market re-entry: Similarities and differences between initial or *de novo* foreign market entry and re-entry

Over the years, the foreign market entry literature has become relatively more vocal in recognising that the prior learning, history and experience resources of the firm are important factors in determining initial market entry choices and their performance outcomes. An organisational learning perspective (March and Simon, 1958; Cyert and March, 1963; Levitt and March, 1988; Hutzschenreuter, Pedersen and Volberda, 2007) suggests that firm behaviour tends to be path dependent; in that strategic decisions such as foreign market entry, are the result of firms learning from different types of prior knowledge and experience (e.g., Barkema et al., 1996; Chang and Rosenzweig, 2001; Gao and Pan, 2010; Johanson and Vahlne, 1977; Li et al., 2007; Padmanabhan and Rao, 1999; Vermeulen and Barkema, 2001; Xia et. al., 2009). Although the research field of market re-entry is a novel one, there may be similarities between *de novo* market entry and foreign market re-entry decisions in some key theoretical respects. Indeed, from an organisational learning perspective, it may be argued that, prior to exiting a foreign market, firms are left with some level of experiential knowledge and learning from operating in that given market (Johanson and Vahlne, 1977) even when most physical assets would have been lost. Furthermore, re-entrant firms may then exploit this knowledge and experience when returning to the previously exited market, which might give them an advantage compared to other players entering a foreign host market for the first time.

Also, possessing prior knowledge and experience has been associated with a lower likelihood of firms manifesting risk adverse behaviours when entering foreign markets (Barkema et al., 1996; Brouthers et al., 2008b; Casillas et al., 2015; Chang, 1995; Delios and Beamish, 2001; Gao and Pan, 2010; Guillén, 2003; Huang and Sternquist, 2007; Johanson and Vahlne, 1977; Xia et al., 2008). In the case of re-entrants, possessing prior knowledge and experience may decrease their adversity to risk, thus leading to re-entrants engaging in higher resource commitment modes and or re-entering locations with high pressures for institutional legitimacy.

Furthermore, prior research has shown that institutional factors can have a significant direct as well as moderating impact on international expansion decisions (Chan et al., 2006; Delios, Gaur and Makino, 2008; Uhlenbruck, Meyer and Hitt, 2003; Uhlenbruck, Rodriguez, Doh and Eden, 2006; Xia et al., 2009; Yiu and Makino, 2002). Under conditions of political instability such as spurious changes in tax codes, local competitors may take advantage of foreign entrants by leveraging their knowledge of operating in weak institutional environments (Delios and Henisz, 2000). For instance, Uhlenbruck et al. (2006) showed how the pervasiveness of corruption influenced the choice between contractual and equity arrangements as foreign entrants were struggling to match entry mode decisions with the need to achieve host market legitimacy. Thus, from an institutional theory perspective, the re-entry decisions of firms may also be influenced by institutional legitimacy pressures (e.g., Chan et al., 2006; Chan and Makino, 2007; Guillén, 2002; Hernandez and Nieto, 2015) imposed by the host environment upon re-entry, particularly as most re-entrants have exited and subsequently returned to what are generally referred to as transitional and institutionally idiosyncratic host market environments. Thus, foreign market re-entry decisions may also be influenced by a re-entrant's ability to choose the right time to re-enter and or select organisational structures that would enable it to (re)attain legitimacy and social acceptance in that host market location.

However, examples of foreign market re-entry events suggest that there may be key distinctions between *de novo* entry and re-entry. As will be discussed later in this chapter, the underlying, taken for granted (Tsang, 2008; Tsang and Zahra, 2008) assumptions of learning theories are that prior knowledge and experience have a positive effect on organisational learning and that learning is transferable to subsequent strategic decisions. Thus, the general sense from the organisational learning literature is that the process of transferring experience and knowledge is a sequential and linear one. Extant theorisations do not take into account that the applicability of experience and knowledge resources may, in fact, be revisited by firms in a similar context (i.e. *re-entry*). For example, a number of Italian fashion retailers, such as Gas Jeans S.P.A., Diesel S.P.A. and the Sixty Group re-entered the Indian market in 2010 after having withdrawn two years earlier. Compared to their initial entry into India, where they had all established joint ventures agreements to operate in the market, Gas Jeans returned to own and operate their own store, the Sixty Group found a local franchise partner and only Diesel returned to serve the market via another joint venture after their first partnership fell through due to goal incompatibility. In turn, Gas Jeans emphasised the importance of directly managing operations and staff in the

market, a lesson learned from previously operating in India, which resulted in a change in the mode of operation as the company opted for more control over their business there. Similarly, the Sixty Group who tried unsuccessfully to improve relationships with their joint venture partner exited the market; however, the retailer renewed its activities there, only this time around, by decreasing its commitment in the market. Also interesting is the case of the French retailer Galeries Lafayette which waited twelve years to return to the previously exited Chinese market, whilst Gucci's (Italy) time-out period prior to returning to China was only a six-year hiatus. Prior to re-entering China, retailer Gucci also re-entered India after only a one-year hiatus. These are only a few amongst numerous other examples demonstrating that re-entry decisions may vary amongst re-entrants. This may be the case even when re-entrants initially appear to have similar levels of knowledge and experience resources and therefore, similar opportunities to learn to exploit and re-deploy the knowledge and experience accumulated over time.

One may, therefore, question the applicability and usefulness of learning from prior experience, particularly the idea that learning is a linear and sequential process of knowledge accumulated from prior experience as well as subsequent exploitation of this knowledge in current and future decisions. Organisational learning may not always unfold as a sequential, linear process for re-entrants. Re-entrants may make strategic re-entry decisions based on their success (or lack thereof) of the initial foray into the market, reflected in the *motivations to exit*. More specifically, the market exit process may affect re-entrants' willingness to take risks, thus influencing market re-entry decisions such as which re-entry mode to adopt, how long to wait until returning to the market and which markets to re-enter, which in turn may have a significant impact on their competitive advantage and performance in that host market. Secondly, the duration of the *time-out period* is also potentially important, because it may take time for an organisation to distill lessons learnt from the previous venture and when a long time has passed since exit, there may be a degree of *organisational forgetfulness* or *unlearning* involved. Third, re-entrants may also be affected by pressures to learn how to become legitimate in the host market which may, in turn, vary according to the duration of the time-out period. Here, one could argue that prior learning and experience possessed by firms may not have the same level of applicability when *environmental conditions change*, therefore requiring adherence to new institutional rules to attain host legitimacy (Priem and Butler, 2001; Brouthers et al., 2008a). Adding an institutional perspective to the organisational learning logic may, therefore, provide some insights into whether firms with different levels of experience resources respond differently to legitimacy pressures (Brouthers and Hennart, 2007; Hernandez and Nieto, 2015; Xia et al., 2009).

With this in mind, this next section examines in more detail the main theoretical elements of the foreign market re-entry phenomenon that are expected to share similarities with the wider foreign market entry literature and those that are most likely to differ.

Framing re-entry based on what we already know: An organisational learning perspective of the internationalising firm

Since its beginning in the 1960s (Cyert and March, 1963), research on organisational learning has flourished, particularly in the international business and management literatures, as learning is expected to enable organisations to understand and interpret factors within their external environments and develop viable strategies (e.g., Chang, 1995; Gao and Pan, 2010; Johanson and Vahlne, 1977; 2009; Sapienza et al., 2006; Vermeulen and Barkema, 2001). Drawing upon the concept of “learning-by-doing”, organisational research has promoted the idea that experience is a good measure of organisational learning and thus, a key explanatory factor for strategic decisions. Concepts such as learning and experience have become increasingly widespread as they are used by organisational economists, behavioural scientists and sociologists alike to understand organisational behaviours such as foreign market entry decisions (Autio et al., 2000; Barkema et al., 1996; Brouthers et al., 2008a; Li et al., 2015; Xia et al., 2009).

Most notable amongst organisational learning proponents, Cyert and March (1963) and Levitt and March (1988) explained that organisational behaviour is history dependent and routine-based, in that “the experiential lessons of history are captured by routines in a way that makes the lessons, but not the history, accessible to organisations and organisational members who have not themselves experienced the history” (Levitt and March, 1988, p. 320). The generic term “routines” is meant to incorporate the rules, conventions, culture, beliefs, strategies and processes around which organisations are built and which enable them to operate effectively (Feldman and Pentland, 2003; Gavetti and Levinthal, 2000) and are therefore perceived as valuable sources of “understandings” between organisational members (Feldman and Rafaeli, 2002; Feldman, 2003). In the same vein, Schwandt (1993, p. 8) defined organisational learning as “a system of actions, actors, symbols, and processes that enable an organisation to transform information into valued knowledge” (see also Schwandt and Marquardt, 2000). March (1991) further unpacked the concept of organisational learning noting that there are two types of organisational learning; exploitative learning, which refers to the acquisition of new knowledge having as a foundation some pre-existing insights; and explorative learning which tends to occur when organisations acquire knowledge and experience that are fundamentally different from pre-established routines. Overall, these seminal papers put forward the assumption that prior experience are captured through routines making them accessible to decision makers who may not have experienced the history of the organisation (Gavetti and Levinthal, 2000).

Despite the widespread acceptance of the notion of learning and its importance to understanding market entry, there is no one widely accepted theory or model of organisational learning. Generally, learning within multinational organisations is considered most effective when attained incrementally because that allows firms to absorb the knowledge acquired from past experience and make sense of them (Barkema et al., 1997; Delios and Henisz, 2003; Johanson and Vahlne 1977). Extant definitions and interpretations of organisational learning tend to be complementary

rather than conceptually different (Wang and Ahmed, 2003) and the focus tends to be on the exploitative aspects of learning and incrementally building new knowledge over time that would ultimately transform into increased involvement in the host market (e.g., Barkema and Drogendijk, 2007; Johanson and Vahlne, 1977, 1990; Welch and Loustarinen, 1988).

Foreign market entry research generally builds on the interpretation of organisational learning put forward by the seminal work of Cyert and March (1963) and later March (1991) who emphasised the following inter-related aspects concerning the process of learning; namely that behaviour in an organisation is driven by pre-established routines; and that organisational actions are often path, or history dependent (Chan et al., 2006; Guillén, 2002; Sapienza et al., 2006; Slangen and Hennart, 2008; Vermeulen and Barkema, 2001; Xia et al., 2009). Broadly, market entry scholars support this “routine-based” view of organisational learning (Hong, Easterby-Smith and Snell, 2006) according to which prior experience provides a reference point to understand subsequent foreign market entries. This, in turn, has resulted in the idea that stocks of knowledge accumulated in the past can transform into routines that positively shape the expansion of the firm into foreign market environments (for more recent studies, see Li, Qian and Yao, 2015).

Furthermore, even when multinational firms have disadvantages in foreign markets compared to local firms, these disadvantages can be overcome effectively by gaining knowledge and experience applicable to that host country and perhaps even related settings (Johanson and Vahlne, 1977). Thus, a firm’s knowledge base and competitive advantages increase with its host market experience (e.g., Zahra, Ireland and Hitt, 2000; Delios and Beamish, 2001) leading, for instance, to reduced host market uncertainty and a likelihood of firms making higher commitment foreign entries in those markets as they learn to operate across different modes (Barkema et al., 1996; Casillas et al., 2015; Chang, 1995; Chetty et al., 2006; Delios and Beamish, 2001; Eriksson et al., 1997; Gao and Pan, 2010; Guillén, 2003). In other words, learning is viewed as a cumulative process whereby previous experience generate knowledge that is then applied to the firm’s ongoing business operations in the foreign market. Implicit in these assumptions is also the idea that organisations have a collective memory that enables the perpetuation of routines leading to repetition of the knowledge base and greater ability to manage uncertainties encountered in the host environment (see Guillén, 2003; Levinthal and March, 1993; Li et al., 2007; Vermeulen and Barkema, 2001; Xia et al., 2009; Zahra et al., 2000).

Because re-entrants follow the hypothesised sequence of entry and experience accumulation, their intrinsic disadvantages in the host market may have dissipated because their capabilities would have improved with the accumulation of prior experience. In an indirect mention of the re-entry process, Loustarinen and Welch (1990) proposed a direct and positive effect of organisational learning from prior knowledge and experience on the possibility of firms returning to previously exited markets. In other words, prior learning and experience may increase the likelihood of firms re-entering previously exited foreign markets. Indeed, it cannot be discounted

that re-entrants may enjoy superior competitive advantages over initial foreign market entrants from possessing some degree of prior knowledge and experience associated with that market.

However, even when organisations record past experience to develop a consistent set of routines, it is likely that only part of an organisational memory can be retrieved at a given moment in time to make decisions (Levitt and March, 1988). Levitt and March (1988) specified that the availability of organisational memory “is associated with the frequency of use of a routine, the recency of its use, and its organisational proximity” (p. 328). Thus, organisations may have a relatively harder time retrieving older, unused knowledge and experience, whilst the repetitive use of certain routines, may make them more accessible to organisational decision makers (Feldman and Pentland, 2003). Over time, scholars discovered that, indeed, routines which record prior knowledge and experience that are essential to an organisation's core activities, are more likely to become encoded in repositories of organisational learning and exploited for future decisions making (Barkema et al., 1996; Barkema and Vermeulen, 2001; Casillas et al., 2015; Lu, 2002; Padmanabhan and Rao, 1999; Xia et al., 2009). Notably, in their study on the relevance of effectiveness of prior learning on market entry decisions, Padmanabhan and Rao (1999) concluded that “the relevance and the extent of transferability of prior experience depend critically on the degree of similarity between the current decision and prior decisions” (p. 28). For instance, acquisitions in unrelated product domains are considered less likely to foster organisational learning since the acquiring firm lacks the necessary prior capabilities and experience to absorb the new knowledge (Vermeulen and Barkema, 2001). Since re-entry, by definition, involves a second entry into the same foreign market, this contention may be valid.

For instance, re-entry mode commitment decisions could reflect an increase in the experience and subsequently, the confidence of the firm in its ability to manage international operations in that market. Similarly, the time needed to learn about a new market may decrease as firms acquire more knowledge and become less risk adverse (e.g., Chang, 1995; Chang and Rosenzweig, 2001; Li, 2010; Tuppuru et al., 2008). In this case, re-entrants may return to the host market at a faster pace compared with *de novo* entrants, if and when the former are able to draw from their pre-existing stocks of knowledge and experience concerning the local culture and how businesses operate in that host market. By comparison, firms entering a foreign market for the first time, may lack this type of experiential knowledge and opt for lower commitment modes until gaining the confidence to invest more resources over time.

An inertia based view of organisational learning

Thus far, we have learned that firms are conditioned in their decision making by prior decisions that they have already tried and tested (Cyert and March, 1963) because current strategic decisions are not separable from previous decision making (Chang and Rosenzweig, 2001; Feldman, 2003; Hannan, Polos and Carroll, 2002; Rumelt, 1995) and once a decision has been made, the range of options available is perceived as reduced (Feldman and Pentland, 2003;

Huang and Sternquist, 2007; Lu, 2002). In other words, we now know that organisations are expected to learn when they encounter a problem, look for a solution, adopt a solution and keep that solution for future use. In this case, when past routines become a blueprint for how a firm operates in the host market, re-entrant firms may then make little efforts to divert from prior types of decisions. This routine problem-solving strategy tends to be referred to as “learning inertia” (notably, Chan et al., 2006; Li et al., 2007; Xia et al., 2009).

Following this logic, when confronted with the uncertainty of returning to a previously failed venture, re-entrants may also repeat past experience and routines which have already become legitimised in the host market. For example, re-entering via the same commitment mode may mean a reduction in the costs of learning how a new type of ownership works in the host market. Re-entrants may benefit in the re-entry process by also reversing some of the losses incurred upon exit. Whilst firms may have incurred sunk costs such as investments in physical plants and personnel particularly when entry modes are reversed (Belderbos and Zou, 2009), a firm may still be able to salvage intangible investments such as distribution partnerships and business networks by, for instance returning via the same mode or not waiting too long to re-enter.

Thus, regardless of the usefulness of learning from prior experience, when confronted with uncertainty, re-entrants may repeat experience and organisational structures and routines which they are familiar with. In turn, this learning inertia may inhibit the re-entrant’s ability to acquire new knowledge and update its capabilities. Over time, learning inertia has even been associated with a tendency to become rigid due to the constant repetition of the same knowledge base (Feldman, 2003; Levinthal and March, 1993; Vermeulen and Barkema, 2001).

An institutional legitimacy perspective: Exploring the expected similarities between de novo entry and re-entry

Each organisation is embedded in its own internal environment consisting of systems, practices and routines that help make decisions relevant to the current strategy and that have been legitimised in the past (Meyer and Rowan, 1977); and an external, institutional environment that it shares with other organisations as well as other institutional stakeholders (Granovetter, 1985). In the case of re-entry, the rationale here is that both the internal environment of the firm, consisting of its learning from prior experience and the institutional environment, consisting of pressures for legitimacy to adhere to the rules of the different host market contexts, affect re-entrants’ decisions when returning to the market. Managers are constrained by the ability to focus on specific stimuli that direct managerial attention at a given moment in time (Hutzschenreuter et al., 2007; Oliver, 1991). Consequently, MNEs may not respond uniformly to institutional pressures with their responses ranging from compliance to avoidance, manipulation and even defiance (Oliver, 1991; 1992) which may depend on prior knowledge and experience.

Throughout the social sciences, the unique contribution of institutional theory has been its emphasis on how institutional norms, uncertainties, and regulations interact with organisations and thus, organisational decision-making (Powell and DiMaggio, 1991). Institutional theory is grounded in the notion that institutional norms shape the evolution of economic activities between countries and regulate the behaviour of firms (notably, Scott, 1995; Kostova, 1999; North, 1990; Powell and DiMaggio, 1991). Institutional scholars emphasise that organisational actions and routines are not context free, but their outcomes are affected by the (institutional) environments in which organisations are embedded (notably, North, 1990; Scott, 2008).

Key bases for institutional legitimacy

In order to enter, and perform successfully in foreign host markets, firms may need to achieve institutional legitimacy which has been defined as “a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Firms pursue legitimacy because this is associated with increased credibility from relevant institutional actors (e.g., governments) which is considered a prerequisite for success particularly in challenging and uncertain institutional environments (Chan et al., 2006; Lu, 2002). Building on a game analogy that positions institutions as the “rules of the game”, North (1990) defined institutions as “the humanly devised constraints that structure human interaction” and that affect the performance of the economy by their effects on the costs of exchange and production (p. 5-6), further emphasising formal rules/institutions which include laws and regulations that are determined by authority and formal position and can be in the form of government incentives, contractual terms or ownership restrictions. In turn, informal institutions refer to the social norms, customs and routines in a country; informal rules are mainly socially derived and unlikely to be sanctioned formally (North, 1990). The idea here is that firms go through this process of institutionalisation because, when legitimising actors are familiar with certain organisational forms or practices, those practices become the norm, and are more likely to be accepted (DiMaggio and Powell, 1983; Suchman, 1995). Firms may also gain legitimacy by imitating the organisational practices adopted by other (more legitimate) firms (e.g., DiMaggio and Powell, 1991; Mezas, 1990).

Scott (1995) provides an overarching framework by arguing that, at the most fundamental level, the basis of legitimacy varies according to three pillars that underlie the quality of institutions and can be key sources of institutional pressures on organisational strategy (see also Scott, 2008)². First, the regulative pillar refers to formal rules and enforcement mechanisms generally controlled and enforced by institutional actors on which firms depend, such as the state (e.g., North, 1990).

² Although institutional theory has been studied from an economic perspective (e.g., North, 1990) as well as a sociological perspective (e.g., Scott, 1995), scholars have found these approaches to be complementary rather than competing (c.f. Peng and Heath, 1996; Peng, 2003). Furthermore, it is viewed as natural for management scholars to combine the two views when conceptualising institutional pressures (see Peng and Heath, 1996, for a more detailed discussion). Thus, both here and in the empirical chapters, the discussion draws broadly on institutional theory rationales without engaging with the disciplinary backgrounds of the institutional perspective.

Second, the normative pillar comprises the values and norms in society which define the socially accepted behaviours of organisational actors by comparing them with already established standards. MNEs are expected to deal with a variety of pressures arising from the values, norms and behaviours that have become legitimised in different countries and may exert significant influence on their competitiveness and organisational practices (Rosenzweig and Singh, 1991; Zaheer, 1995). Finally, the cognitive pillar (e.g., Powell and DiMaggio, 1991) refers to the cultural beliefs, social values and interpretations that are culturally supported and internalised by organisations and “constitute the nature of social reality and the frames through which meaning is made” (Scott, 2008, p. 57). Cognitive frameworks are expected to help organisational actors make sense of the world around them and make judgements on how to behave.

Institutional scholars (cf. Powell and DiMaggio, 1991) pay explicit attention to the sociological rationale of organisational behaviour. Although compliance with normative and cognitive pressures is not legally reinforced, institutional isomorphism has been directly associated with firms achieving competitive advantage (e.g., Chan et al., 2006; Li and Yao, 2010; Yiu and Makino, 2002). To survive, organisations must conform to the rules and belief systems of their respective institutional environments, because institutional isomorphism, i.e. imitating or mimicking the behaviours of other foreign entrants, will also earn them legitimacy (Chan et al., 2006; Dacin, 1997; Guillén, 2002). Hence, in the face of uncertainty associated with unknown institutional forces, organisations have been found to model themselves after, and adopt the same frames of reference as, other organisations considered as similar or more legitimate (Chan et al., 2006; DiMaggio and Powell, 1983; Guillén, 2002; Scott, 2001; 2008). Conforming to organisational practices that have achieved legitimacy in the eyes of relevant institutional actors (Lu, 2002; Yiu and Makino, 2002) can help organisations fit within their institutional environment; thus, legitimacy is expected to enable the firm to perform its activities with relatively less constraint.

Legitimacy, therefore, tends to vary according to how well firms conform to the rules of their institutional environments (Chan et al., 2006; Lu, 2002) and becomes more important when firms perceive an environment as uncertain, generally, because they lack the information and ability to pre-empt the potential threats and opportunities that exist within that environment (Guillén, 2003). In the case of re-entrants, when little information is available about the institutional idiosyncrasies of host markets and about the costs and benefits of returning to those markets, firms run a greater risk of making mistakes, particularly when the stakes are high (i.e. re-entering via a wholly owned subsidiary). To avoid making such mistakes, re-entrants may opt to re-enter markets characterised by lower pressures for legitimacy or may choose to re-enter when other foreign firms are (re)entering, which may signal ease of establishing legitimate operations in that market. Thus, similar to initial entry, institutional pressures for legitimacy may also determine re-entry decisions such as how and when to re-enter as well as which markets to re-enter.

Even so, some re-entrant firms may be abler than others to gain legitimacy, in that the effect of institutional legitimacy on re-entry decisions may vary according to each re-entrant's own

knowledge and capabilities to reduce uncertainty by identifying and adopting potential institution-based advantages. For re-entrants, it may not be just the organisational practices of other firms that are important, but also those of the re-entrant firm itself prior to exiting the market; re-entrants may repeat the same organisational practices that were in place prior to exit, unless those practices were, in themselves, illegitimate and thus, a motivation to exit the foreign market. Furthermore, as proposed later in more detail, firms may also change their perceptions of what constitutes institutional legitimacy and not always follow the behaviour of others or their own as it may lead to inertia in the long run (Chan et al., 2006). A weakening of institutional consensus and a revisiting of what constitutes as legitimate can lead re-entrants to alter strategies that were once legitimate in the host market, thus potentially differentiating the initial entry from *re*-entry.

Institutional legitimacy and foreign market entry related decisions

Although significantly present in 1990s management discussions (Kostova, 1997; Kostova and Zaheer, 1999), it was not until the 2000s that foreign market entry scholars started drawing on institutional theory. In the foreign market entry literature specifically, 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 foreign market entry decisions than for instance, efficiency concerns (e.g., Bevan, Estrin and Meyer, 2004; Chan et al., 2006; Deng, 2009; Guillén, 2002; Hoskisson et al., 2013; Makino, Isobe and Chan, 2004). This line of research has received empirical support, particularly in studies concerned with international expansion to and from, new and emerging market contexts (considered more likely to be subject to institutional voids) (e.g. Bangara, Freeman and Schroder, 2012; Deng, 2009; Hitt et al., 2004). 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.

Several studies also emphasised the importance of the heterogeneity of institutional contexts within host market environments, particularly for market entry location; notably, Meyer and Nguyen (2005) reported that firms were influenced by institutional pressures for legitimacy arising mainly from institutional actors such as host country governments. Whilst location decisions were previously modelled as location specific advantages of chosen markets (TCE), institutional theory is also used to understand that firms tend to enter apparently uncertain and risky host environments (Bevan, Estrin and Meyer, 2004; Holburn and Zelner, 2010). Interestingly, when entering other emerging markets, firms from countries characterised by weak institutions are expected to be less deterred by factors such as host country policy risks because they already possess 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 (Holburn and Zelner, 2010). This means that, as firms return to

markets within their proximity, and thus, characterised by similar institutional idiosyncrasies, they may enter via high resource commitment and or take less time to re-enter those markets.

Other scholars explored how the quality of institutions, as opposed to transactional concerns, influenced foreign market entry mode 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; Xu and Shenkar, 2002). Amongst other institutional factors, the 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 and Eden, 2005). For emerging market MNEs, which do not possess experience and knowledge advantages traditionally associated with older, developed market multinationals, home institutional environments can offer other types of advantages (Deng, 2009; Hitt et al., 2004; Hoskisson et al., 2013). For instance, 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). It would be interesting to test these ideas for emerging market re-entrants, mainly in terms of whether these firms are, to some degree, deterred by host institutional pressures for legitimacy.

As mentioned earlier, institutional theory proponents also advocate that over time organisations sharing the same environments tend to become isomorphic with one another. For instance, Chinese multinationals' cross-border mergers and acquisitions deals are considered a unique characteristic of their home institutional environment (notably, Deng, 2009). In turn, past internationalisation experience is expected to reduce isomorphic behaviour amongst internationalising firms (Yang et al., 2009) and, in turn, increase the likelihood of firms opting for the commitment modes that have gained them legitimacy in the past (Xia et al., 2009). On the other hand, environmental uncertainty, particularly home market intervention, is expected to increase the likelihood of firms displaying isomorphic behaviour, thus lowering the likelihood of firms displaying heterogeneous responses to institutional pressures (Rugman, Nguyen and Wei, 2014). Here as well, it would be interesting to examine the effect of institutional pressures for legitimacy on re-entry decisions such as location, commitment and timing patterns and assess whether these decisions vary with re-entrants' degree of prior knowledge and experience.

Expected conceptual differences between *de novo* foreign market entry and re-entry: Interplay between organisational learning and unlearning for re-entrants

In the first chapter of this thesis, I explained why and how the foreign market entry literature is a good starting point to conceptualise the factors that may affect the re-entry phenomenon. The aim of this next section is to highlight that, although useful, it is not sufficient to apply the same concepts that have been used in the literature on initial entry to study foreign market re-entry phenomena. This section builds on some key underlying rationales; namely that organisational

learning is not linear and forgetfulness or unlearning may occur as firms exit and re-enter a foreign market after a period of time-out; that firms may attempt to adapt to institutional pressures for legitimacy, particularly when host institutions change significantly; and that responses to legitimacy pressures as well as institutional changes may, in turn, vary according to a re-entrant's prior levels of learning from knowledge and experience accumulated in the past.

Having discussed the benefits of learning it is also necessary to consider the obverse side of the issue, namely organisational *unlearning*. Some mentions of organisational unlearning exist. Lane, Salk and Lyles (2001) viewed unlearning as “the process of reframing past success programs in order to fit them with changing environmental and situational conditions” (p. 691). Cegarra-Navarro and Moya (2005) argued that unlearning is “the dynamic process that identifies and removes ineffective and obsolete knowledge and routines which block the collective appropriation of new knowledge and opportunities (p. 162). Since Levitt and March (1988) referred to organisational learning as a process of “encoding inferences from history into routines that guide behaviour” (p. 320), organisational unlearning can perhaps simply be defined as partially or entirely renouncing existing routines to make way for new behaviours.

A key tenet of organisational unlearning conceptualisations is that the past may not be a good predictor of the future, particularly if the experience and learning organisations possess is no longer in line with the complexities and changes in their environment (Tsang and Zahra, 2008). Whilst discussions of the concept of organisational learning are advancing, management scholars' understanding of organisational unlearning is lagging behind (Bettis and Prahalad, 1995; Hedberg, 1981; Tsang and Zahra, 2008), and is essentially inexistent in the context of market (re)entry related decisions. The concept of organisational unlearning perhaps fits better within March's (1991) idea of explorative learning, whereby the firm steps outside its current knowledge base, norms and routines and acquires capabilities that can potentially differ significantly from existing insights. Rather than viewing *learning* and *unlearning* as opposite concepts, some scholars have recognised the link between the two concepts. Notably, Hedberg (1981) stressed that “[k]nowledge grows, and simultaneously it becomes obsolete as reality changes. Understanding involves both learning new knowledge and discarding obsolete and misleading knowledge. The discarding activity – unlearning – is as important a part of understanding as is adding new knowledge.” (p. 3). Hence, elements of the previous experience may be disregarded from decision making, whilst they may or may not be disregarded from organisational memory (Hedberg, 1981). In other words, unlearning can involve a process of reprioritising what is known by organisations to allow for the addition of novel and more relevant knowledge to be drawn from (de Holan and Philips, 2004; Cegarra-Navarro and Moya, 2005).

Consequently, when firms unlearn, some prior learning and experience may be retained although perhaps no longer viewed as applicable to new circumstances (Bettis and Prahalad, 1995). In fact, one may argue that, since foreign market re-entry is, by its very nature a dynamic process consisting of de novo entry-exit-re-entry, unlearning prior routines and behaviours may occur to

allow for new information to be acquired that may be more useful and more applicable at re-entry. The rationale here is that, unlearning or disregarding prior knowledge, experience, habits and routines may prompt a change in re-entrants' behaviour to avoid replication of prior mistakes and adjust to potential changes that may have occurred in the time-out period.

Yet, little is known about whether re-entrants behave differently from *de novo* entrants and if so, in what way. Re-entrants' prior learning and experience in the host market would have left them with an international heritage consisting of experiential knowledge, managerial attitudes and even network relationships (Javalgi et al., 2011; Welch and Welch, 2009). Whereas all re-entrants are expected to possess some degree of international heritage, its applicability in making subsequent re-entry decisions may vary significantly amongst re-entrant firms. The limited evidence on foreign market re-entry as well as some initial casual empiricism are considered here to conceptualise the foreign market re-entry phenomenon.

Figure 2.1 below presents a conceptualisation of the re-entry phenomenon emphasising the key theoretical differences that may exist between *de novo* entrants and re-entrants. Evidence suggests that the international heritage and thus, the learning from prior knowledge and experience of re-entrants may be shaped by *the nature of market exit*, by *how long they have spent out of that market* prior to re-entering and by *the degree of host institutional changes that may have occurred during the time-out period* (see *Figure 2.1*). These aspects that are specific to the foreign market re-entry decision may lead to firms unlearning, forgetting or disregarding prior routines and behaviours whilst adapting to potentially new pressures for institutional legitimacy. These aspects will be empirically tested in the later chapters of this thesis in order to understand the direct (or moderating) effects of time-out, market exit motivations and host institutional changes on re-entry commitment mode, timing and location patterns. The proposed theoretical differences between *de novo* entry and *re-entry* are discussed in more detail below.

Proposition #1: Organisational unlearning and market exit motivations

Thus far, the literature on organisational learning stresses the positive effects of experiential learning on firm behaviour. Learning from past experience is expected to broaden the range of experience and stimulate more learning that then increases the absorptive capacity of the organisation (Cohen and Levinthal, 1990). However, as illustrated in *Figure 2.1*, it is not just the experience that re-entrants have accumulated in the past that may influence the re-entry process, but it is also the experience associated with the market exit process itself that may influence how re-entry is interpreted. In order to understand re-entry, one may need to go beyond previous assumptions and consider the positive as well as negative effects of prior knowledge and experience on organisational learning and subsequently, on re-entry decisions.

This said, the links between international experience, learning, organisational memory and attitudes may be less straightforward for re-entrants. In fact, it may be difficult to anticipate which

lessons re-entrants have learnt from their initial market foray. Some empirical studies suggest that the prior international experience may be sufficiently negative for internationalisers to decide against considering a future re-entry into previously exited foreign markets (e.g., Crick, 2002; 2004). For instance, although retailers such as Marks and Spencer (UK) successfully renewed their operations in mainland Europe; Sainsbury's (UK) in Egypt, Wal-Mart (US) in Germany and Tesco (UK) in China are examples of companies which have not re-entered despite the growing attractiveness of host markets. Even when host market conditions appear favourable, firms may still not re-enter, leaving potential profits untapped. This section proposes that, in order to understand re-entry behaviour, including whether learning from experience facilitates re-entry, it is necessary to conceptualise the effects on re-entry of market exit.

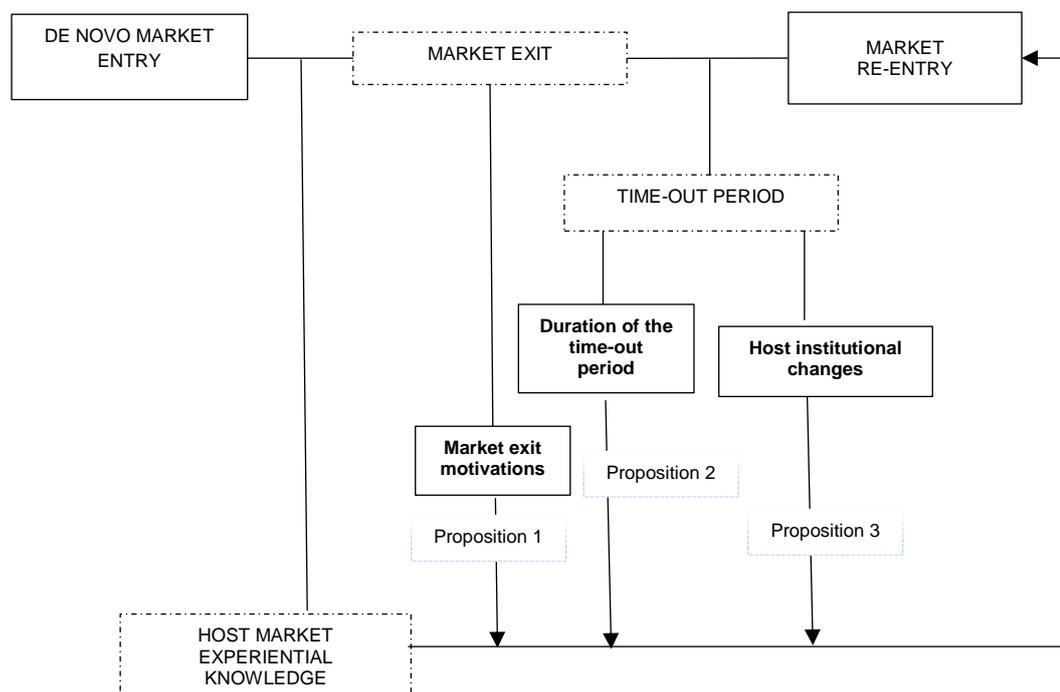


Figure 2.1: A conceptualisation of the expected differences between *de novo* entry and re-entry

Particularly relevant here is drawing on key research from the de-internationalisation or market exit literature. The market exit itself is an underdeveloped area of research precisely because of the effects that market exit is expected to have on organisational psychic and behaviour post exit (Javalgi et al., 2011; Mellahi, 2003). A firm's decision to exit the market may follow a decrease in performance in the foreign market as a result of decline in demand for the firm's products (Cairns et al., 2008), such as Ford's (US) decision to pull out their Mustang range from India as there was not enough demand for luxury cars in the period around 2009. The impetus for market exit could also be organisational dissatisfaction, conflict with institutional actors or poor performance from not understanding how to operate and establish legitimacy in the host market (e.g., Mellahi, 2003). Some examples of companies that have failed to gain legitimacy due to the large number of competitors already operating in the host market include La Senza's (Canada) exit from the US in 2005, Philips's (Netherlands) withdrawing their smartphone business from India in 2007,

Meiji Dairies' (Japan) exit from China in 2013, Mattel Inc.' (US) exit from China in 2011, Renault's (France) exit from China's passenger car market in 2002, Movenpick's (Switzerland) exit from India in 2004 and so on. Of the re-entrants that have exited due to poor performance, inadequate preparation to serve the market was often cited; notable examples include US brands such as Dunkin Donuts and Yum Brands, which exited the UK market in the mid-1990s as they failed to adapt to consumer tastes, only to return some 20 years later.

Other internal forces such as changes in ownership (and or the management team) and overall shifts in strategy can also play an important role in market exit as managers may not be able to deal with international expansion decisions whilst simultaneously re-focusing operations in the home market/region (Cairns et al., 2008; 2010). Esprit Holdings' (Hong Kong) exit from the US and Whirlpool Co.'s (US) exit from Australia were to a great extent attributed to a series of ownership changes. For instance, Whirlpool exited the Australian white goods market in the early 1980s because its partner sold their stake in the venture to a company uninterested in renewing the license to sell the brand in the market despite it being successful. When given the chance a decade later to re-enter the market, the new CEO argued that given the past success of the Whirlpool brand in Australia during the 1970s, the company needed to re-enter as "[t]he Whirlpool brand was an asset that was sitting here [the Australian market] unused". Examples of market exits attributed to firms re-directing resources to markets in their home regions include, but are not limited to 3I Group Plc (UK) and Acer Inc. (Taiwan) exiting the US market, Aviva Plc. (UK) exiting Singapore, or Danone S.A. (France) exiting India. A particularly mediatised case of strategic market exit is that of LG Electronics (South Korea) which tactically exited foreign markets in the Middle East, Africa, India and Brazil in 2009 only to return some two years later after re-vamping its laptop business line. These are all examples of what have been conceptualised as the *voluntary* market exits (see Mellahi, 2003 for a discussion).

However, firms may exit foreign markets not only due to poor performance or as a result of overall shifts in strategy (Mellahi, 2003), but also in response to external, generally institutionally related market shocks. So, *involuntary* market exit is generally associated with external factors such as government pressures to exit (Fletcher, 2001). Most highly notable examples are perhaps those of foreign insurance companies which exited various markets as a result of regulations against foreign insurers and stringent government restrictions meaning that licenses were not given away easily to foreign entrants (e.g., Transamerica Re, Korean Re, White Mountains Insurance Group in Brazil; Assicurazioni Generali S.P.A. in Bulgaria; Commercial Union Ltd., AIG Group and Sun Life Assurance in China; Cigna Corp. in South Africa; Aviva Plc. In Sri Lanka).

Most importantly here, given the different motivations to exit, there may be misunderstanding as to the implications of market exit and what has been learned from the exit experience. A number of re-entrants have exited and re-entered the same market multiple times. Fiat Automobiles (Italy) re-entered Australia both with their Fiat range and Alfa Romeo brand in 1992 and 1990, respectively. Whilst the reasons associated with the first exit revolved around difficulties with

complying with Australian design rules and keeping costs low, which, in turn, affected their reputation for quality in the market; Alfa Romeo's withdrawal was due to the company refocusing its strategic orientation towards perfecting its strategy in European markets. Denmark's Flsmidth and Co. exited and re-entered China three times, and attributed each exit to different factors such as high competition, poor pricing strategy, and not enough control over their operations. Further, this was suggested to reflect in their commitment decisions and time out. Other notable examples include; Burger King which has engaged in 12 re-entries between 2007 and 2014 and citing exit motives such as poor demand (Curacao, Cyprus, Uruguay, Finland; Indonesia), unsuccessful marketing campaigns (Oman, France, Hong Kong), franchise partners going into solvency (Romania), price wars with local competitors (Indonesia, Israel) and unsafe food quality (Colombia). Re-entry is also common in the automotive industry; examples including large automakers such as the Fiat Group (24 events), Ford Motors (16), General Motors (17), and the Chrysler Group (12), whose international expansion trajectories tend to be non-linear.

From this, it may be expected that re-entry is a complex phenomenon as firms tend to re-enter different foreign markets at different points in time, thus potentially also dealing with changing exit motivations and experience. In turn, this may interrupt the linear and sequential process of learning as well as the usefulness and applicability of learning from prior knowledge and experience when facing new decisions such as re-entry.

Furthermore, with regards to the positive effects of prior experience and knowledge on effective learning, it has been proposed that firms tend to learn more from their failures than they do from their successes (see Arino and de la Torre, 1998). For re-entrants, decisions made when returning to the market may seek to avoid and potentially even correct previous mistakes. Nokia's exit from the Indian market was primarily attributed to poor product positioning and misunderstanding of consumer needs (Business Insider, 2016), in which case re-entry is expected to carry with it choices regarding new product positioning, leveraging strong partnerships and renewing former distribution relationships and re-focusing on the most profitable segments. Following an unsuccessful initial venture into the market, firms may exit and then re-enter by switching to an entry mode that requires more commitment or less commitment to the market. Exit may also involve a break in relationships that were important to the organisation, particularly for it to be present in that host market (Chetty and Agndal, 2007). In fact, relationships may be so broken that the company may have to reconsider its mode of re-entry commitment if other collaboration opportunities are not available upon their return into that host market. This may then lead to re-entrants unlearning certain types of behaviours and learning new ones, such as operating with a different type of commitment when re-entering.

Additionally, the effect of market exit may vary according to the quality (depth) of initial market experience. For firms with limited involvement prior to exit, experiential knowledge may not be significant. Here, the sunk costs associated with exit are also reduced because soft, tacit knowledge may not have become part of organisational memory. In turn, for firms which exited

their wholly owned operations due to poor performance or external market forces, the interpretation of the initial market foray and the usefulness of the experience accumulated in the past may differ. Broadly, the idea here is that even failed outcomes can lead to learning from mistakes (Loustarinen and Welch, 1990; Welch and Welch, 2009), such as unlearning old habits and behaviours and focusing on learning about the right entry modes to use in a foreign market, and generally, what the re-entrant can do better (differently) the second time around.

When firms make the less appropriate inferences about the past, or in this case, the exit decision, they may overestimate the success of prior learning (e.g., Levinthal and March, 1993; Westhead, Ucbasaran and Wright, 2005). Thus, the difficulties encountered during the initial market foray may be overlooked and even ignored from the learning process potentially limiting the ability of the organisation to incorporate the lessons learned from initial entry/exit into its re-entry. For instance, some re-entrants have exited the market due to home and host institutional pressures, whilst performing successfully in the host market; these firms may re-enter by taking more risks as a result of their interpretations of market exit without taking into account that re-entry may involve new rules altogether. Similarly, a tendency to ignore previous lessons may also explain why some firms exit the market just to return via the same commitment merely a year later. Conversely, relatively negative past experience, e.g., failed operations resulting in exit, may lead to overestimating the challenges associated with the market and thus, making suboptimal decisions by choosing lower control entry modes and or waiting too long before re-entering.

This section highlighted that, even when the analytical and scanning capabilities of organisations are optimal, it may still be difficult for re-entrants to establish a cause and effect relationship between the first market foray that led to their exit and what the firm should do when re-entering. Furthermore, cause and effect relationships may not be unidirectional and linear, but in fact, may result through an iterative process of feedback and revisiting the phenomenon in order to unlearn some prior routines and behaviours. This increases the likelihood of there being various interpretations over the initial entry and exit experience which adds complexity to the effects of market exit on re-entry decisions. It may even lead to organisational unlearning as re-entrants may make decisions based on their interpretations of the exit process irrespective of their prior knowledge and experience accumulated over time through operating internationally.

Proposition #2: Organisational unlearning during the time-out between exit and re-entry

Re-entrants spend a period of time-out between exit and re-entry potentially causing a disruption in their foreign market experience (proposition 2, *Figure 2.1*). A disruption in organisational learning and routines such as one caused after an organisational change event (which in this case, may be the exit process) has been associated with potential loss of competencies and disrupted ties with the environment and relevant stakeholders within it (Amburgey, Kelly and Barnett, 1993; March, 1991). Therefore, re-entrants' ability to apply the knowledge and

experience gained in the market prior to exit may depend on the time spent out the host market. In other words, the longer the time-out period, the less likely it may be for re-entrants to access the knowledge and experience acquired in the past and which may have, to some degree, now dissipated. As reinforced by Levitt and March (1988), “[e]ven within a consistent and accepted set of routines, only part of an organisation’s memory is likely to be evoked at a particular time, or in a particular part of the organisation” (p. 328). Building on Levitt and March’s (1988) conceptualisation concerning the retrieval of past knowledge and experience, for re-entrants, some parts of organisational knowledge may be more available for retrieval than others, in that the usefulness of prior experience and experience and implicitly, the applicability of lessons learned from past experience may depend on how much time passed between exit and re-entry.

Organisational learning scholars have already been criticised for being too cryptic about how the process of learning unfolds, apparently ignoring that it takes time for an organisation to absorb the lessons learned from experience and apply them to further decisions, and even more time for knowledge accumulated in the past to stick and become a routine (Schulz and Aderhold, 2004). There may, therefore, be considerable variation between re-entrants regarding the duration of the time-out period. Whilst some re-entrants may not have considered re-entering the market soon after exiting meaning that, when re-entry does occur, it may not carry with it lessons learned in the last, other re-entrants may have remained highly committed to the market even after exit and maintained relationships and connections with local stakeholders to facilitate their timely return. Initial casual empiricism revealed that the time-out period between exit and re-entry for the firms in this study ranges from a short re-evaluation of a firm’s activities (i.e. one year) to a long period of absence that may bring with it organisational forgetfulness, changes in the overall goals of the organisation, as well as changes in management attitudes and beliefs towards the market, including changes in the management composition itself.

Although the organisational learning literature tends to emphasise the importance of routines becoming embedded in organisational practices, other studies have emphasised the role of management in shaping strategy (e.g., Araujo and Rezende, 2003). Specifically, organisational memory at the firm level may be accompanied by tacit knowledge at the individual level (Levitt and March, 1988). As a manager understands more about the potential opportunities and threats associated with a foreign market, the uncertainty may be reduced; organisations operating in uncertain environments are expected to rely more on informal sharing of knowledge and experience than firms operating in stable environments (Levitt and March, 1988). Whereas routine-based conceptualisations of organisational learning assume that the lessons learned from prior experience are preserved within organisations despite the passage of time, managers tend to have their own frames of reference (Araujo and Rezende, 2003) that may dictate how much they remember about the previous foray into the market. In this case, there may be changing frames of reference of individuals (Mezirow, 2000) leading to various biases that can further disrupt the linear and sequential process of learning. This reinforces the idea that, for re-

entrants at least, the transformation of prior experience into effective learning and afterwards into organisational routines may not be as straightforward as previously suggested.

Further to this idea of unlearning, knowledge may also disappear from organisational memory because the individuals that have attained legitimacy in this context have left. Management may change during time-out; when market exit is perceived as unsuccessful, decision makers involved in the re-entry process may be replaced (Benito and Welch, 1997). In turn, changes in management tend to bring changes in organisational goals, thus fostering organisational unlearning (Benito and Welch, 1997; Bell, McNaughton, Young and Crick, 2003), in which case the decision to re-enter is made irrespective of whether the organisation has learned from its initial market foray. In this case, organisational learning is less likely to be conserved within organisational memory and routines, making room for unlearning to occur (Bell et al., 2003; Welch and Welch, 2009). For example, whilst other American franchises did not make it in Israel, Burger King successfully re-entered in 2016 under new management, the second time around by partnering with experienced local partners who also had stakes in other related businesses. Thus, time can be both a negative and a positive factor; change may be easier to come about when decision makers are replaced, despite the potential loss of learning and experience. Changes in management may mean that the negative experience associated with re-entry have been unlearned and forgotten in which case, more appropriate re-entry strategies are devised.

Organisational forgetfulness is therefore viewed as a form of unlearning (de Holan and Philips, 2004). In the context of foreign market re-entry, organisational unlearning/forgetfulness may have occurred either voluntarily, in order to forsake negative events, or involuntarily as a result of the unintentional loss of routines and organisational memory (e.g., Darr, Argote and Epple, 1995; de Holan and Philips, 2004). Either way, knowledge may no longer be available for firms or decision makers to access. Prior learning and experience do not become necessarily extinct, as lapses and relapses can occur when the decision-making context requires prior knowledge to be accessed (notably, Bouton, 1994). Here, a longer time-out may lead to re-entrants unlearning a part of their previous knowledge and experience; yet, rather than assuming previous learning becomes extinct, it may simply reduce the likelihood of the same behaviour being applied upon re-entry. In the case of re-entry modes, for instance, a longer time-out period may lead to changes in commitment compared to how the firm was operating prior to exit. Over time, the organisational memory associated with a specific routine may have eroded and re-entrants may pursue the same strategy differently, such as opting for a joint equity investment mode rather than re-entering through a wholly owned operation. New learning that may occur in the time-out period is not necessarily suggested to override old learning but to contribute to some changes in re-entrants' behaviour as not all prior learning and experience are necessarily preserved within organisational routines and behaviours over time (Bell et al., 2003). This may be partly because transferring routines and knowledge may be harder than starting over (cf. Zhao, Luo and Suh, 2004); firms may unlearn some routines when they re-enter a previously exited market, particularly when a longer time passes between market exit and market re-entry.

Additionally, some studies specify that diversity of experience may potentially influence the effectiveness of organisational learning in such a manner that moderate levels of diversity are considered more conducive to effective learning, whilst low experience diversity may make the organisation inert, and high experience diversity can lead to overstimulation thus impeding timely decision making (e.g., Barkema and Vermeulen, 1998; Brouthers et al., 2008b; Fiol and Lyles, 1985). In the time-out period, re-entrant firms would have potentially operated in other foreign markets, gaining more experience that could then be drawn from when re-entering. In turn, what exactly has occurred in this time-out period, particularly in terms of institutional pressures and institutional changes may also influence how re-entrants interpret the applicability of prior experience irrespective of the types of experience accumulated over time. Firms re-entering non-developed market environments that have undergone a series of institutional transitions may find that exit costs are harder to recover and the applicability of prior experience may be questioned. For this reason, the third conceptual proposition refers to the potential effect of host institutional changes on organisational unlearning and subsequently on re-entries.

Proposition #3: Organisational unlearning during host institutional change

For re-entrants, the institutional pressures experienced prior to exit may no longer be relevant. Organisational routines may erode as a result of institutional pressures for legitimacy as well as institutional changes that may have occurred during the time-out period (proposition 3, *Figure 2.1*). In such instances, upon (re-)entry firms may need to unlearn existing routines and learn the *new rules of the game* to remain legitimate in the newly changed host environment (Newman, 2000; Peng, 2003). In one of the first studies on drivers of knowledge acquisition in the context of radical change unfolding in early 1990s Hungary, Lyles and Salk (1996) highlighted that changes in host institutional environments can have a massive impact on the process of organisational learning. What is referred to as transition economies, present a particularly great opportunity to conceptualise, for instance, how firms may have to abandon routines that are associated with former socialist systems in order to (re)gain legitimacy in market-based economies (Newman, 2000). Learning and unlearning can happen at the same time, in that re-entrants may acquire new knowledge about the new environment and relinquish behaviour that no longer applies (Hamel and Prahalad, 1994). Yet, many activities that have become legitimised within organisations may have become routines and thus, not submitted to stringent tests of relevance when host institutions change. Thus, organisational actors such as re-entrants might, in fact, pursue those activities that create resistance to change. Re-entrants may be unwilling to change because they are forced to reconsider the value of their prior learning and experience. Furthermore, the need for change may increase the uncertainty associated with re-entry. Broadly, the need to become legitimate in a changed host institutional environment may influence re-entry behaviour, particularly key decisions about how to re-enter foreign markets, which markets to re-enter and how long to wait until re-entering an exited market.

This study emphasises that for re-entrants, equally relevant are institutional pressures for legitimacy at a given moment in time (that are generally measured on studies examining initial entry) as well as the institutional *changes* that may have occurred in the host environment in the time-out period between exit and re-entry. Most of the research on how strategic decisions are made by organisations discusses firm behaviour in relatively stable institutional environments (Oliver, 1992). Thus far, studies of institutional change have been limited to industry-specific changes in developed, traditionally Western markets such as the US (notably, Ruef and Scott, 1998). Significantly less is known about the greater and potentially more impactful institutional transitions that occur at the national level (Hoskisson et al., 2000; Peng, 2003). Compared to industry changes, institutional transitions at the national level are viewed as more impactful, particularly in the case of emerging economies (Newman, 2000; Peng, 2003).

Despite similarities and synchronisations in how the economies of emerging markets have opened up to foreign investments, institutional changes varied significantly (Chittoor, Ray, Aulakh and Sarkar, 2008; Hoskisson et al., 2000). For instance, while Central and Eastern European countries experienced rapid transitions to market-based economies, partly due to resources and skills brought in by foreign investors, in other emerging economies (e.g., China, Vietnam) the transition to a market-based economy was more evolutionary, with governments intervening significantly in firms' foreign strategies (Hitt et al., 2004). Whereas strategizing in these markets was not thought of as necessary in the past as these now emerging markets were closed to foreign investment, there are continuous institutional changes occurring in these economies that (re)entrants may need to navigate to (re)attain legitimacy (e.g., South Africa abandoning the apartheid regime and opening to foreign investment; Myanmar being officially listed on the Yangon Stock Exchange in 2015). This study proposes that changes in institutions can make institutionalised organisational practices and routines redundant (Oliver, 1992; Peng, 2003).

Because institutions are broadly viewed as the "rules of the game" in a society, institutional changes have been defined as "fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organisations as players" (Peng, 2003, p. 275). Host institutional change may, in turn, increase the level of uncertainty associated with making strategic decisions and may also temporarily increase the costs of operating in transitional environments, particularly if there is resistance to institutional change (Newman, 2000; Oliver, 1992). In a notable article, Peng (2003) posed an interesting (yet answered) question concerning how organisations may play the new institutional games when the new rules are not even completely known to them. In other words, even the effectiveness of formal rules may be limited in the first stages of institutional transition, thus reducing the ability of the firm to estimate present and future conditions in the host market and increasing the perceived uncertainty associated with operating in those markets (Henisz, 2000; Xia et al., 2009). In the case of re-entry, the presence of other foreign firms in a host market may serve as a signal that the host market is, indeed, attractive and that foreign investment is viewed as legitimate by institutional assessors. In turn, foreign firms exiting a market may send a different signal, namely that the host market may be

hostile and undesirable and the quality of institutions below par. In the latter case, firms may lack the necessary knowledge and experience to legitimise their operations in the local market.

However, re-entrants may have different responses to institutional changes and perhaps not all organisations operating in the same environment will experience institutional pressures in a similar manner. Experienced firms may have built more confidence over time, and thus rely more closely on their prior knowledge and experience with operating in foreign markets than on the potential effects of changes in their environments (Brouthers et al., 2008a; Chan et al., 2006; Chang and Rosenzweig, 2001; Xia et al., 2009). In contrast, one may expect weaker market players to be less confident and perhaps more in tune with changes in their environments, and thus, more likely to have developed competencies that enable them to respond to institutional changes. Indeed, some casual empiricism on re-entrants reveals that firms tend to have heterogeneous responses to host institutional changes. Some re-entrants dive right into what is considered a more favourable host institutional environment, whilst other re-entrants are more cautious. For example, Western companies exited the South African market in the mid-1980s as a result of conflicts between the institutions of the two countries, and returned when the trade sanctions imposed by the US government were removed about a decade later as the country was transitioning to a market-based economy (e.g., Pepsi Co., Reebok International, Yum! Brands, Eastman Kodak, Sara Lee Corp.; Cigna International; American International Group).

Other re-entrants (i.e. Lenovo Group, Barclays PLC, Renault S.A., Intercontinental Hotels Group, Standard Chartered), however, endured a longer time-out period prior to re-entry and made dissimilar re-entry commitment decisions. In particular, Standard Chartered (UK) operated via an equity stake in the country prior to exiting and upon return only opted for a representative office, stating that this was a way of dipping a “toe into the water” in South Africa and that a market re-entering acquisition was “not likely to happen” because South Africa was still viewed by management as “not an easy market” (Dow Jones Newswires, 2003). In the meantime, re-entrants such as American International Group followed Cigna International in re-entering the South African insurance market via acquiring one hundred percent ownership stake in a local insurer (in the case of Cigna, simply re-acquiring a former subsidiary) as both companies hoped to gain early mover advantages over other foreign re-entrants because they perceived the host market to have “great growth potential” (Bestwire, 1995). These examples highlight the different responses that re-entrants exhibit to changes occurring in their host institutions during time-out.

Thus, re-entrants may, in fact, differ in their strategic responses to host institutional pressures for legitimacy. Because institutional changes matter for re-entrants’ strategic choices such as re-entry, this study proposes that integrating organisational learning/unlearning rationales with the institutional legitimacy/institutional change perspectives is an important first step toward understanding what drives the foreign market re-entry decisions of multinational firms.

Summary

This chapter highlighted that relevant empirical phenomena such as re-entry may have escaped academic attention because they may not fit perfectly within any one of the traditional theoretical conceptualisations of market entry behaviour. Furthermore, this chapter makes the case that re-entry should be studied from an organisational (un)learning and institutional legitimacy/change perspectives. Similarities expected to exist between *de novo* market entry decisions and re-entry choices are discussed in detail here. Most importantly, this section of the thesis highlights and discusses the potential differences that one might expect between *de novo entry* and *re-entry* decisions in regards to three key points namely, the nature of market exit motivations, the duration of the time-out period and the changes that may have occurred in the host institutional environment between market exit and re-entry. The three key theoretical propositions put forward in this study are as follows; 1) experience associated with the market exit process itself may influence how re-entry is interpreted; 2) a disruption in organisational routines, such as that associated with exit and then re-entry may lead to loss of competencies, potentially also affecting the usefulness and applicability of prior experience which, in turn, depends on the duration of the time-out period between exit and re-entry; and 3) institutional pressures experienced at exit may no longer be relevant, which means that re-entrants may have to unlearn previous behaviours and learn the new “rules of the game” to gain or regain legitimacy.

The three characteristics of foreign market re-entry outlined above that may distinguish re-entry phenomena from *de novo* market entries (together with other more commonly utilised foreign market entry variables) are expected to affect re-entry decisions such as *re-entrants' changes in commitment modes (if any), the timing of re-entry and the motivations and subsequent re-entry decisions of both developed and emerging market re-entrants*. This next chapter details the variables used to empirically investigate these re-entry decisions.

CHAPTER 3: RESEARCH METHODOLOGY

Introduction

This chapter will cover the overall research methodology applied in the thesis. It does not cover in detail the methodology specifics for each empirical chapter; it will rather present overarching information about the methods used and key considerations that underpin this research. The first section provides a succinct overview of the epistemological and ontological underpinnings that guided this work. Next, there is an outline of the research approach adopted in this study and how it aligns with previous work. In the main section of this chapter, I discuss the key data sources drawn from to compile a unique data set and justify the choice of data (details on the relevance of variables for each re-entry decision are presented in the respective empirical chapters).

Research philosophy

Epistemology refers to “what is (or should be) regarded as acceptable knowledge in a discipline” (Bryman, 2008, p. 13); thus, it focuses on the nature of knowledge and how it should be acquired. There are two core epistemological paradigms, namely positivism and interpretivism, which are divided within the broader discussion on whether the social world can and should be studied following the same approach as the one applied to the natural sciences (Bryman, 2008). From a positivist perspective, the reality of the business environment is external to the enquirer and therefore legitimate enquiry involves understanding and predicting this true nature of reality, without focusing too much on how managerial perceptions influence outcomes (e.g., Johnson and Duberley, 2000). With regards to the subject matter in this study, however, the idea of a perfect reality is not supportable because a firm’s internationalisation behaviour may vary according to different contextual variables. For instance, institutional theory recognises general principles can be applied across contexts whilst understanding their limitations for locally specific situations. Furthermore, re-entrants also have bounded rationality when making re-entry decisions and exploring options available. Thus, it is probably unlikely for one theory to explain a phenomenon in its entirety. Further, the existence of one single truth is increasingly questioned by scholars as studies begin to draw on multiple theories.

Ontology, on the other hand, refers to whether the social world is external to the actors (objectivism), or if it is something actors are in the process of building and modifying continuously (constructionism) (Bryman, 2008). If understood as a continuum between those two extremes, this thesis is towards the objectivist side, understanding organisations as concrete objects, with their own set of rules, procedures, guides, hierarchy, that exist separate from actors. This said one can also advocate for the existence of a connection between unobservables and the external reality (Bryman, 2008) because unobservable variables (e.g. culture, knowledge) may offer compelling explanations regarding prominent theories in market entry. For instance, when

changes in management occur one could attest whether the previous knowledge of individuals (excluding that embedded in the firm) is an important factor in re-entry; or, by looking at speed of entry and commitment decisions we can make assumptions regarding previous experience of decision makers and their approaches to risk and commitment. Overall, the position that underlines this study is that *re-entry* is an observable phenomenon, and, despite the scarcity of research on the topic, re-entry can be measured by grouping explanatory variables in a manageable form and accepting that, variables less easily observed can contribute to knowledge when measured through the observable variables that predict them (Mir and Watson, 2000).

Research approach

Irrespective of the advantages and drawbacks of research philosophies, some theories and approaches become academic consensus. Based on the analysis of the market entry literature, there is a strong propensity towards quantitative methodologies, typically using regression analysis (Surdu and Mellahi, 2016). These findings reflect the fact that leading IB and management journals have traditionally been dominated by quantitative methodologies. In line with previous notable studies (e.g., Brouthers et al., 2008a; Demirbag et al., 2007; Xia et al., 2009), this study uses a cross-sectional research design by drawing on a unique body of quantitative data compiled by the author. Given the objective of understanding the predictors for re-entry decisions related particularly to organisational learning and institutional legitimacy, this study relies on regression as a method of analysis.³ The research methodology applied in this thesis is guided by the objective to answer three important questions on re-entry, namely regarding the foreign market re-entry commitment of re-entrants, the timing of re-entry and the location patterns of re-entrant firms. *Figure 3.1* below represents the empirical scheme.

Research design

Data

Because foreign market re-entry is an under-researched area, there are no pre-existent databases from which to draw the data concerning re-entries. Welch and Welch (2009) found that previous studies (i.e., Bonaccorsi, 1992) have treated re-entrants as new internationalisers because they have not identified these sub-categories in their pre-established secondary databases. Unless researchers pose this question specifically in their questionnaires, there is no way of knowing whether a firm's entry into a country follows a previous decision to exit the market, how many times this has occurred and whether firms behave differently compared to initial entry. Furthermore - for generally undisclosed criteria - prior research uses choice sets with market entry events, possibly based on data availability for their specific firms or markets studied.

³ Methods for analysis are explained in more detail within each empirical chapter. The type of regression used varies according to the nature of the dependent variable in each empirical chapter.

Accordingly, data on the incidence of foreign market re-entry events are more likely to be identified in business news articles rather than in traditional secondary data sources which tend to broadly list the population of overseas subsidiaries established by MNEs. The database assembled for this study represents, as far as is known, the most authoritative and up-to-date information on foreign market re-entry and re-entrants.

Data come principally from business information and research databases Factiva (owned by Dow Jones) and LexisNexis (owned by Reed Elsevier), which list information on all private and public companies. Factiva and LexisNexis were chosen because they aggregate content from a large number of licensed and reliable data sources, most predominant being *Wall Street Journal*, *Reuters*, *The New York Times*, *Huffington Post*, *Bloomberg*, and *Nikkei*. These data sources have been used in the past to examine the international business decisions of MNEs (notably, see Li, Eden, Hitt and Ireland, 2008). Developing a unique and new database is also a response to recent studies (see McGuire et al., 2016) which criticise the fact that empirical advances in international business at present depend heavily on archival data collected from the most popular databases (i.e. Compustat Global, Osiris and or Worldscope).

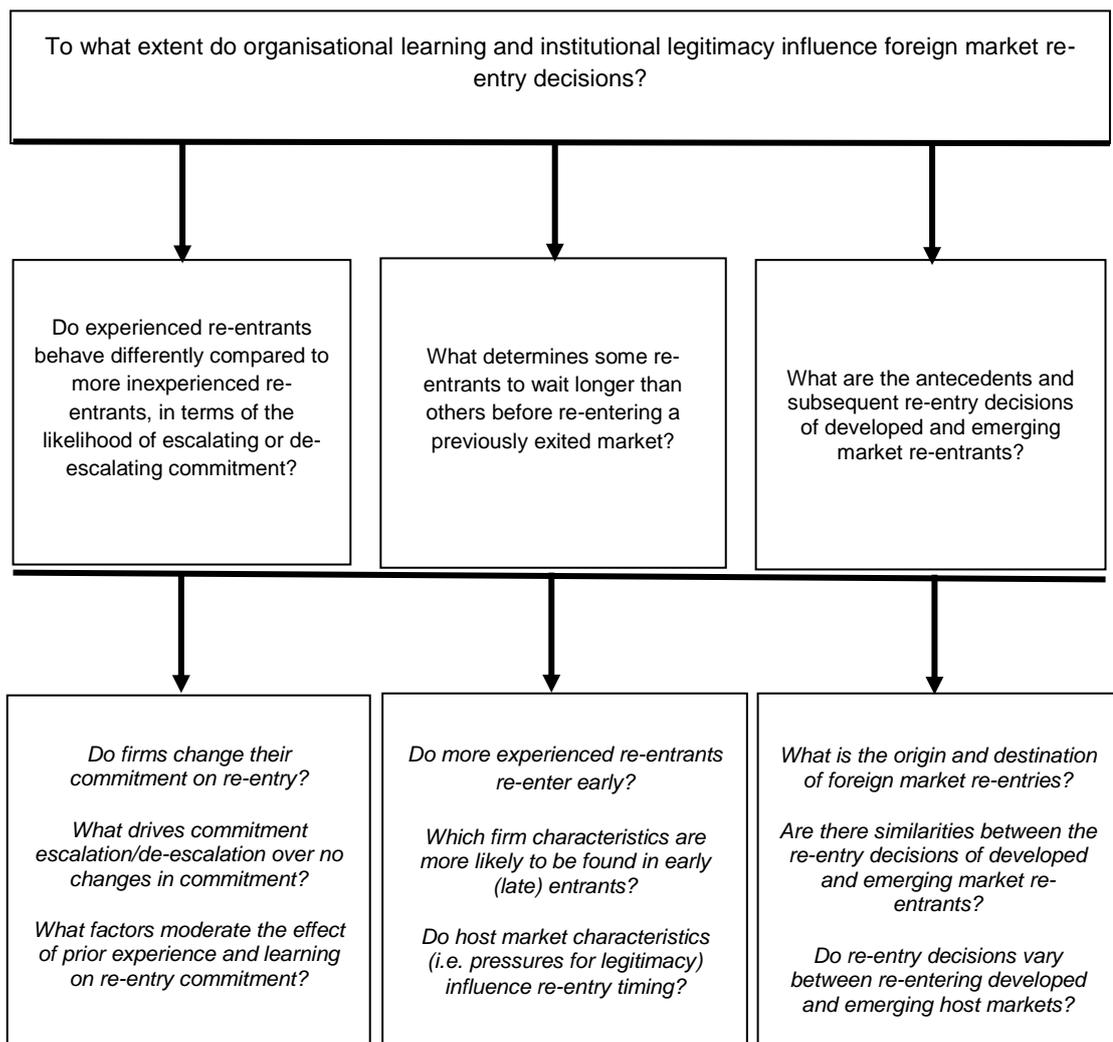


Figure 3.1: Research agenda

Data selection process

After identifying the boundaries of the phenomenon, the next step was to search for the re-entry events in the databases. Keyword searches were used in Factiva and LexisNexis to identify the business news articles that presented information on foreign market re-entry and re-entrants. A number of keywords were chosen in line with the focus of the study and the re-entry definition adopted by Welch and Welch (2009). The basic selection criteria were that a firm entered a foreign market, exited and then re-entered the same host market following a time-out period⁴. The list of keywords consisted of references to a firm re-entering a foreign market (there were no exclusions based on home country origin and host country destination or industry), such as - but not limited to – “re-entry”/ “re-enter” / “return to” / “back in” AND “market”. Following these searches, a total of over 200,000 business news articles were accessed. Second, each article was scanned in order to eliminate duplicates and identify the events which were in line with the definition of foreign market re-entry. Following this process, a total of 1,377 re-entry events were identified. Finally, the 1,377 articles that were identified were read carefully to ensure the data collected does, in fact, measure re-entry as defined and investigated empirically in this study.

Although the definition of foreign market re-entry provided by Welch and Welch (2009) is fairly straightforward, in practice, re-entry may pose a number of problems which should be clarified in order to clearly define the boundaries of the phenomena studied and enable replication of this study. First, there are different views on what constitutes foreign market exit or withdrawal (see Merrett, 2002 for a more detailed discussion). Specifically, firms may close their foreign subsidiaries or assembly plants but continue to maintain a limited form of international involvement in the host market by, for instance, exporting products there (Merrett, 2002). Some evidence does exist that firms also go through periods of increasing and decreasing their international commitment in a market (Vissak and Francioni, 2013). To create a data set for analysis, only cases of total market exit were included in the sample. This echoes previous scholars in maintaining that the reasons for reducing and subsequently enhancing international operations should be studied separately (Javalgi et al., 2011).

Second, the definition of foreign market re-entry refers to the firm level of analysis, in that it considers companies that have exited foreign operations whilst maintaining a domestic presence prior to re-entry. Although entrepreneurs – who may sell a company and re-enter with a different firm – may be an interesting group of re-entrants, this is beyond the scope of this study and should be studied separately. Third, this data sample does not include firms which exited one foreign market and subsequently entered a different market because this activity is analytically different from the phenomenon of this study, and, for instance, would not permit a comparison of changes in host institutional environments between foreign market exit and re-entry.

⁴The parent firm is the unit of analysis. Parent firm refers to the company that is re-entering the market, whether or not it is re-entering through one of its divisions, e.g., *Fiat re-entered Brazil with Alfa-Romeo as well as Iveco*. Similarly, conglomerates such as *General Electric* have re-entered multiple host market sectors.

Fourth, the news announcement to re-enter was not considered sufficient, so further searches in the databases were undertaken to confirm that a given firm had, in fact, re-entered a previously exited market. Consequently, 50 articles were eliminated because data concerning re-entry was speculative and, to date, no confirmation exists that re-entry has, in fact, occurred. Finally, project operations were a dominant mode of international expansion for some firms (e.g., construction sector) which regularly exited and re-entered because these processes are an inherent part of their business model (Vissak and Francioni, 2013). Thus, another 20 re-entry events were excluded from the database because they were project-based businesses. A total of 215 events were eliminated as they referred to domestic market exit, more specifically exit from an industry sector, followed by re-entry into that sector. A further 72 articles were eliminated because they referred to product market re-entries. The observation period starts in 1980 and ends in 2015 and includes a total of 1,020 events, that is, all re-entry events which have been identified in the databases and are in line with the scope of the study.

Variables

The data acquired from Factiva and LexisNexis were used to build some of the variables whilst other sources such as World Bank, Economic Freedom of the World Index, SEC, FTSE, UNCTAD, Bloomberg and company data such as annual reports were also used. Variables were collected from multiple sources and compiled into a comprehensive database since, as specified earlier, there were no pre-established secondary data sources accounting for re-entry events. Three different measures were used for the institutional level variables in order to check for data inconsistencies and conduct appropriate robustness checks. *Tables 3.1a-3.1c* below summarise the variables used, with their respective sources and values/measures.

Firm-specific variables

(1-5) Organisational learning was measured by combining two or more of the following five aspects of firm international experience (e.g., Casillas and Moreno-Menendez, 2014; Chan et al., 2006; Dow and Larimo, 2011; Luo and Peng, 1999; Brouters et al. 2008a; Xia et al., 2009). *Experience intensity* was measured as the number of years of international and host region experience. The *diversity of experience* was measured as the number of countries in which the firm was operating both internationally and regionally. Most recent studies (e.g., Dow and Larimo, 2011; Gao and Pan, 2010) tend to emphasise the importance of general international experience, without reference to a specific market because general experience is expected to better reflect the extent of learning that a firm may have acquired from operating in multiple environments over time, leading to a more diversified and broader knowledge base. However, the degree of host market involvement of the re-entrant was also measured; **(5)** *host experiential knowledge* represents the number of years a firm spent in the host market prior to exiting that market and this type of experiential learning has been suggested to integrate the acquisition of market as

well as institutional knowledge (Casillas and Moreno-Menendez, 2014; Eriksson et al., 1997; Eriksson et al., 2000). Experience intensity and experience diversity were operationalised at ($t-1$) exit, a year prior to the firm exiting the market and at ($t-1$) re-entry, specifically a year prior to the firm actually renewing operations in the host market.

(6) This study accounted for *firm size*, which has been associated with firms owning comparatively more financial and other resources enabling them to make riskier entry decisions, and measured it as the value of total assets (re-calculated at the current euro rate for comparison purposes) with a logarithm transformation (see Brouthers, Brouthers and Werner, 2003; Gao and Pan, 2010; Meyer, 2011). Firm size was measured at ($t-1$) exit and ($t-1$) re-entry. Also, (7) since older firms have been considered more likely to show signs of organisational inertia (e.g., Guillén, 2002; Sapienza et al., 2006), firm age was computed as the number of years since the firm was founded until ($t-1$) exit and ($t-1$) re-entry.

(8) Similar to prior studies on initial entry (e.g., Araujo and Rezende, 2003; Yiu et al., 2007), this study also proposed that management can alter the direction of a multinational firm's re-entry path or re-shape it all together. Thus, this study measures *changes in management* according to whether the CEO had been replaced up to three years prior to the re-entry year.

(9) As a firm could engage in more than one re-entry event, it was identified whether the re-entrant was present in the host market via a different division in the same/different sector at the time of re-entry. MNEs which have maintained close ties with host markets by operating there via other businesses may be more confident with their host market operations.

Institutional specific variables

(10-15) Data on the first set of host institutional variables was obtained from the World Bank's Worldwide Governance Indicators (WGI) which has been used in a number of market entry studies (notably, Kauffman, Kraay and Mastruzzi, 2009). The WGI index covers over 200 countries and has been published since 1996 and consists of six indicators of institutional development as follows; *voice and accountability* represent perceptions about the extent to which citizens are able to select their government and enjoy the freedom of expression. *Political stability and absence of violence* reflect perceptions concerning whether the political system may be destabilised by unconstitutional means. *Government effectiveness* reflects perceptions on the extent to which government policies are formulated and implemented successfully. *Regulatory quality* measures perceptions on whether the government can implement policies that favour the development of the private sector. *Rule of law* scores reflect perceptions related to the extent to which stakeholders trust the legal system and whether contracts and property rights are enforced. *Control of corruption* reflects perceptions concerning the extent to which public power is used for private gain. Estimates for each dimension range between -2.5 (weak performance) to +2.5 (strong performance). Variables are measured at ($t-1$) exit and ($t-1$) re-entry. Host institutional change represents the difference between performance at the time of re-entry compared to exit.

(16-25) Data on the second set of institutional variables comes from the World Bank's Index of Economic Freedom published by The Heritage Foundation and the Wall Street Journal which covers 186 countries since 1995 (Meyer et al. 2009; Bengoa and Sanchez-Robles, 2003; Xia et al. 2009). Ten aspects of host economic freedom are measured on a 100-point scale in which a score of 100 indicates a high degree of freedom and 0 indicates no freedom. *Property rights* refers to the ability of stakeholders to accumulate property and wealth under an autonomous and accountable judicial system. *Freedom from corruption* refers to the ability of the government to maintain the integrity of the economic system via transparent regulatory procedures. *Fiscal freedom* measures the extent to which the government permits individuals and businesses to manage their own wealth. *Government spending* measures the extent to which the money invested by Governments (in infrastructure, human capital) accrue benefits for stakeholders. *Business freedom* refers to whether an individual's right to run an enterprise without undue state interference is respected. *Labour freedom* measures the ability of stakeholders to find employment opportunities and work in a country. *Monetary freedom* refers to the extent to which a country has a stable currency and market-determined prices. *Trade freedom* scores reflect an economy's openness to the flow of goods and services in the international marketplace. High *investment freedom* scores translate into transparency and equity, where support is allocated to other than just the very large firms. Variables are measured at (*t-1*) exit and (*t-1*) re-entry. Institutional change represents the difference between performance at re-entry compared to exit.

(26-30)⁵ *Economic Freedom of the World Index* published by the Fraser Institute was used to gather data for the third set of institutional variables (Aguilera and Cuervo-Cazurra, 2004; Jory and Ngo, 2014; Wan and Hoskisson, 2003). It aggregates information about national institutions into five subcomponents. Most importantly, data is available for 152 countries since 1970. The index categories are as follows; the *size of government* refers to the degree to which a country relies on personal choice and markets rather than political decision-making. *The legal system and property rights* refer to how effectively the protective functions of the government are performed. *Sound money* measures whether a country follows policies and adopts institutions that lead to low (and stable) rates of inflation. *Freedom to trade internationally* measures whether a country has low tariffs, easy clearance and efficient administration of customs and few controls on the movement of capital. A high *regulation* score means that a country allows markets to determine prices and refrains from regulatory activities that increase costs of new business entry. Each sub-component is placed on a scale from "0" to "10" that reflects the distribution of the underlying data; then the five area ratings aforementioned are averaged to derive the summary rating for each country. Other secondary databases reporting institutional measures are not available for most of the years in our sample and thus, could not be considered in this study⁶.

⁵ The index is preferred in this study because it is based on two important methodological principles. First, it uses objective components and relies less on data based on surveys, expert panels, and generic case studies. Second, the data used to construct the index ratings are from reliable sources such as the International Monetary Fund, World Bank, and World Economic Forum that provide data for a large number of countries. Data provided directly from a source within a country are rarely used (Economic Freedom of the World Project, 2016).

⁶ Others (Yiu and Makino, 2002) used the World Competitiveness Index available only for the period starting in 2000.

Table 3.1a: Summary of dependent, independent and control variables

	VARIABLE NAME	VALUES/MEASURES	SOURCES
Firm-specific variables	(1) General experience intensity	No. of years from initial entry into any one given foreign market until (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Company history, Funding Universe
	(2) Host region experience intensity	No. of years from initial entry into a foreign market in the host region until (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Company history, Funding Universe
	(3) General experience diversity	Total no. of international markets the firm was operating in at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Annual reports
	(4) Host region experience diversity	Total no. of markets in which the firm was operating within the host region at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Annual reports
	(5) Host experiential knowledge	No. of years between initial entry into the host market and market exit	Factiva, LexisNexis
	(6) Firm size	Total parent firm assets at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Annual reports
	(7) Firm age	No. of years from foundation to (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Company profile
	(8) Changes in management	Changes in CEO up to 3 years prior to re-entry year	Bloomberg
	(9) Already present in host market	1= the parent firm is present in host market with another company; 0=the parent firm in not present in the host market	Factiva, LexisNexis, Annual reports
Institutional specific variables	(10) Voice and accountability	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(11) Political stability and absence of violence	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(12) Government effectiveness	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(13) Regulatory quality	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(14) Rule of law	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(15) Control of corruption	-2.5 (weak governance) to +2.5 (strong governance) measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank Worldwide Governance Indicator (WGI)
	(16) Property rights	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(17) Freedom from corruption	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(18) Fiscal freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank

Table 3.1b: Summary of dependent, independent and control variables

	VARIABLE NAME	VALUES/MEASURES	SOURCES
Institutional specific variables	(19) Government spending	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(20) Business freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(21) Labour freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(22) Monetary freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(23) Trade freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(24) Investment freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(25) Financial freedom	1 to 100 high number indicates less stringent regulatory environment measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank
	(26) Size of government	1= low economic freedom to 10= high economic freedom measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Freedom of the World Index - Fraser Institute
	(27) Legal system and intellectual property rights	1= low economic freedom to 10= high economic freedom measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Economic Freedom of the World Index - Fraser Institute
	(28) Sound money	1= low economic freedom to 10= high economic freedom measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Economic Freedom of the World Index - Fraser Institute
	(29) Freedom to trade internationally	1= low economic freedom to 10= high economic freedom measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Economic Freedom of the World Index - Fraser Institute
Country specific variables	(30) Regulation	1= low economic freedom to 10= high economic freedom measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	Economic Freedom of the World Index - Fraser Institute
	(31) Host market institutional changes	Measured as the difference between host market institutional development scores at (<i>t-1</i>) re-entry and (<i>t-1</i>) exit	Author calculations
	(32) Home/Host economic development	1=developed; 0=emerging	FTSE Global Equity Index
	(33) DMM-Emerging, DMM-developed, EMM-Emerging, EMM-developed	1=re-entrant belongs to one of the categories; 0 = re-entrant belongs to any of the other categories	Author calculations
	(34) Geographic location	1=Europe; 2=N America; 3=South America; 4=Asia; 5=Japan; 6=Australia & New Zealand; 7=Africa	UNCTAD
	(35) Host market size	GDP/Capita PPP measured at (<i>t-1</i>) exit and (<i>t-1</i>) re-entry	World Bank

Table 3.1c: Summary of dependent, independent and control variables

	VARIABLE NAME	VALUES/MEASURES	SOURCES
Country specific variables	(36) Changes in host market size/Host market growth	GDP/Capita PPP measured as the difference between host market growth scores at $(t-1)$ re-entry and $(t-1)$ exit	Author calculations
	(37) Host market attractiveness	FDI inflows PPP measured at $(t-1)$ re-entry and $(t-1)$ exit	World Bank
	(38) Changes in host market attractiveness	FDI inflows PPP measured as the difference between host market attractiveness scores at $(t-1)$ re-entry and $(t-1)$ exit	Author calculations
	(39) Regionalisation	1=yes; 0=no	Author calculations
Re-entry specific variables	(40) Mode prior to exit	0=non-equity; 1=co-operative; 2=wholly owned	Factiva, LexisNexis
	(41) Mode at re-entry	0=non-equity; 1=co-operative; 2=wholly owned	Factiva, LexisNexis
	(42) Changes in mode commitment	0=no changes; 1=commitment de-escalation; 2=commitment escalation	Author calculations
	(43) Initial entry year	Any values	Factiva, LexisNexis
	(44) Exit year	Any values	Factiva, LexisNexis
	(45) Re-entry year	Any values	Factiva, LexisNexis
	(46) Time-out	Number of years between year of re-entry and the year of exit	Author calculations
	(47) Involuntary exit	1=yes; =no	Factiva, LexisNexis
	(48) Voluntary exit_Poor market performance	1=yes; =no	Factiva, LexisNexis
	(49) Voluntary exit_Poor performance with mode	1=yes; =no	Factiva, LexisNexis
	(50) Voluntary exit_Strategic exit	1=yes; =no	Factiva, LexisNexis
	(51) Motives for re-entry_More resources	1=yes; =no	Factiva, LexisNexis
	(52) Motives for re-entry_Changes in strategy	1=yes; =no	Factiva, LexisNexis
	(53) Motives for re-entry_Strategic intent	1=yes; =no	Factiva, LexisNexis
(54) Motives for re-entry_Institutional pull	1=yes; =no	Factiva, LexisNexis	
Industry specific variables	(55) Automotive industry	Firm belongs to the automotive industry 1=yes; =no	SEC classification
	(56) Retail industry	Firm belongs to the retail industry 1=yes; =no	SEC classification
	(57) Financial services industry	Firm belongs to the financial services industry 1=yes; =no	SEC classification
	(58) Consumer electronics	Firm belongs to the financial services industry 1=yes; =no	SEC classification

(31) *Host market institutional changes* refers to the changes (if any) in the institutional aspects of the host market that have occurred between time of re-entry and time of exit. Institutional change variables are measured at the time $t-1$ of exit and $t-1$ of re-entry; i.e. institutional change = $(t-1)$ re-entry – $(t-1)$ exit.

Country specific variables

(32) Previous studies disagree on whether emerging market firms find it more difficult to deal with the uncertainties of expanding internationally compared with developed market firms (Meyer, 2001; Meyer et al., 2009). *Home/Host economic development* was measured by dummy variables which take the value of “1” if the country is classified as a developed economy and “0” otherwise. Data on country classification was obtained from the FTSE Global Equity Index which classifies countries into their respective developed and emerging categories. **(33)** The four combinations of home-host locations (i.e. “DMM-developed”, “DMM-emerging”; “EMM-developed”, “EMM-emerging”) were then computed into four separate dichotomous variables. For instance, the variable “DMM-developed” measured whether the re-entrant was a developed market firm re-entering a developed host market and so on.

(34) *Geographic location* was measured from the United Nations Conference on Trade and Development (UNCTAD) which provides a widely used classification of countries into their respective geographic regions (see also Vermeulen and Barkema, 2002).

(35) *Host market size* was measured as the value of GDP per capita based on purchasing power parity (PPP) to allow for a comparison of values over time and locations (c.f. Chan et al., 2006).

(36) Changes in host market size was calculated as the difference between the value of GDP/capita PPP at the time of re-entry and at the time of exit. This data was calculated from the World Bank database; i.e. *host market growth* = $(t-1)$ re-entry – $(t-1)$ exit.

(37) *Host market attractiveness* was measured as the net inflows of FDI in the host market. Similar to the host market growth measure, host market attractiveness was calculated based on the value of FDI inflows at the time of exit and that at the time of re-entry. This data was also calculated from the World Bank database.

(38) *Changes in host market attractiveness*; i.e. changes in host market attractiveness = $(t-1)$ re-entry – $(t-1)$ exit.

(39) Regionalisation measures whether re-entrants tend to return to countries within their home region or re-enter markets further afield. This is an ongoing popular debate in the foreign market entry literature (notably, Rugman et al., 2014). In line with previous studies, broad types of regionalisation patterns were identified between countries within the European Union, North America, Latin America, APAC, and Africa.

Re-entry specific variables

(40-41) To determine whether a firm's re-entry mode is associated with the mode in which the firm was operating prior to exiting the market, data were collected on *mode prior to exit*, respectively *mode of re-entry*. For these measures, Factiva and LexisNexis were used. The value of "2" was assigned if the foreign affiliate had operated in the foreign market via a wholly owned subsidiary, "1" if it operated via a joint subsidiary, and "0" if the foreign affiliate did not hold equity in the host market (the same coding applies for re-entry commitment modes). Experiential learning about an entry mode also referred to as "within -orm" learning (Li et al., 2007) has been used to explain how firms reduce the uncertainty associated with the foreign market entry (Casillas and Moreno-Menendez, 2014; Chang and Rosenzweig, 2001; Xia et al., 2009).

(42) *Changes in foreign market re-entry commitment* refer to differences (if any) in the mode of operation chosen at re-entry **(41)** compared to the mode in which the firm was operating in the host market prior to exit **(40)**. This is a categorical variable whereby a firm may opt to return via the same mode of operation/commitment (no change= "0"), escalate commitment (commitment escalation= "1") or de-escalate by reducing its commitment in the market (commitment de-escalation= "2"). Commitment escalation refers to firms changing commitment from a non-equity mode (export, franchise, license) in which it was operating prior to exiting, to a joint venture or a wholly owned subsidiary opted for upon market re-entry; or from a joint venture to a wholly owned subsidiary. Commitment de-escalation refers to firms switching operational modes from operating via a wholly owned subsidiary before exit to re-entering via a joint or non-equity venture, or to switching from a joint venture to a non-equity mode.

(43-45) *Initial entry year, exit year and re-entry year* refer to when the firm first entered the market, when it exited and when it returned to that market. This data was obtained from the initial documents from Factiva and LexisNexis that reported re-entry and naturally, that were dated with the re-entry year (and for the most part would also report the exit year), followed by further examination of both databases to identify when initial entry occurred.

(46) This study argued for the role of organisational forgetfulness in reducing the effect of previous experience on organisational learning (Rumelt, 1995; Tsang and Zahra, 2008). The ability to reduce losses incurred upon exit by salvaging key business and network partnerships may also vary according to how long the firm is absent from the market (Roberts and Tybout, 1997). *Time-out* was calculated as the difference between re-entry year and exit year.

(47-50) Particularly relevant are the *motives for the exit*. Factiva and LexisNexis were used to identify why firms exited and used previous typologies to unpack exit motives into two categories i.e. *voluntary* and *involuntary* exits (Benito and Welch, 1997; Chen and Wu, 1996; Dass, 2000; Mellahi, 2003; Nummela et al., 2016; Pauwels and Matthyssens, 1999; Turner, 2011). Involuntary exits occurred when home/host environment institutions (e.g., governments) pressured firms to forfeit their operations. Voluntary exits are classified as follows; "strategic motives" (e.g., strategic

refocus on home region); “poor market performance” (e.g., outperformed by local market competitors) and “poor performance with entry mode” (e.g., not sufficient reach to target key customers or not enough control over host operations). Four dummy variables were therefore created; the study tested for the effect on foreign market re-entry commitment and re-entry timing of firms exiting voluntarily compared to those which were forced out of the market.

(51-54) Motives for re-entry were also coded from Factiva and LexisNexis and categorised into “more resources” (i.e. the re-entrant has accumulated more resources during the time-out period), “changes in strategy” (i.e. re-entry involves changes in product, positioning, distribution and or pricing strategies), “strategic intent” (i.e. the re-entrant targets expansion in the host region) and “institutional pull” (i.e. host governments provide incentives for foreign firms to return). Motives for re-entry were identified from the news articles. They were coded into the database and are based on either the views of CEOs, an objective analysis of the re-entry event in news outlets such as WSJ or FT or most often, both sources. Prior studies have already highlighted these factors as important drivers of market entry (see Chan et al., 2006; Peng, 2003).

Industry specific variables

(55-58) There are four industry level dummies for firms operating in the *automotive, retail, financial services* and *consumer electronics* sectors; almost 60 percent of re-entrants in the sample operate in one of these four industry sectors.

Summary

This chapter presents an overview of key methodological aspects of this thesis. A more detailed depiction of the analysis and sub-sampling methods used to unpack re-entry decisions are included in the respective empirical chapters i.e. Chapters 4, 5 and 6. This thesis uses a quantitative strategy throughout, and data on re-entry and re-entrants is analysed using (binomial and multinomial) logistic regression. The methodological choices discussed in this chapter allow for coverage of a large number of re-entry events and permit conducting observations of re-entry decisions over time. Most importantly, these methods are expected to offer the most appropriate alternative to answering the research questions, namely *what* factors determine the re-entry commitment and re-entry timing decisions of both emerging and developed market re-entrants.

CHAPTER 4: ONCE BITTEN, TWICE SHY? THE ANTECEDENTS OF FOREIGN MARKET RE-ENTRY COMMITMENT DECISIONS

Abstract. This chapter examines foreign market re-entry commitment, namely the potential changes in the entry mode strategies undertaken by multinational enterprises as they return to a previously exited foreign market. In doing so, this study examines the effect of organisational learning on foreign market re-entry commitment decisions. Moreover, the analysis integrates the effect of host institutional changes during the time-out period, as well as motives for the exit to evaluate their independent as well as moderating effects on the relationship between learning from prior experience and re-entry commitment decisions.

Introduction

The question of *how* multinational firms expand into foreign markets has long been considered a critical issue in international management and has also been viewed as very important for the success and survival of these firms (see Surdu and Mellahi, 2016 for a review). Traditionally, researchers have examined the determinants of initial foreign entry mode selection, with such studies mainly focusing on the exploitation of firm-specific advantages and reducing transaction costs by opting for the most effective mode of operation in a foreign market (Brouthers, 2002; Hennart, 1991; Madhok, 1997; Makino and Neupert, 2000). In recent years, scholars (De Villa, Rajwani and Lawton, 2015; Hennart and Slangen, 2015; Shaver, 2013) have raised concerns regarding the explanatory limitations of theories based on transaction cost rationales. For example, if initial entry mode decisions are driven by economic rationales, what influences subsequent foreign market entries? Furthermore, is the foreign market entry mode decision an irreversible one? Correspondingly, this has led to growing debates over the relevance of entry mode research as scholars argue for the revival of this topic area with newer research questions and theoretical lenses (Davis et al., 2000; Hennart and Slangen, 2015; Huang and Sternquist, 2007; Shaver, 2013). Particularly, little research has been devoted to understanding *why* firms often replicate prior decisions over choosing new modes of entry even when their circumstances have changed (for exceptions, see Chan et al., 2006; Xia et al., 2009). More recently, scholars called for the inclusion of what drives subsequent entry mode decisions in a host market to provide a more dynamic and complete picture of how firms enter foreign markets (Casillas et al., 2015; Hennart and Slangen, 2015). Consequently, this study addresses these calls for research by examining specifically what drives the foreign market *re-entry* commitment decisions of firms.

Anecdotal evidence suggests that foreign market exit is not a permanent decision (Loustarinen, 1979). MNEs may exit foreign markets for various reasons such as lack of resources and capabilities to compete effectively in the market or regulatory and political instability that would make the host market temporarily unattractive (Mellahi, 2003; Song, 2013). Yet, the factors that once impeded their successful foray into that market may have dissipated allowing for a return

back to the host market. Moreover, firms may re-enter previously exited markets attempting to salvage some of the losses that they may have incurred upon withdrawal of their operations. Foreign market re-entry, particularly the question of *how* firms return to previously exited markets, has not received academic attention.

In this study, **foreign market re-entry commitment** is defined as *the difference (if any) in the mode of operation chosen at re-entry compared to the mode in which the firm was operating in the host market prior to exit*. In line with this definition, a firm may opt to return via the *same mode of operation*, *escalate commitment*, by opting for re-entry modes that require more resource investment, or *de-escalate* by reducing its commitment in the market, which would mean choosing modes that typically involve a lower level of resource investment (see *Figure 4.1*). Organisational learning scholars share the perspective that in order to reduce the uncertainty associated with entering foreign markets, firms tend to rely on the accumulation of knowledge and experience in their entry mode selection decisions (Barkema et al., 1996; Dow and Larimo, 2011; Gao et al., 2008; Xia et al., 2008; 2009). Additionally, the more experienced a firm becomes with operating via a certain mode of entry, the more likely it is to use that mode again (Chang and Rosenzweig, 2001; Huang and Sternquist, 2007; Xia et al., 2008). Learning from prior experience, or in other words, “learning by doing” is considered a major source of knowledge and a key driver of how firms choose to commit resources to foreign markets. Whilst most of this research is grounded in the setting of fairly stable institutional environments, institutions may change if a sufficient period of the time has passed. Changes in host institutional environments can act as a stimulus for strategic change for foreign firms wishing to (re)enter previously exited markets (Hernandez and Nieto, 2015; Newman, 2000; Peng, 2003). When changes in national institutions occur, new managerial practices become legitimised whilst old practices may be discarded and even forgotten particularly after a longer period of time-out. Consequently, this study explores the complex situation in which re-entrant firms’ prior experience and subsequent learning and the changes that may have occurred in the host institutional environment during the time-out, period jointly influence the re-entry commitment decision.

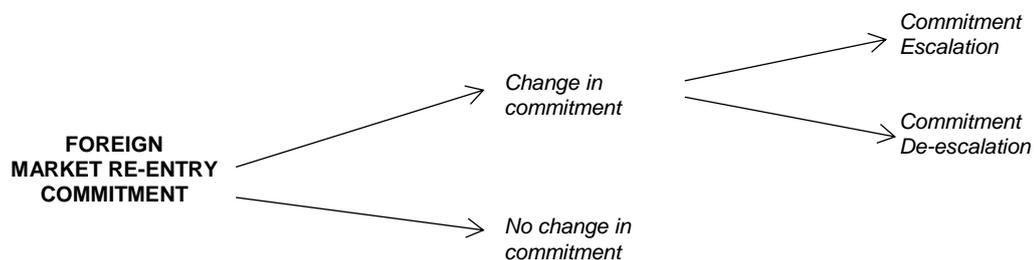


Figure 4.1: Foreign market re-entry commitment: Escalation, De-escalation or No change

Consequently, this study makes several extensions to previous research. First, prior research has studied initial entry mode selection and did not highlight cases where the firm may have exited and subsequently re-entered a foreign market. Welch and Welch (2009) argued that with

“some firms displaying serial international exit and re-entry behaviour, it cannot be discounted that there are many in the category of former international operators within general studies of ‘newly internationalising’ companies” (p. 568). This study examines foreign market re-entry after exit; more specifically, the potential *changes in commitment between the mode of operation prior to exit and the mode of re-entry*. Since foreign market re-entry commitment decisions may be different from initial or *de novo* entry mode choices, re-entry should be studied separately and the potential effect of prior entry(ies) and exit(s), captured.

Second, drawing on organisational learning theory, this study examines the effects of prior experience on learning and thus, on re-entry commitment, by accounting for the effect of exit motives. Prior studies have focused on the positive effects of prior knowledge and experience on entry mode commitment decisions; yet, their focus has largely been on the effect of prior entries, thus ignoring that firms may also leave and subsequently re-enter a foreign market, carrying with them the stigma associated with market exit. Third, previous studies found that past entry mode choices co-determine present ones, thus supporting the “within-form” learning rationale (Chan and Makino, 2007; Gao and Pan, 2010; Guillén, 2003; Padmanabhan and Cho, 1999, Li et al., 2007; Vermeulen and Barkema, 2001; Yiu and Makino, 2002). These studies emphasise a certain homogeneity in the entry modes chosen by foreign entrants, whereby firms which have entered via acquisitions tend to enter mostly via acquisitions (e.g., Vermeulen and Barkema, 2001), whilst foreign entrants opting for joint ventures, are likely to re-utilise this mode again (e.g., Xia et al., 2009). Thus, this study also explores whether within-form learning is also common for re-entrants by examining what drives some firms to re-enter via the same commitment mode.

Finally, Hennart and Slangen (2015) proposed that “there may also be a third – hitherto overlooked – explanation, that is, the continued presence of key factors that led the focal firm or its peers to use the same mode for previous entries. In this scenario past mode choices do not co-determine present ones, even though they are statistically correlated” (p. 118). Although some studies have made significant contributions to explaining how institutional factors and particularly the magnitude of institutional distance between home and host markets influence entry mode decisions (Ang, Benischke and Doh, 2015; Meyer et al., 2009; Rodriguez et al., 2005; Yiu and Makino, 2002), and a select few have hypothesised about the effects of institutional transitions (Hoskisson, 2000; Peng, 2003), changes in the institutional frame of a country and their effect on modal choices has been largely overlooked. This study measures the changes in the institutions of host markets during the time-out period as these changes may have important moderating effects on the role of prior experience and learning on re-entry commitment. Changes in the institutional environment may also mean that the re-entrants’ knowledge of the practices that were previously legitimate in the host market, may no longer be applicable and thus, an entry mode that was previously legitimate in the host market, may no longer be the most effective way in which to operate in that market upon re-entry. In particular, the focus is on the direction of change (Hernandez and Nieto, 2015; Zaheer, Schomaker and Nachum, 2012), which can be negative institutional changes (when a firm re-enters a country where the environment is less

stable than it was when it exited) or positive institutional changes (when the host environment is more favourable at the time of re-entry).

By combining organisational learning and institutional change perspectives on re-entry commitment, this study addresses the following question: *In the presence of host institutional changes, do experienced entrants behave differently compared to more inexperienced entrants, in terms of the likelihood of escalating or de-escalating commitment?* This way, one can also examine whether re-entrants use the same commitment modes irrespective of changes in host institutions or whether there is an effect of returning to more favourable institutions on the decision to escalate or de-escalate commitment on re-entry.

The remaining of this chapter is structured as follows. This study draws on the organisational learning perspective to develop a theoretical rationale on how prior knowledge and experience affect re-entry commitment. Next, it integrates the learning perspective with the institutional change view, to examine whether more experienced re-entrants are more likely to respond to favourable host institutional changes. Furthermore, this study hypothesises about the effect of exit motives on re-entry commitment. The hypotheses are tested using a unique sample of 1,020 foreign market re-entries undertaken by 725 MNCs between 1980 and 2015. The study then follows with a discussion of the findings of the regression models and some conclusions.

Literature Background

Firms may enter foreign markets in different ways including exports, licensing, franchising and direct investment (Root, 1987). Re-entrants face three basic decisions: whether to change their commitment compared to how they previously operated in that market and where changes in commitment are considered preferable whether to escalate or de-escalate. This study focuses on the different types of commitment decisions of re-entrants and thus, includes market re-entry through foreign direct investment (equity joint ventures, greenfield investments and acquisitions), as well as through arm's length contractual modes such as exporting, licensing, franchising and non-equity alliances. Similar to other studies (Chang and Rosenzweig, 2001) commitment is associated with the degree of equity owned in the host market at re-entry and prior to exiting.

A firm can escalate from a minority joint venture to a majority venture or to a wholly owned subsidiary, or from a contractual arrangement to an equity mode, and may de-escalate from direct investment to a contractual arrangement; or by reducing the amount of equity investment in a foreign venture. The level of control and resource commitment is weakest in the case of entry modes such as exports and strongest in the case of wholly owned entries. The degree of involvement in a foreign market is considered important because it affects the strategic options of the firm and the ability to adapt successfully to local markets (Ang et al., 2015; Chan and Makino, 2007; Chang, 1995). Higher involvement levels such as wholly owned entries have been associated with enhanced market presence (and more rapid entry, in the case of acquisitions),

reduced distribution costs, better service levels and more control over marketing operations (Pan and Tse, 2000). In turn, higher resource commitment entry modes may also limit the strategic flexibility of firms and constitute a source of considerable loss of financial resources on exit (Belderbos and Zou, 2009; Root, 1987). Irrespective of the risks of free riding and opportunistic behaviour, partial ownership via joint ventures has been associated with more flexibility as the firm can later choose to terminate the investment or further invest in the market for greater control of its operations (Kogut, 1991). Whereas the risks associated with host markets may be reduced by limiting ownership in foreign ventures, MNEs tend to learn most about foreign markets from direct investment strategies than exports or licensing (Delios and Henisz, 2003; Xia et al., 2009).

Theoretical development and hypotheses

Organisational experience and learning effects on re-entry commitment

Prior attempts to understand commitment decisions have suggested that intangible assets such as knowledge and experience are the foundations for firm motivations to expand beyond their domestic markets (Brouthers et al., 2008a; 2008b). In this context, organisational learning derived from prior knowledge and experience is expected to facilitate a strong market position for a foreign firm in its host market, despite the entrant having knowledge disadvantages compared to local players (Chang and Rosenzweig, 2001; Lu, Liu, Wright and Filatotchev, 2014; Slangen and Hennart, 2008; Vermeulen and Barkema, 2001). Experience provides a reference point to understand the risks and benefits associated with market entry which has resulted in the widespread idea that stocks of knowledge and experience accumulated in the past can also shape future foreign market entry mode decisions (Slangen and Hennart, 2008; Sapienza et al., 2006; Zaheer, Hernandez and Banerjee, 2010). Even when multinational firms have disadvantages in foreign markets compared to local firms, these disadvantages can be overcome effectively by gaining knowledge and experience applicable to that host country or related settings (Johanson and Vahlne, 1977). Thus, a firm's knowledge base and competitive advantages tend to increase with its international experience, leading to reduced uncertainty and a likelihood of firms making higher commitment foreign entries in those markets as, over time, entrants learn to operate across different modes (Barkema et al., 1996; Casillas et al., 2015; Chang, 1995; Delios and Beamish, 2001; Gao and Pan, 2010).

Organisational learning scholars increasingly emphasise that experience can facilitate learning that is then transferred to new situations, by considering how experience accumulated from prior investments influences firms' post-entry mode decisions in a foreign market. Specifically, these studies recorded that the accumulation of experience from prior entries leads to a change in entry mode in the direction of escalation (Brouthers and Hennart, 2007; Guillén, 2003; Li et al., 2007). Firms tend to escalate their resource commitment with more experience because when experience effects exist, uncertainty avoidance makes way for the need to capitalise on the accumulated pool of new knowledge (Brouthers and Hennart, 2007; Guillén, 2003; Sapienza et

al., 2006; Xia et al., 2009). Non-equity ventures can be stepping stones for entering via direct investment modes such as equity joint ventures, greenfields or acquisitions (Autio et al., 2000; Casillas and Moreno-Menendez, 2014; Eriksson et al., 1997; Hutzschenreuter et al., 2007) in that on initial entry, firms may choose to opt for non-equity or lesser equity collaborations to attain the necessary knowledge in terms of how to deal with host institutional actors such as governments as well as suppliers and customers. Subsequently, building on this knowledge and experience they tend to escalate their commitment and even operate independently in the host market (Slangen and Hennart, 2007; Yiu and Makino, 2002).

Organisational learning is considered most effective when attained incrementally in that it allows the firm to absorb the knowledge acquired from prior experience and make sense of those experience in order to enable their exploitation (Barkema et al., 1997; Casillas and Moreno-Menendez, 2014; Delios and Henisz, 2003). By following the hypothesised sequence of entry and experience accumulation, the intrinsic disadvantages of foreign entrants in the host market may then dissipate because internationalisers' capabilities would have improved with the accumulation of experience (Casillas and Moreno-Menendez, 2014). Implicit in these assumptions is that experienced entrants may be more willing to bear the perceived costs and risks associated with a different entry mode strategy to capitalise on their prior knowledge and experience. Even though the results of the relationship between prior knowledge and experience and commitment vary from one context to another (Brouthers et al., 2008a; Huang and Sternquist, 2007; Nadolska and Barkema, 2007), scholars generally expect a positive and significant relationship between learning from experience and the degree of foreign equity.

In this study, it is proposed that prior knowledge and experience accumulated over time may not always translate into organisational learning, and subsequently strategic (re)entry commitment changes as previously generalised. Specifically, market re-entry commitment may be a more complex decision emerging from the re-entrant firms' expectations from returning to a potentially changed host market environment and their interpretations of prior entry(ies) and exit(s). Additionally, the likelihood of prior experience being translated into organisational learning may dissipate over time, as generally, only recent experience tend to be retrieved (Feldman and Pentland, 2003; Levitt and March, 1988). Some conceptual work exists that questions the idea that experience themselves are the main cause of organisational learning (e.g., Anand, Mulotte and Ren, 2014; Capron and Mitchell, 2009; Felin and Foss, 2009) proposing for more research being conducted to understand what disrupts the taken for granted causal relationship between prior experience and organisational learning (Meyer, 2007; Wang and Ahmed, 2003).

Some evidence exists specifically supporting this idea for entry commitment decisions; notably, Shaver (1998) found that the choice between an acquisition and greenfield was mainly based on firms' expectations of which mode was more likely to prolong their survival in the host market, irrespective of the previous experience of those firms (see also Slangen and Hennart, 2008). Concerning *re-entry* commitment, while prior experience may foster some learning that can be

exploited upon re-entry, there may also be a strong self-selection effect (Anand et al., 2014). Specifically, rather than a routinized pattern of behaviour, as it may be the case with initial entries, each re-entry commitment decision may be a discreet endogenous choice driven by performance expectations based on the potential changes in the environment, how long the firm spends out of the market and the firm's interpretation of its initial entry performance influenced by motives for exit. These unique characteristics of the re-entry process make it logical to assume that experience accumulated in the past on its own is not sufficient to explain re-entry.

It should be noted that this study does not mean to imply that the experience re-entrants have accumulated over time does not matter for re-entry commitment. However, for re-entrants, making the assumption that prior experience on its own will constitute the "lessons learned" and thus, stimulate a change in behaviour may not be accurate. Re-entrants have exited the market for reasons specific to their activities there and renewed their operations when new opportunities presented themselves which may have little to do with the number of experience themselves but with the factors that drove them to have those experience. The concept of "learning in stages" may be more useful when there is a low level of ambiguity and when organisational outcomes become less uncertain as time passes (Anand et al., 2014). For re-entrants, the uncertainty associated with the market following the exit decision may, in fact, be higher compared to *de novo* entry. All other things being equal, I expect that there will be no observable relationship between prior experience and re-entry commitment, stated as follows:

Hypothesis 1: Ceteris paribus, prior experience will not influence the likelihood of commitment escalation over no changes in commitment or the likelihood of commitment de-escalation over no changes in commitment.

Institutional change and foreign market re-entry commitment

Firms tend to use both internal and external points of reference to make key strategic decisions such as foreign modes of (re)entry (Ang et al., 2015; Henisz and Delios, 2001; Henisz, 2003; Yiu and Makino, 2002; Xia et al., 2008; 2009). Nations possess unique institutional environments that can affect the ability of the firm to enforce contracts, thus, placing constraints on organisational behaviour (Scott, 1995; 2001). In such cases, local competitors may take advantage of foreign entrants by leveraging their knowledge of operating in weak institutional environments (Delios and Henisz, 2000; Henisz, 2003). Institutional theorists, therefore, propose that organisations align with their host institutional environments to attain legitimacy and support from legitimising actors; each host country is characterised by various legitimising actors that foreign subsidiaries must deal with in order to compete with the more institutionally astute local firms (Kostova and Zaheer, 1999; Chan and Makino, 2007; Uhlenbruck et al., 2006). Notably, Uhlenbruck et al. (2006) confirmed that the pervasiveness of, and uncertainty associated with, corruption influenced the choice between contractual and equity arrangements, in that firms, were found to adapt to the pressures of corruption by opting for lower risk commitment. Other

studies (Demirbag, Tatoglu and Glaister, 2010; Hernandez and Nieto, 2015) confirmed that the more restrictive the institutional environment, the more likely firms are to opt for collaborations to alleviate their adaptation problems. The key idea here is that firms configure commitment modes to align with host institutional conditions at the time of entry (Xia et al., 2008). Following the logic of previous studies, in institutionally stable host environments, re-entrant firms would be aware of host institutional conditions and negotiate re-entry commitment accordingly.

However, institutions are not always stable, particularly if sufficient time has passed between market exit and re-entry. Foreign firms' re-entries into South Africa market following the abolishment of the apartheid regime, or the return of financial services firms into Brazil and China following industry liberalisation are examples illustrating that, the re-entry process itself may, at least in part, occur as a result of changes in the conditions of host institutional environments, such as legitimising institutional actors (i.e. governments) welcoming multinational firms back into the market. Changes in host institutional rules and policies may de-stabilise formerly established organisational practices concerning the most appropriate modes of operating in the host market (Newman, 2000; Oilver, 1992; Xia et al., 2009). Studies on transition economies highlight the effect of institutional changes on firm strategy and on strategic change (e.g., Banalieva et al., 2015; Hernandez and Nieto, 2015; Hoskisson et al., 2000; Yiu and Makino, 2002), arguing that changes in strategy may be unlikely to occur unless they are paralleled by changes in the (institutional) environment (see Xia et al., 2009). In the context of foreign market re-entry commitment modes, changes in institutions may lead to previously chosen modes no longer being compatible with the new institutional pressures for legitimacy.

Consequently, to survive host market competition, multinational firms may alter some of their organisational practices and structures, including how they are governed and managed (i.e. their commitment mode decisions) in order to (re)adjust to the new requirements of the host economy (Xia et al., 2008; Uhlenbruck et al., 2006; Yiu and Makino, 2002; Zahra et al., 2000). For instance, a key characteristic of institutional changes in transition economies is the shift from centrally planned to market-based economies which are paralleled by a preference for privatisation and openness to foreign direct investment (Hoskisson et al., 2000; Peng, 2003). This shift is also characterised by a reduction in government intervention, and an increased acceptance of traditionally Western practices and norms, which means business decisions can be made based on market rules and not socialist norms (Meyer et al., 2009). In the context of institutional changes, scholars have observed a move from firms adopting collaboration modes of entry to higher commitment modes, generally wholly owned (De Villa et al., 2015; Peng, 2003; Xia et al., 2009). Favourable changes in host institutional environments narrow the gap between the internal organisational practices and host market requirements, thus potentially decreasing the likelihood of lower investment commitment decisions (Hoskisson et al., 2000; Xia et al., 2008).

Whilst efforts are being made, particularly by emerging market governments to foster institutional development (Li et al., 2014), institutional changes are yet to become a key factor in our

understanding of firm strategic responses, particularly in the context of foreign market (re)entry commitment. In this study, it is tested whether host institutional changes can also independently serve as benchmarks to explain re-entry commitment. Specifically, I propose here that changes in the institutional development of host markets during the time-out period may determine changes in organisational values and practices (Henisz and Delios, 2001), which may, in turn, influence how re-entrants assess the feasibility of re-entry commitment decisions. Thus,

Hypothesis 2a: *Ceteris paribus, favourable institutional changes occurring in the host market during the time-out period will positively influence the likelihood of commitment escalation over no changes in commitment.*

Hypothesis 2b: *Ceteris paribus, favourable institutional changes occurring in the host market during the time-out period will negatively influence the likelihood of commitment de-escalation over no changes in commitment.*

The moderating effect of institutional change on learning from prior experience

Entry mode studies have been rooted in the implicit assumption that institutional environments are stable over time for the experiential knowledge acquired to be of continued use to the firm providing it with learning capabilities (Brouthers et al., 2008a; Chang and Rosenzweig, 2001; Delios and Henisz, 2003). The relationships hypothesised thus far in this study reflect the rationale that both prior learning and host institutional change may independently serve as benchmarks to assess re-entry commitment. Yet, an equally important question is whether the prior experience re-entrants possess has a positive effect on organisational learning when institutional conditions change (Priem and Butler, 2001; Brouthers et al., 2008a). In other words, are experienced re-entrants more likely to escalate/de-escalate commitment than more inexperienced entrants when host institutions change favourably? When experience meets institutional change, a more complex picture is likely to emerge.

Contextualising prior learning and experience has been proposed as important in the area of market entry (notably, Brouthers et al., 2008a; Delios and Henisz, 2003; Xia et al., 2009). Thus, a logical extension to contextualising experience is assessing the applicability of prior experience and whether it, in fact, leads to organisational learning when host institutional environments have changed during a time out. A firm's degree of experience may influence how the firm perceives the uncertainty associated with re-entry and whether re-entrants respond to the new market opportunities that a more favourable host institutional environment may be expected to offer (Javalgi et al., 2011). In a changed environment, inexperienced entrants may differ in their commitment decisions compared to firms that have operated internationally for a longer period of time (see also Xia et al., 2008) or in diverse institutional settings (Brouthers et al., 2008a; Xia et al., 2009). As experienced organisations tend to rely more significantly on their prior

experience, they may be less likely to change even when their environments transition (Barkema and Vermeulen, 1998; Chan et al., 2006; Guillén, 2003; Xia et al., 2009). Following this logic, experienced (re)entrants may have built more confidence over time (Amburgey et al., 1993) and may, therefore, utilise the same strategies and structures that were in place prior to exit, even when this may lead to less effective results. This study proposes that more experience may translate into re-entrants being less responsive and less sensitive to institutional changes and perhaps less aware of the need to overcome new legitimacy pressures.

In contrast, re-entrants with lower levels of experience may be less confident and more in tune with changes in their host institutional environments (Xia et al., 2009) by adapting to the new environment and changing commitment in the direction of either escalation or de-escalation. Whilst the earlier assumption was that experience on its own is unlikely to have observable effects on re-entry commitment, here I propose that favourable institutional changes may not only incentivise firms to re-enter a previously exited foreign market (Welch and Welch, 2009), but the effect of prior experience and learning on the re-entry commitment decision is likely to vary with changes in the host institutional environment. Hence, changes that have occurred in the host institutional context during the time-out period between market exit and re-entry moderate the relationship between experience-based learning and re-entry commitment such that,

Hypothesis 3: *The more experience re-entrants have, the less likely they are to escalate or de-escalate commitment in response to host institutional changes that have occurred during the time-out period, and the more likely they are to return via the same mode.*

Motives for exit and their effect on re-entry commitment

The idea that firms learn from paradigms of interpretation (cf. Schwens and Kabst, 2009) has been overlooked in the market entry literature. Studies examining organisational learning based on the idea of gradual development and accumulation of knowledge and experience over time (Casillas et al., 2015; Johanson and Vahlne, 1977; Sapienza et al., 2006; Sharma and Blomstermo, 2003) pay less attention to important disruptions that often occur in a firm's path to international expansion and can affect the likelihood of time-based experience transforming into organisational learning. Prior experience can be superseded by other factors depending on the nuances of the phenomenon studied (Delios and Henisz, 2003). Because the re-entry event is not a discreet occurrence and is inter-linked with market exit (Javalgi et al., 2011; Welch and Welch, 2009), and given the potentially negative effect of prior exit on firm morale and attitudes towards the host market, one might expect the motives for exit to affect whether firms escalate their commitment, de-escalate their commitment or re-enter the market in the same mode in which they were operating prior to exit. For re-entrants, market exit may represent a source of uncertainty because firms tend to carry with them the negative experience associated with not having met their initial market entry objectives (Benito and Welch, 1997; Chen and Wu, 1996)

which in turn, may influence the degree of commitment in a foreign host market in further (re)entries (Nummela et al., 2016; Welch and Welch, 2009).

The main distinctive feature of market exit is that it can be voluntary and involuntary (Benito and Welch, 1997; Mellahi, 2003; Nummela et al., 2016). Mellahi (2003, p. 151) defined exit as “a process of voluntarily decreasing involvement in international operations in response to organisational decline at home or abroad, or as a means of enhancing corporate profitability under non-crisis conditions”. When exit is voluntary, firms may have a limited number of resources to compete and actively choose to re-allocate these resources in other markets and re-focus on growth in the home market or decrease expansion to increase product diversification; this is generally referred to as strategic exit (Benito, 2005; Dass, 2000; Nummela et al., 2016). Because strategic exit behaviour is most likely deliberate and expected (Nummela et al., 2016), it is unlikely to have negative connotations on firm behaviour (Benito, 2005; Crick, 2002; Matthyssens and Pauwels, 2000; Welch and Welch, 2009) and consequently, it is unlikely to have an observable effect on market re-entry commitment.

In turn, other types of voluntary exits, such as exit due to poor market performance stemming from an increase in operation costs and competition (Benito and Welch, 1997; Chang and Singh, 1999), the choice of inappropriate target market (Hayward, Shepherd and Griffin, 2006; Welch and Welch, 2009), inappropriate initial entry mode choices (Javalgi et al., 2011) or a misfit of product to the market (Nummela et al., 2016; Welch and Welch, 2009) may affect re-entry commitment. Particularly exit due to poor performance may mean that the firm had little knowledge of how to operate in the market compared to its competitors and consequently, may choose not to re-invest significant resources there. In turn, a company that has been unsuccessful may also (re)enter the market by escalating commitment to gain more control over foreign operations and re-allocate resources more wisely (Hayward et al., 2006). Escalating commitment is often translated into having a strong market foothold and learning more about relevant stakeholders such as customers, suppliers and local institutions (Song, 2013).

Furthermore, (re-entrant) firms may be victims of changing circumstances in their external environment that are beyond their control and can lead to involuntary market exit (Cardon et al., 2011; Nummela et al., 2016). Involuntary exits generally refer to forces resting within the environments of home and host markets that are not conducive to business development and can impede the continuation of a firm’s activities, such as regulations against foreign investment (Cardon et al., 2011; Hoskisson and Turk, 1990). Negative feedback from governments and regulators may result in an inability of the foreign entrant to perform its operations in the market successfully. As a result, firms are forced to exit the host market, irrespective of their pre-exit performance. Thus, it may be logical to assume that the host market continues to be perceived as attractive, and re-entry may perhaps occur as soon as those external forces are no longer in place (Welch and Welch, 2009). In this case, changes in re-entry commitment tend to be more unlikely. Thus, this study proposes that,

Hypothesis 4: *Strategic exit will not have observable effects on the likelihood of commitment escalation or commitment de-escalation over re-entering via the same mode.*

Hypothesis 5: *Voluntary exit - poor market performance, poor performance with previous commitment mode - will increase the likelihood of commitment escalation and the likelihood of commitment de-escalation over re-entering via the same mode compared to involuntary exit, and this relationship is likely to be stronger for exit due to poor performance with previous mode.*

The moderating role of market exit on the relationship between prior experience and re-entry commitment

What is more, this study proposes for the moderating effect of market exit on the relationship between prior learning from prior experience and re-entry commitment; and the moderating effect is expected to be different from that of host institutional changes. Whereas institutional changes are external to the firm, they may reinforce the effect of inertial learning (Chan et al., 2006; Xia et al., 2009) and as proposed earlier, experienced re-entrants may be more likely not to respond to changes in institutions by changing their commitment. Contrastingly, I suspect an increase in the effect of previous experience on re-entry commitment when the analysis accounts for the moderating effect of market exit. Indeed, previous research has proposed that high performing organisations learn mostly from prior negative experience and capitalise on their knowledge base when making future decisions (Tallman and Shenkar, 1994; Yiu and Makino, 2002). Specifically, the market exit is expected to make firms more fearful (not to re-enter) (Crick 2002, 2004; Welch and Welch, 2009) or with re-entrants, it may drive them to reassess the effect of prior experience and alter commitment. Since the exit experience is internal to the firm, when it results in significant losses of capital and human resources, then exit is unlikely to be forgotten even when management changes (Cardon et al., 2011; Nummela et al., 2016).

Re-entry follows a process of market exit which may be perceived by the focal firm in many forms, including as evidence of international market failure, depending on the motives for exit (Nummela et al., 2016; Welch and Welch, 2009). In this case, it may be that decisions that have been associated with lack of success are less likely to become embedded within the organisation and thus, less likely to lead to firms opting for the same level of commitment. I argue that it is unlikely for the re-entrant firm to return via the same mode of commitment if the market exit was voluntary, particularly when associated with poor performance. Experienced re-entrants are perhaps more likely to react to market exits as they may have already experienced similar difficulties in other markets, potentially using those experience as reference points to more confidently react to the causes for exit and change their strategies accordingly. Thus,

Hypothesis 6: *Voluntary exit (poor market performance, poor performance with previous mode) will moderate the effect of experience on re-entry commitment, such that the more*

experience re-entrants have the more likely they are to escalate and de-escalate commitment than re-enter via the same mode, compared to those which have experienced involuntary exits.

Hypothesis 7: *Strategic exit will not have observable effects on the likelihood of commitment escalation or commitment de-escalation over returning via the same mode, irrespective of the degree of experience of re-entrants.*

Prior mode of entry: The effect of “within-form” learning on re-entry commitment

Investing in multiple markets over time is not the only way firms can gain experience (Chang and Rosenzweig, 2001). Firms are also conditioned in their decision making by prior decisions that they have already tried and tested (Cyert and March, 1963) because current strategic decisions are not separable from previous decision making (Hannan et al., 2002; Rumelt, 1995) and once a decision has been made, the range of options available is perceived as reduced (Huang and Sternquist, 2007; Lu, 2002). The experience profiles of a firm are various, and aside from experience accumulated over time, they may include what is referred to as “within-form” experience, i.e. the experience associated with repeated uses of a type of commitment mode (Li et al., 2007; Padmanabhan and Rao, 1999; Xia et al., 2009). Thus, firm actions can become routinized and when that is the case, firms make little efforts to divert from prior types of decisions (Xia et al., 2008; 2009). Past routines become a blueprint for how a firm operates in the host market and have been put forward as potential ownership as well as transaction-specific advantages (Padmanabhan and Rao, 1999). Delios and Beamish (2001) found a positive effect of joint venture experience on the likelihood and profitability of subsequent entries. Similarly, entries via international acquisitions are expected to provide knowledge concerning how to acquire targets and how to perform negotiations successfully (Barkema and Schijven, 2008).

Within-form experience effects are proposed to have a stronger impact on organisational learning, in that they may reduce the uncertainty associated with a new type of market (re)entry related decision (Chan et al., 2006; Huang and Sternquist, 2007; Li et al., 2007). In turn, learning from the repeated use of a commitment mode tends to also lead to path-dependent behaviour, making changes in commitment modes less likely to occur in subsequent (re)entries (Chan and Makino, 2002; Chang and Rosenzweig, 2001; Gao and Pan, 2010; Xia et al., 2009).

This study proposes that re-entrant firms which were operating in a given mode prior to exit will, other things being equal, re-enter by adopting that same mode. In a seminal paper about how firms make subsequent entry mode decisions, Padmanabhan and Rao (1999) specified that “the relevancy and the extent of transferability of prior experience depend critically on the degree of similarity between the current decision and prior decisions” (28). In this case, given that re-entry entails a firm returning to the same (previously exited) host market, this contention seems valid. For re-entrants, re-entering via the same commitment mode may mean a reduction in the costs of learning how a new type of ownership works in the host market as well as perhaps recovering

some of the losses incurred when the firm exited the market. Whilst firms may incur sunk costs such as investments in physical plants and personnel when commitment modes are reversed (Belderbos and Zou, 2009), a re-entrant firm may still be able to salvage intangible resources such as distribution partnerships and business networks by returning via the same mode.

Particularly important here is that, since each entry mode carries different levels risk and potential for knowledge acquisition, learning effects may vary across modes. Some scholars (e.g., Gao and Pan, 2010; Xia et al., 2009) found that experience with equity ventures and wholly owned subsidiaries had stronger effects on speeding up the pace of sequential entries than contractual arrangement experience. There is a straightforward rationale here that, without deep involvement in operations (that generally characterises contractual arrangements) re-entrants are less likely to have generated significant in-house knowledge that could then be applied to re-entry commitment.

Hypothesis 8: *Ceteris paribus, firms are more likely to re-enter a foreign market in the same commitment mode in which they were operating prior to exit, and this relationship is stronger for non-equity commitment.*

Method

Data Source and Sample Selection

This database represents, to my knowledge, the most authoritative and up-to-date information on foreign market re-entry and re-entrants. Data comes principally from business information and research databases Factiva (Dow Jones) and LexisNexis (Reed Elsevier), which list information on all private and public companies. Factiva and LexisNexis were chosen because they aggregate content from a large number of licensed and reliable data sources, predominantly *Wall Street Journal*, *Reuters*, *The New York Times*, *Huffington Post*, *Bloomberg*, and *Nikkei*. These data sources have been used in the past to examine the international business decisions of MNEs (notably, Li, Eden, Hitt and Ireland, 2008). Because foreign market re-entry is an under-researched area, there are no pre-existent databases from which to draw data concerning re-entries (please see *Chapter 3* on the methodology for more details). The observation period includes a total of 1,020 events undertaken in 101 host countries, that is, all re-entry events which have been identified in the databases and are in line with the scope of the study. Sample characteristics are provided in *Table 4.1*.

Table 4.1: Sample description of foreign market re-entry events ($N=1,020$)

	No. of re-entry events	%
Panel A: Year-wise distribution		
1980s	32	3.1
1990s	173	17.0
2000-2010	350	34.3
2011-2015	465	45.6
Panel B: Host market re-entered (total= 101 countries)		
Top 15		
India	147	14.4
China	76	7.5
South Africa	74	7.3
US	67	6.6
UK	52	5.1
Australia	36	3.5
Brazil	34	3.3
Myanmar	29	2.8
Russia	23	2.3
Thailand	22	2.2
Mexico	18	1.8
Germany	18	1.8
Indonesia	16	1.6
Iran	14	1.4
Philippines	14	1.4
Developed host markets	341	33.4
Non-developed (emerging) host markets	681	66.6
Panel C: Home market of re-entrant (total= 62 countries)		
Top 15		
US	312	30.6
UK	120	5.9
Japan	87	8.5
Italy	56	5.5
Germany	49	4.8
France	40	3.9
Switzerland	32	3.1
Sweden	31	3.0
South Korea	25	2.5
India	23	2.3
China	22	2.2
Canada	18	1.8
South Africa	17	1.7
Australia	15	1.5
Taiwan	12	1.2
Developed home markets	880	86.3
Non-developed (emerging) home markets	142	13.7
Panel D: Major industries		
Automotive	209	20.5
Financial services	171	16.8
Retail	113	11.1
Consumer electronics	85	8.3
Industrial goods and services	75	7.4
Media and telecommunications	66	6.5
Panel E: Firm characteristics		
	Median	Mean
Firm size (total assets; mil euros)	8000.00000	160937.7666
Firm age (years)	72.000	76.81
Host market experiential knowledge (years)	10.000	16.276
Time-out (years)	6.000	9.082

Variables

Dependent Variable

The dependent variable represents the difference (if any) in the firm's mode of operation in the host market prior to exit and the mode of re-entry. *Table 4.2* reports the distribution of broad categories of entry modes chosen by firms prior to exit and upon re-entry. Particularly, the table shows that a large percentage of firms tend to return via the same mode of operation in which they were operating prior to exit (68 percent, 663 out of 978 re-entries).

Table 4.2: Frequency of re-entry commitment decisions

Re-entry	Mode before exit			Total
	Non-equity	Joint equity	Wholly owned	
No changes in commitment	399	118	146	663
Commitment de-escalation	6***	52	97	155
Commitment escalation	105	55	0	160
Total	510	225	243	978

Note: The dependent variable could not be measured in 42 out of 1,020 cases. ***Firms operating via non-equity modes can also de-escalate, i.e. from franchise or licensing to exports – the regression model controls for this.

Independent Variables

Firm experience

Organisational learning is measured by considering three aspects of a firm's international experience. Following previous studies (e.g., Luo and Peng, 1999; Brouthers et al., 2008a), the experience variable is measured as follows; *general experience intensity* (number of years internationally since inception), *host experience intensity* (number of years in the host region), *general experience diversity* (number of countries internationally) and *host experience diversity* (number of countries in the host region). The analysis also captures experiential knowledge, i.e. *host country specific experiential knowledge* which refers to the number of years the firm operated in that specific host market between initial entry and exit. In line with previous studies (see Brouthers et al., 2008a, p. 199), factor analysis confirmed that the two measures of *experience intensity* loaded on a single factor (Cronbach's alpha =.91) and the two measures of *experience diversity* loaded into another factor (Cronbach's alpha =.78). This resulted in three experience measures being used in this study namely *host experiential knowledge*, *experience intensity* and *experience diversity*.

Institutional change

Institutional change refers to the changes in the "market norms, values, and practices in which a nation's organisations are situated and in which they must operate" (Xia et al., 2009, p. 1288). In this study, the theoretical considerations of institutional change focus on whether institutional transformations that may increase investor confidence have occurred during the time-out period.

Data on institutional factors was collected from the Economic Freedom of the World Index (The Fraser Institute) which derives an overall institutional score for each country for each year whilst considering the following factors, namely 1) size of government, 2) legal system and intellectual property rights, 3) sound money, 4) freedom to trade internationally, and 5) regulation. Most scholars tend to use the composite indexes of economic freedom aggregated from the various components due to the high degree of multicollinearity between the various subcomponents (see Aguilera and Cuervo-Cazurra, 2004; Jory and Ngo, 2014; Meyer et al., 2009; Wan and Hoskisson, 2003). Institutional change is measured at the time $t-1$ of exit and $t-1$ of re-entry; i.e. institutional change = $(t-1)$ re-entry – $(t-1)$ exit. Following the lead of more recent studies (Bae and Salomon, 2010; Hernandez and Nieto, 2015), the focus is not on the magnitude of change but the *direction* of host institutional change; i.e. whether changes in host institutions that have occurred during the time-out period are negative or positive. The institutional change variable is transformed into a dichotomous variable which takes the value of “0” if host institutional change is negative (i.e. unfavourable) and “1” if the direction of change is positive (i.e. favourable).

Market exit motivations

A firm’s likelihood of replicating an entry mode has also been suggested to depend on the performance of that firm in the market, and particularly the success of the mode chosen (Lu, 2002). Generally, scholars do not distinguish whether it is successful or unsuccessful modes that firms tend to replicate in the subsequent expansion (Hennart and Slangen, 2015). I used Factiva and LexisNexis to identify why re-entrants had exited the market and in line with previous studies (e.g., Benito, 2005; Nummela et al., 2016) I first classified exit motives into three categories, namely voluntary exits such as *strategic exits*; exit due to *poor market performance*; and *involuntary exits* (e.g., government pressures). Then, within the second category regarding exit due to poor performance, I distinguished and tested for the effects of exit due to poor performance *with entry mode*. Dummy variables were created for each of the four variables. *Table 4.3.* explains that voluntary exit is highly correlated to involuntary exit, in that when voluntary exit takes the value of “0”, involuntary exit takes the value of “1” and vice-versa (the likelihood of voluntary exit was compared to that of involuntary exit in the models).

Mode of commitment prior to exit

As most re-entry commitment decisions resulted in firms returning via the same mode in which they were operating prior to exit (*Table 4.2*), it is logical to assume that prior mode of operation may affect re-entry commitment. Thus, the analysis compares and discusses for which modes of operation the likelihood of not changing commitment is stronger. Similar to the dependent variable, searches in Factiva and LexisNexis allowed coding this variable into three dummies which took the value of “0” for non-equity, “1” for a joint equity venture and “2” for a wholly owned subsidiary. Each variable representing a mode of operation prior to exit took turns as the reference variable in the multinomial regression model to compare which mode is more likely to lead to escalation, de-escalation, or no changes in commitment respectively.

Control Variables

This study accounted for *firm size*, which has been associated with firms possessing more resources in order to engage in higher risk and resource commitment, and measured it as the value of total assets with a logarithm transformation at the time of ($t-1$) re-entry (Gao and Pan, 2010). Furthermore, since older firms are more likely to show signs of inertia that may prevent them from changing their entry mode patterns (Guillén, 2002; Hannan and Freeman, 1984), *firm age* was controlled for and computed as the number of years from when the firm had been founded up to one year prior to re-entry. Some notable studies (Araujo and Rezende, 2003) also suggested that management can alter the direction of an MNE's international path or re-shape it altogether; thus, *changes in management* measures whether the CEO has changed up to three years prior to re-entry. Because a firm could engage in more than one re-entry event, I documented *whether a firm has been present in the host market through a different division in the same/different sector* at the time of re-entry. MNEs which have maintained close ties with host markets by operating there via other businesses may be more confident with their host market operations and perhaps more likely to escalate commitment. Furthermore, since prior research (Rumelt, 1995) argued for the role of organisational forgetfulness in reducing the effectiveness of prior experience, this study controls for *time-out*.

Changing economic factors in the host market have been associated with increased potential for market growth (Javalgi et al., 2011); *changes in host market size* from when the firm exited and until it re-entered the market are measured as the *changes in GDP/capita*; i.e. host market growth change = ($t-1$) re-entry – ($t-1$) exit. In turn, the number of foreign entrants present in a host market reflects the level of legitimacy foreign investments have in that market (Xia et al., 2009); this study also controls for the differences (if any) in the attractiveness of the host market between exit and re-entry; i.e. *host market attractiveness change* = ($t-1$) re-entry – ($t-1$) exit. Both market growth change and market attractiveness change were re-coded into dummy variables to measure for the direction of change; i.e. "0" if the change was negative (unfavourable) and "1" if the change was positive (favourable). Finally, four industry dummies are added for automotive, retail, financial services and consumer electronics because around 60 percent of the total sample of reported re-entries consists of firms operating in these industries. The standard deviations and pairwise correlations for all the variables are reported in *Table 4.3*, whilst the means and the variance inflation factors (VIFs) are reported in *Table 4.4*. VIF values range between 1.02 and 3.13, suggesting no serious problems of multicollinearity for the analysis (see Field, 2009)⁷.

⁷ Exception being VIFs for exit motives "involuntary exit", "poor market performance" and "strategic exit" which have very high VIF values because these variables are mutually exclusive; i.e. firms that have experienced involuntary market exits have not reported strategic exit as a key exit motive, nor poor market performance.

Model specification

The empirical analysis is conducted in two stages. In the first stage, the re-entry commitment decision between not changing commitment and alternatives within escalation and de-escalation is modelled as a qualitative choice problem using a multinomial logistic regression model. This statistical method was applied due to the characteristics of the dependent variable, which is a categorical variable with three alternative outcomes (*escalation*, *de-escalation* and *no changes in commitment*); and the mix of both continuous and categorical predictor variables which affect the odds of choosing one alternative commitment over another. Compared to independent binary logistic models, multinomial regression is considered more efficient in simultaneously estimating all possible comparisons amongst decision categories (see Demirbag et al., 2010). Then, in the second stage of the analysis, two additional sets of regression analyses are run in order to investigate further into what types of escalation and de-escalation decisions account for the significant effects observed. Alternatives within commitment escalation - *no equity to more equity* and *joint equity to wholly owned* - are considered and compared to the remaining of the sample. Similarly, alternatives within commitment de-escalation - *equity to no equity* and *wholly owned to joint equity* – are also compared to the remaining of the sample.

Robustness checks

Additional robustness checks were conducted for the regression models. First, this study compiled information to measure institutional change from other databases such as the World Bank that have been used in some studies (e.g., Meyer et al. 2009; Xia et al., 2009) to measure institutional development and did not find significant differences. In fact, the databases used to measure the quality of institutions are highly correlated; “freedom to trade internationally” is highly correlated with “regulatory quality” ($r=0.71$) and with “property rights” ($r=0.70$). Similarly, for the variable “legal system and property rights” correlated with “rule of law” ($r=0.76$) and “control of corruption” ($r=0.77$). Second, I tested different year dummies to control for any variation that may result from the 2008 (2007, 2008, 2009) recession in Western countries and the 1997 (1996, 1997, 1998) financial crisis in Asian countries (i.e. whether there was a concentration of market exit events around those periods); this did not result in any observable changes for the regression model’s results. Furthermore, two dummy variables were added to control for the mode prior to exit being *exports*, meaning that those firms cannot de-escalate or *wholly owned subsidiaries*, where escalation is not possible; this process did not result in any observable changes in the regression model. Finally, a colleague was asked to independently code for the variable *motives for exit* into separate proforma to ensure that objective categories have emerged from the qualitative data; their conclusions were in line with my categorisation of voluntary and involuntary market exits.

Table 4.3: Descriptive statistics and correlation coefficients for changes in commitment (***p<0.001; **p<0.01; *p<0.05; †0.10)

Variables	Std. Dev.	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
(1) Commitment changes	0.76	976	1																								
(2) Host experiential knowledge	17.67	975	.00	1																							
(3) Host experience intensity	33.83	986	.04	.43**	1																						
(4) General experience intensity	38.91	997	.06	.38**	.83**	1																					
(5) Host experience diversity	8.07	907	.07*	.10**	.22**	.22**	1																				
(6) General experience diversity	57.45	901	.03	.16**	.25**	0.31**	.56**	1																			
(7) Host institutional change	0.45	886	.10**	.01	.03	.05	.07*	.03	1																		
(8) Involuntary exit	0.45	1020	.05	.11**	.17**	.20**	.01	.03	.12**	1																	
(9) Poor market performance	0.49	1020	.02	-.15**	-.15**	-.16**	.02	.01	-.11**	-.81**	1																
(10) Poor performance with mode	0.39	1020	.28**	-.10**	-.12**	-.11**	.02	-.02	.01	-.30**	.37**	1															
(11) Strategic exit	0.29	1020	-.04	.07*	-.01	-.04	-.05	-.04	-.01	-.20**	-.40**	-.14**	1														
(12) Exit mode: No-equity venture	0.50	976	-.09**	-.02	-.10**	-.08*	.05	.14**	-.08*	-.09**	.13**	.01	-.09**	1													
(13) Exit mode: Joint equity venture	0.42	976	.16	-.03	-.06	-.07*	.01	-.06	.09**	-.03	.02	.19**	.01	-.57**	1												
(14) Exit mode: Wholly owned subsidiary	0.43	976	-.05	.05	.16**	.16**	-.07*	-.10**	.01	.13**	-.17**	-.20**	.10**	-.60**	-.31**	1											
(15) Firm age	48.62	1020	.04	.29**	.52**	.65**	.09**	.16**	.09**	.13**	-.14**	-.07*	.04	-.13**	-.01	.16**	1										
(16) Firm size	3.38	988	.10**	.20*	.33**	.38**	.27**	.37**	.02**	.11**	-.10**	-.03	-.00	-.12**	.02	.11**	.37**	1									
(17) Changes in management	0.50	1020	.02	.10**	.05	.07*	.04	.06	-.06	-.03	.01	.07*	.04	.03	-.09**	.05	.10**	-.18**	1								
(18) Already present in the market	0.42	1020	-.01	.10**	.15**	.17**	.14**	.28**	-.09*	-.16**	.12**	-.05	.06	.06	-.04	-.03	.11**	.27**	.10**	1							
(19) Host market size change	0.26	813	-.03	-.06	-.01	-.07	-.04	-.10*	.03	-.27**	.21**	.10**	.05	.04	.04	-.10**	-.08	-.05	-.05	.07*	1						
(20) Time-out	10.51	974	.03	.13**	.42**	.37**	.13**	.07*	.12**	.35**	-.30**	-.17**	-.05	-.03	-.13**	.16**	.23**	.17**	.03	-.02	.05	1					
(21) Host market attractiveness change	0.48	885	-.01	.03	.02	.03	.01	.06	.10**	.08*	-.03	.02	-.05	-.08*	.06	.04	.02	.12**	-.06	.02	-.07*	.14**	1				
(22) Automotive	0.40	1020	.05	.15**	.21**	.26**	.26**	.44**	.01	-.06	.10**	.09**	-.05	.12**	-.01	-.12**	.05	.21**	.05	.18**	.04	.11**	.04	1			
(23) Retail	0.31	1020	.05	-.11**	-.17**	-.19**	-.11**	-.16**	-.04	-.15**	.13**	.08**	.01	.04	-.08*	.03	-.06	-.19**	-.01	-.14**	.01	-.09**	-.06	-.18**	1		
(24) Financial	0.37	1020	-.00	.07*	.25**	.25**	-.12**	-.22**	.06	.20**	-.19**	-.11**	.01	-.25**	.03	.26**	.35**	.20**	-.01	-.05	.01	.11**	-.02	-.23**	-.16**	1	
(25) Consumer electronics	0.27	1020	.04	.01	-.05	-.01	.04	.07*	.02	-.06*	.05	-.04	.02	.07*	-.02	-.06	-.05	-.01	.00	-.17**	.01	-.07*	.02	-.15**	-.10**	-.13**	1

Table 4.4: Collinearity diagnostics for changes in commitment

Variable name	Mean	Collinearity Tolerance	VIFs
Changes in commitment	0.49	0.82	1.22
Commitment escalation (Esc)	0.24	0.79	1.26
Commitment de-escalation (DeEsc)	0.25	0.77	1.30
Host experiential knowledge	16.28	0.77	1.31
General experience intensity	55.20	0.32	3.13
Host experience intensity	42.71	0.33	3.01
General experience diversity	69.00	0.63	1.59
Host experience diversity	11.25	0.68	1.48
Host institutional change	0.73	0.93	1.08
Motives for exit: Involuntary exit	0.29	0.03	35.72
Motives for exit: Poor market performance	0.62	0.02	49.73
Motives for exit: Poor performance with mode	0.18	0.70	1.43
Motives for exit: Strategic exit	0.09	0.04	24.16
Prior (exit) mode: No-equity venture	0.52	0.98	1.02
Prior (exit) mode: Joint equity venture	0.23	0.78	1.28
Prior (exit) mode: Wholly owned subsidiary	0.25	0.78	1.28
Firm age	76.81	0.53	1.91
Firm size	8.29	0.66	1.51
Changes in management	0.47	0.93	1.08
Already present in the market	0.23	0.76	1.32
Host market size change	0.93	0.89	1.12
Time-out	9.08	0.86	1.17
Host market attractiveness change	0.63	0.93	1.07
Automotive sector	0.21	0.65	1.54
Retail sector	0.11	0.81	1.23
Financial services	0.17	0.70	1.43
Consumer electronics sector	0.08	0.87	1.15

Results

The main empirical results are presented in *Tables 4.5* and *4.6*. The estimated coefficients as shown in the tables mean that for a unit change in the predictor variable, the logit of an outcome, relative to the reference group, is expected to change by its respective parameter estimate (which is in log-odds units). For instance, a negative coefficient in the tables signifies less likelihood of changes in commitment (Esc or DeEsc) over no changes in commitment. A positive coefficient signifies more likelihood of firms changing their commitment (Esc or DeEsc) over returning via the same mode they were operating in before exit. Further analysis is presented in *Tables 4.7-4.10* and is used to explore which types of commitment escalation, respectively commitment de-escalation account for the significant effects observed in the main regression models.

In all regression models, the first model includes only the control variables, while the second, third, fifth and ninth models add the main effects of the independent variables, namely prior experience, host institutional change, motives for the exit, and mode prior to exit. The fourth

model considers the moderating effects of host institutional change on the three experience variables. The sixth, seventh, and eighth models consider the moderating effects of market exit motives, namely exit due to poor market performance (sixth model), poor performance with mode (seventh model) and strategic exit (eighth model). The likelihood-ratio and chi-square tests indicate that the independent variables have significant explanatory power, in particular concerning the effect of prior exit mode on re-entry commitment (Model 9). As discussed later, model indices in *Tables 4.7-4.10* indicate that, when significant, widely used explanatory variables such as prior experience tend to explain de-escalation than escalation (e.g., Model 12).

In *Tables 4.5* and *4.6*, among significant controls, firms operating in the automotive and retail sectors are more likely to both escalate and de-escalate commitment than return via the same mode of entry; whilst financial service firms appear to have become more risk adverse over the time-out period and tend to de-escalate and those in the consumer electronics sector tend to escalate commitment to gain more control over their operations. Additionally, larger re-entrants are more likely to de-escalate from equity to non-equity (*Tables 4.9* and *4.10*), indicating that larger firms are not necessarily less risk adverse. Furthermore, when firms re-enter a market that has grown in size over the time-out period, they are less likely to de-escalate commitment on re-entry, more specifically to switch from equity to a non-equity mode.

Time-out is significant and positive only in Model 18 (*Table 4.8*) on the likelihood of firms escalating from no equity to equity ($\beta=0.06$, $p<0.05$) and when the model accounts for market exit motives, i.e. the longer re-entrants spend out of the market the more likely they are to escalate from equity to non-equity particularly if the exit was associated with poor entry mode performance. The duration of the time-out can vary significantly between re-entrants and thus, it may be worth unpacking this variable into different time periods⁸. In turn, favourable changes in host market attractiveness make escalation from non-equity to equity less likely (*Tables 4.7* and *4.8*). When management changes in the time-out period, firms that were operating via wholly owned subsidiaries prior to exit tend to decrease their equity by looking for a partner to re-enter with (*Table 4.10*). Perhaps for some re-entrants the experience accumulated in the past may exist at the individual and not the firm level.

The analyses with regard to the effect of prior experience – host experiential knowledge, experience intensity, experience diversity – on re-entry commitment broadly support Hypothesis 1 in that there is no overall significant independent effect of prior experience on the likelihood of commitment escalation or de-escalation over no changes in commitment (Model 2 in *Table 4.5*). Coefficients of host experiential knowledge are only significant (and negative) for commitment escalation (joint to wholly owned) in *Tables 4.7* and *4.8*, see Model 11 ($\beta=-0.02$, $p<0.05$). Also, experience diversity is again, negatively ($\beta=-0.33$, $p<0.10$) related to the likelihood of re-entrant firms de-escalating from equity to non-equity (Model 19 in *Table 4.9*). Thus, the more time firms have spent in the market prior to exit, the less likely they are to escalate from a joint to a wholly

⁸ The next chapter focuses specifically on the timing of re-entry decisions also testing for, and examining the different time-out quartiles.

owned venture, whereas the more diverse their experience is, the less likely re-entrants are to opt to de-escalate to non-equity modes on re-entry. Overall, the effects of prior experience on re-entry commitment are not highly significant (and often negative) meaning that prior experience does *not* lead to increased resource investment in the host market, for re-entrant firms.

Hypothesis 2a predicts that favourable changes occurring in the host institutional environment during the time-out period will positively influence the likelihood of commitment escalation, which is confirmed in Model 3, *Table 4.5* ($\beta=0.65$, $p<0.01$), and in Model 12 in *Table 4.7* for escalation from equity to non-equity ($\beta=0.53$, $p<0.10$) and escalation from joint equity to a wholly owned subsidiary ($\beta=0.66$, $p<0.05$). Contrary to Hypothesis 2b, there is no observable effect of host institutional change on the likelihood of commitment de-escalation. On their own, host institutional changes can explain commitment escalation, but not de-escalation.

Hypothesis 3 predicts that, broadly, the more experience re-entrants possess the less likely they will be to alter commitment in response to host institutional changes. Model 4 in *Table 4.5* shows that the more experience intensity re-entrants possess the more likely they are to de-escalate ($\beta=0.86$, $p<0.01$). In turn, the coefficient of experience diversity is as hypothesised, i.e. negative and significant on the likelihood of commitment de-escalation ($\beta=-0.72$, $p<0.01$). A high degree of experience intensity means that the firm has, indeed, operated for a long time internationally; however, it may not have operated in a large number of countries and thus may be more inclined to become risk-adverse in the face of institutional change by decreasing involvement in the market. Hypothesis 3 received some support for the likelihood of de-escalation since institutional changes have no significant moderating effects on prior experience for commitment escalation.

Model 5 in *Table 4.5* shows that only the coefficients for poor mode performance were significant and positive for both escalations ($\beta=2.32$, $p<0.001$) and de-escalations ($\beta=0.77$, $p<0.01$). In turn, the effect of the other exit motivations on re-entry commitment is not significant. Hypothesis 4 is fully supported, whilst Hypothesis 5 is only supported for poor mode performance. Interestingly, whereas poor mode performance increases the likelihood of escalating from no equity to equity (Model 14, $\beta=1.96$, $p<0.001$) and from joint to wholly owned (Model 14, $\beta=2.34$, $p<0.001$), the positive effect of poor mode performance on de-escalation is only for equity to non-equity de-escalation (Model 22, $\beta=0.70$, $p<0.05$). Re-entrants are less likely to switch commitment from a wholly owned to a joint equity despite poor mode performance (Model 22, $\beta=-1.18$, $p<0.10$); firms which invest significant resources abroad may be more incentivised to salvage some of those resources by re-entering and setting up new wholly owned subsidiaries.

Results regarding the moderating effects of market exit are mixed. Whereas neither variable was significant on its own, poor market performance has a positive and significant moderating effect on firms with more experiential knowledge escalating commitment (Model 7) ($\beta=0.04$, $p<0.05$). In other words, firms which have spent a longer time operating in the host market prior to exit, are more likely to change their commitment upon re-entry and opt for more control over their foreign operations when the motive for exit was poor performance in the market. Contrary to the

hypothesised relationship, strategic exit has a positive and significant effect on firms with more experience intensity escalating commitment ($\beta=1.00$, $p<0.05$) and a negative effect on firms with experience diversity escalating commitment ($\beta=-1.73$, $p<0.05$) (Model 8). Perhaps firms which are already operating in a large number of countries strategically focus resources in those countries and choose not to escalate commitment in the re-entered market (thus, not supporting Hypothesis 6). In turn, interacting poor mode performance with prior experience, in fact, reduces the significant and positive effect of poor mode performance (Model 7) meaning that broadly, experienced entrants tend not to change their commitment as a consequence of poor mode performance. Therefore, Hypothesis 7 is only supported for the moderating effect of poor market performance. Overall, results show that market exit motivations do not significantly moderate the effect of prior experience on de-escalation, only explaining escalation.

Finally, Hypothesis 8 predicted that re-entrants are likely to renew commitment in the host market by opting for the same mode in which they were operating prior to exit. Model 9 in *Table 4.6* shows that a re-entrant that was previously operating in a non-equity mode is less likely to de-escalate than a firm that was previously operating via a joint venture ($\beta=-5.32$, $p<0.001$) and also less likely to de-escalate than a firm operating via a wholly owned subsidiary ($\beta=-5.88$, $p<0.001$). Re-entrants that were previously operating in a non-equity mode are also less likely to escalate compared to those previously operating within a joint equity venture ($\beta=-0.89$, $p<0.001$). In turn, re-entrants previously operating within joint ventures are also less likely to de-escalate compared to a wholly owned entry ($\beta=-0.56$, $p<0.05$). Hypothesis 8 received strong support for the effect of within-form learning and path dependency rationales on re-entry commitment. In other words, regression model results indicate that re-entrants tend to return to previously exited foreign markets in the same manner in which they were operating prior to exit, and the effect of within-form learning is, indeed, stronger for non-equity commitment modes.

Table 4.5: Multinational logistic regression: Commitment “de-escalation” and commitment “escalation” compared to “no changes” in commitment (***p<0.001; **p<0.01; *p<0.05; †p<0.10)^{a,b,c}

Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	Esc	DeEsc	Esc	DeEsc	Esc	DeEsc	Esc	DeEsc	Esc	DeEsc
<i>Intercept</i>	0.95	1.20	1.02	0.43	1.30	1.04	1.55	-0.03	4.93	4.88
Host experiential knowledge			-0.01	-0.00			-0.01[†]	0.00		
Experience intensity			0.05	-0.15			-0.15	0.37[†]		
Experience diversity			-0.03	0.13			-0.03	-0.38*		
Host institutional change					0.65**	0.29	0.92**	0.10		
Motives for exit: Poor market performance									0.20	1.08
Motives for exit: Poor mode performance									2.32***	0.77**
Motives for exit: Strategic exit									0.21	1.81
Host experiential knowledge x Host institutional change							-0.02	0.01		
Experience intensity x Host institutional change							0.21	0.86**		
Experience diversity x Host institutional change							-0.29	-0.72**		
Controls										
Age	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.00	0.00	0.00
Firm size ^b	0.05	0.07 [†]	0.03	0.07	0.05	0.08*	0.03	0.08 [†]	0.04	0.07 [†]
Time-out	-0.01	-0.01	-0.00	-0.01	-0.03	-0.01	-0.00	-0.01	0.02	-0.00
Already present in market	-0.28	-0.03	-0.25	0.08	-0.21	-0.02	-0.21	0.18	0.06	0.04
Changes in management	-0.05	0.01	-0.00	0.16	-0.05	-0.06	-0.00	0.16	-0.14	-0.06
Automotive	0.91**	0.95**	0.88**	0.97**	0.94**	0.89**	0.92**	0.89*	0.79*	0.92**
Retail	0.91**	1.22**	0.89**	1.12**	0.93**	1.24***	0.90**	1.08**	1.06**	1.23**
Financial services	0.21	0.92*	0.14	0.71 [†]	0.28	0.94*	0.24	0.64	0.48	0.95*
Consumer electronics	1.01**	0.88 [†]	0.99**	0.42	0.99**	0.87 [†]	0.96**	0.41	1.42***	0.96*
Positive changes in GDP/capita	-0.08	-0.74**	0.06	-0.84*	-0.15	-0.81*	-0.09	-0.93*	-0.04	-0.82*
Positive changes in net inflows	-0.12	0.09	-0.22	0.12	-0.19	0.09	-0.24	0.06	-0.30	0.07
<i>-2 Log Likelihood</i>	1246		1126		1235		1.086		1165	
<i>Chi-Square</i>	45.730**		47.460*		58.488**		71.481**		146.780***	
<i>N</i>	738		675		754		669		744	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Table 4.6: Multinational logistic regression: Commitment “de-escalation” and commitment “escalation” compared to “no changes” in commitment (**p<0.001; *p<0.01; *p<0.05; †p<0.10)^{a,b,c}

Variables	Model 6		Model 7		Model 8		Model 9	
	Esc	DeEsc	Esc	DeEsc	Esc	DeEsc	Esc	DeEsc
<i>Intercept</i>	0.78	0.11	2.781*	0.74	-0.48	0.89	4.77***	-2.75
Host experiential knowledge	0.00	0.00	-0.01	0.64[†]	-0.02	-0.01		
Experience intensity	-0.09	-0.02	0.03	-0.00	0.84[†]	0.51		
Experience diversity	0.07	-0.03	0.21	-0.15	-1.62*	0.09		
Host institutional change							0.58**	0.17
Motives for exit: Poor market performance	-0.60[†]	-0.78*						
Motives for exit: Poor mode performance			2.14***	0.54				
Motives for exit: Strategic exit					-1.41[†]	0.74		
Host experiential knowledge x Poor market performance	0.04*	0.02						
Experience intensity x Poor market performance	-0.16	-0.34						
Experience diversity x Poor market performance	0.05	0.29						
Host experiential knowledge x Poor mode performance			-0.01	0.00				
Experience intensity x Poor mode performance			0.03	0.60				
Experience diversity x Poor mode performance			0.26	0.01				
Host experiential knowledge x Strategic exit					-0.02	-0.00		
Experience intensity x Strategic Exit					1.00*	0.40		
Experience diversity x Strategic exit					-1.73*	0.29		
Prior mode: No equity vs. JV							-0.89***	-5.32***
Prior mode: No equity vs. WOS							-	-5.88***
Prior mode: JV vs. WOS							-	-0.56*
Controls								
Age	0.00	0.00	0.00	0.00	0.00	-0.00	0.00	-0.00
Firm size ^b	0.03	0.07	0.03	0.01	0.03	0.08 [†]	0.05	0.02
Time-out	0.00	-0.02	0.03	-0.00	-0.00	-0.01	0.00	-0.01
Already present in market	-0.25	0.11	-0.07	0.12	-0.21	0.03	-0.23	0.24
Changes in management	-0.03	0.15	-0.10	0.14	0.06	0.13	0.08	0.22
Automotive	0.87**	0.99**	0.62 [†]	0.86*	0.82**	1.02**	0.96**	1.79***
Retail	0.90**	1.18**	0.91**	1.09**	0.89**	1.10**	1.20***	1.06*
Financial services	0.18	0.66	0.42	0.77 [†]	0.06	0.64	0.33	0.31
Consumer electronics	0.96*	0.37	1.32**	0.39	1.01**	0.41	1.12**	1.28*
Positive changes in GDP/capita	0.05	-0.74 [†]	-0.50	-0.93**	0.15	-0.92**	-0.25	-0.77 [†]
Positive changes in net inflows	-0.23	0.13	-0.43*	0.10	-0.24	0.13	-0.16	-0.11
<i>-2 Log Likelihood</i>	1115		1.047		1104		1011	
<i>Chi-Square</i>	58.134*		126.101***		69.500**		301.610***	
<i>N</i>	676		675		676		746	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Table 4.7: Multinational logistic regression: Commitment escalation: “No equity to equity” and “joint equity to wholly owned” compared to no changes in commitment (***p<0.001; **p<0.01; *p<0.05; †p<0.10)^{a,b,c}

Variables	Model 10		Model 11		Model 12		Model 13		Model 14	
	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly
<i>Intercept</i>	-0.77	-0.51	-1.23	0.07	-0.46	-0.10	-0.81	0.64	-2.09	2.99
Host experiential knowledge			0.01	-0.02*			0.01	-0.03**		
Experience intensity			-0.44	0.16			0.60[†]	0.27		
Experience diversity			0.16	-0.00			0.22	-0.12		
Host institutional change					0.53[†]	0.66*	0.45	1.13*		
Motives for exit: Poor market performance									-1.88	0.18
Motives for exit: Poor mode performance									1.96***	2.34***
Motives for exit: Strategic exit									-3.11	0.52
Host experiential knowledge x Host institutional change							-0.00	-0.03		
Experience intensity x Host institutional change							-0.67	0.47		
Experience diversity x Host institutional change							0.27	-0.50		
Controls										
Age	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00
Firm size ^b	0.04	0.05	0.01	0.03	0.03	0.04	-0.00	0.03	0.02	0.04
Time-out	0.02	-0.04	0.03	-0.04	0.03	-0.04	0.03	-0.04	0.03	-0.00
Already present in market	-0.29	-0.27	-0.16	-0.42	-0.25	-0.21	-0.15	-0.39	0.04	0.07
Changes in management	0.26	-0.35	0.25	-0.29	0.27	-0.34	0.24	-0.27	0.20	-0.48 [†]
Automotive	0.79*	0.78 [†]	0.76 [†]	0.82 [†]	0.82*	0.84*	0.85*	0.88 [†]	0.80 [†]	0.54
Retail	0.68	0.79 [†]	0.70	0.73	0.68	0.81 [†]	0.75 [†]	0.71	0.90*	0.80 [†]
Financial services	-0.67	0.49	-0.65	0.39	-0.64	0.54	-0.58	0.47	-0.44	0.74
Consumer electronics	1.11**	0.59	0.98*	0.85	1.08*	0.55	0.96 [†]	0.81	1.49**	0.95
Positive changes in GDP/capita	-0.15	0.32	0.27	0.18	-0.25	0.22	0.18	0.07	0.15	0.09
Positive changes in net inflows	-0.31	0.04	0.46 [†]	-0.01	-0.37	-0.03	0.48 [†]	-0.01	-0.44	-0.15
<i>-2 Log Likelihood</i>	<i>880.910</i>		<i>801.603</i>		<i>868.043</i>		<i>837.113</i>		<i>786.964</i>	
<i>Chi-Square</i>	<i>33.689*</i>		<i>40.403*</i>		<i>40.227*</i>		<i>53.586*</i>		<i>129.833***</i>	
<i>N</i>	<i>586</i>		<i>521</i>		<i>581</i>		<i>515</i>		<i>591</i>	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Table 4.8: Multinational logistic regression: Commitment escalation: “No equity to more equity” and “joint equity to wholly owned” compared to no changes in commitment (**p<0.001; *p<0.01; †p<0.05; †p<0.10)^{a,b,c}

Variables	Model 15		Model 16		Model 17	
	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly	No eq to eq	Joint to Wholly
<i>Intercept</i>	-1.17	-0.28	0.50	1.40	-	-0.25
Host experiential knowledge	0.01	-0.01	0.01	-0.02	-	-0.09
Experience intensity	-0.38	0.07	-0.64	0.05	-	0.44
Experience diversity	0.05	0.09	0.22	0.26	-	-1.15
Host institutional change					-	
Motives for exit: Poor market performance	-0.37	-0.43			-	
Motives for exit: Poor mode performance			1.65***	2.16***	-	
Motives for exit: Strategic exit					-	1.15
Host experiential knowledge x Poor market performance	0.02	0.07[†]			-	
Experience intensity x Poor market performance	0.30	-0.30			-	
Experience diversity x Poor market performance	-0.28	0.42			-	
Host experiential knowledge x Poor mode performance			-0.00	-0.00	-	
Experience intensity x Poor mode performance			0.06	-0.17	-	
Experience diversity x Poor mode performance			-0.31	0.58[†]	-	
Host experiential knowledge x Strategic exit					-	-0.07
Experience intensity x Strategic Exit					-	0.35
Experience diversity x Strategic exit					-	-1.22
Controls						
Age	0.00	0.00	0.00	0.00	0.00	0.00
Firm size ^b	-0.00	0.03	0.01	0.03	0.02	0.03
Time-out	0.04	-0.03	0.06*	0.00	0.03	-0.04
Already present in market	-0.15	-0.45	-0.02	-0.19	-0.07	-0.40
Changes in management	0.23	-0.30	0.17	-0.42	0.34	-0.22
Automotive	0.84*	0.72	0.68	0.40	0.66	0.75
Retail	0.73 [†]	0.69	0.83 [†]	0.64	0.75 [†]	0.73
Financial services	-0.52	0.41	-0.37	0.60	-0.57	0.33
Consumer electronics	0.97	0.79	1.29**	1.19 [†]	0.98*	0.86
Positive changes in GDP/capita	0.38	0.03	-0.14	-0.51	0.37	0.27
Positive changes in net inflows	-0.45 [†]	-0.03	-0.63*	-0.22	-0.52 [†]	-0.00
<i>-2 Log Likelihood</i>	792.192		727.459		775.969	
<i>Chi-Square</i>	51.200*		115.933***		67.423**	
<i>N</i>	523		523		523	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Note: Firms which escalated from non-equity to equity did not report exit due to strategic motives.

Table 4.9: Multinational logistic regression: Commitment de-escalation: “Wholly owned to joint equity” and “equity to no equity” compared to no changes in commitment (***p<0.001; **p<0.01; *p<0.05; †p<0.10)^{a,b,c}

Variables	Model 18		Model 19		Model 20		Model 21	
	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq
<i>Intercept</i>	-2.74	0.08	-2.63	-1.82	-3.37	0.30	-3.42	-1.97
Host experiential knowledge			-0.00	-0.00			0.00	0.01
Experience intensity			0.14	0.16			0.38	0.34
Experience diversity			0.04	-0.33[†]			-0.15	-0.55*
Host institutional change					-0.05	0.37	0.01	-0.09
Motives for exit: Poor market performance								
Motives for exit: Poor mode performance								
Motives for exit: Strategic exit								
Host experiential knowledge x Host institutional change							0.01	0.03
Experience intensity x Host institutional change							0.91[†]	0.72[†]
Experience diversity x Host institutional change							-0.63	-0.73*
Controls								
Age	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
Firm size ^b	0.05	0.07	0.01	0.11+	0.07	0.07	0.03	0.12+
Time-out	0.02	-0.03	0.01	-0.03	0.02	-0.04	0.01	-0.04
Already present in market	0.13	-0.03	0.18	0.08	0.10	-0.02	0.24	0.20
Changes in management	0.53	-0.35	0.68*	-0.28	0.46	-0.42	0.64+	-0.25
Automotive	-1.89 [†]	1.53***	-1.93 [†]	1.68***	-1.93 [†]	1.50***	-1.99 [†]	1.61**
Retail	1.26**	0.73	1.28**	0.35	1.25**	0.76	1.23*	0.31
Financial services	0.27	1.32**	0.32	1.00 [†]	0.24	1.37**	0.22	0.95 [†]
Consumer electronics	0.47	0.86	0.19	0.18	0.46	0.85	0.21	0.16
Positive changes in GDP/capita	-0.41	-0.97*	-0.61	-1.07*	-0.41	-1.08**	-0.64	-1.16*
Positive changes in net inflows	0.25	0.06	0.33	0.07	0.30	0.03	0.34	-0.05
<i>-2 Log Likelihood</i>	713.765		606.100		694.888		578.528	
<i>Chi-Square</i>	65.214***		70.448***		65.878***		84.301***	
<i>N</i>	576		515		574		516	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Table 4.10: Multinational logistic regression: Commitment de-escalation: “Wholly-owned to joint equity” and “equity to no equity” compared to no changes in commitment (**p<0.001; *p<0.01; †p<0.05; ‡p<0.10)^{a,b,c}

Variables	Model 22		Model 23		Model 24		Model 25	
	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq	Wholly to Joint	Eq to no eq
<i>Intercept</i>	-3.11	3.02	-3.45	-1.88	-3.52	-1.66	-1.54	-1.71
Host experiential knowledge			0.02	-0.01	-0.03	0.01	-0.03	0.01
Experience intensity			-0.04	0.06	0.54	0.48	0.33	0.36
Experience diversity			0.21	-0.23	-0.79	-0.40	0.66	-0.10
Host institutional change								
Motives for exit: Poor market performance	0.17	0.90	-1.52**	-0.09				
Motives for exit: Poor mode performance	-1.18+	0.70*			-1.23	0.35		
Motives for exit: Strategic exit	0.92	1.57					1.44*	0.27
Host experiential knowledge x Poor market performance			0.06*	-0.00				
Experience intensity x Poor market performance			-0.39	-0.35				
Experience diversity x Poor market performance			0.35	0.21				
Host experiential knowledge x Poor mode performance					-0.03	0.01		
Experience intensity x Poor mode performance					-0.89	0.43		
Experience diversity x Poor mode performance					0.43	-0.07		
Host experiential knowledge x Strategic exit							-0.03	0.01
Experience intensity x Strategic Exit							0.21	0.20
Experience diversity x Strategic exit							0.77	0.22
Controls								
Age	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
Firm size ^b	0.06	0.07	0.01	0.11 [†]	0.01	0.10 [†]	0.02	0.12*
Time-out	0.01	-0.02	0.01	-0.04	0.00	-0.02	0.01	-0.04
Already present in market	-0.02	0.04	0.21	0.09	0.12	0.14	0.16	0.02
Changes in management	0.50	-0.43	0.70*	-0.27	0.68*	-0.34	0.66 [†]	-0.31
Automotive	-1.74 [†]	1.45**	-2.03+	1.66**	-1.75	1.60**	-1.85 [†]	1.70***
Retail	1.27**	0.65	1.40**	0.35	1.36**	0.33	1.26**	0.34
Financial services	0.17	1.36**	0.29	0.90	0.27	1.08 [†]	0.28	0.94 [†]
Consumer electronics	0.41	0.91	0.02	0.19	0.13	0.13	0.15	0.18
Positive changes in GDP/capita	-0.47	-1.12**	-0.41	-1.00*	-0.45	-1.20**	-0.75	-1.13*
Positive changes in net inflows	0.33	0.01	0.39	0.06	0.39	0.04	0.37	0.06
-2 Log Likelihood	699.486		594.680		594.809		595.914	
Chi-Square	81.690***		81.868***		81.740***		80.634***	
N	591		516		516		516	

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cReference category is “no changes in commitment”

Discussion and conclusions

Results suggest that contrary to previous findings on *de novo* entry, prior knowledge and experience accumulated over time do not play a key role in re-entrants' commitment decisions. In other words, there is no evidence to suggest that more experienced re-entrants escalate commitment when re-entering an exited market. In line with my conceptualisation of re-entry, this study indicates that experience may be too vague a notion to be used independently to explain changes in re-entry commitment and organisational unlearning may occur when prior knowledge cannot be accessed by re-entrants. This means that prior knowledge and experience accumulated over time may not always translate into organisational learning particularly when this process of learning is interrupted by market exit. Hence, when the process of learning from prior experience is not a linear one, it may be difficult to transfer experience accumulated in the past to the re-entry commitment decision. Furthermore, as proposed in my conceptualisation of the re-entry phenomenon, other drivers such as host institutional changes and exit motivations are stronger predictors of whether or not re-entrants change their commitment.

Broadly, results demonstrate that re-entrants tend to lean more on paradigms of interpretation (Schwens and Kabst, 2009) of the exit experience and institutional changes than on learning from experience accumulated over time. These findings contribute to distinguishing the re-entry phenomenon from that of *de novo* market entry. Also in line with my conceptualisation of re-entry, the mode in which firms were operating prior to exiting the market is a strong predictor of re-entry commitment as many firms tend to re-enter in the same manner in which they operated prior to exiting the market. For some re-entrants, prior operation modes may have become established routines and may be perceived by decision makers as reference points to interpreting re-entry. This is particularly the case for exporters, licensors and franchisors which have not experienced deep involvement in the market and may have not generated sufficient knowledge and experience that they can leverage in order to escalated commitment in the re-entered market.

This study provides the first empirical evidence that foreign market exit is not an irreversible, win or lose process characterised by location and asset specificity (Song, 2013). Drawing upon insights from organisational learning and institutional change perspectives, this study proposes a new context in which to study the entry mode commitment decisions of multinational firms, namely the context of foreign market *re*-entry. Experience of operating in foreign markets has been argued to play a key role in the internationalisation process because understanding how to operate in a host market makes firms more confident of their ability to perform there, leading to increased resource commitment (Casillas et al., 2015; Delios and Henisz, 2003; Johanson and Vahlne, 1977; Sharma and Blomstermo, 2003). More recent studies support such a view of experience, particularly experiential learning which remains viewed as "the most analysed source of foreign knowledge acquisition" (Casillas et al., 2015, p. 103) and that "firms escalate their commitment to a given foreign market over time, shifting from joint venture to whole ownership as they accumulate relevant experience" (Guillén, 2003, p. 186). This study was conducted in

response to calls to revitalise the entry mode agenda by looking beyond initial entry (Hennart and Slangen, 2015; Shaver, 2013). Moreover, it addresses calls for a greater recognition of the role of institutional changes that may serve as reference points for decision-making together with learning from prior experience (Hoskisson et al., 2000; Xia et al., 2009).

Thus far, in both the IB and strategy literatures, scholars have been concerned with the heterogeneity that characterises firm decisions, particularly when faced with complex and changing environments (Chang, 1995; Henisz and Delios, 2001). Yet, results suggest that re-entrants place significant importance to decision specific, within-form experience than on learning from international business experience or host market experiential knowledge accumulated over time. These findings run counter to the established wisdom that emphasises the positive effect of prior knowledge and experience accumulated over time on learning and subsequently on entry mode decisions but are rather consistent with the Xia et al. (2009, p. 1291) notion that “[re]entry experience in a given country can be an important source of inertia” leading to re-entrants returning via the same type of commitment in which they were operating prior to exit. Re-entering the market by operating via the same mode may yield benefits in terms of salvaging some of the losses that were incurred following exit. These findings provide support for the idea that internationalising firms tend to revert to those behaviours most familiar to them when faced with highly complex and unusually uncertain decisions (Chan and Makino, 2002; Huang and Sternquist, 2007); in this case, re-entry means that firms return to what may be regarded as a previously failed internationalisation project. However, when re-entry commitment is driven by attempts to reduce uncertainty, it may impede re-entrants from benefitting from prior experience.

With few notable exceptions (cf. Xia et al., 2009), research has overlooked the effect host market institutional changes may have on the current and future applicability of prior knowledge and experience. This study made a first step towards extending this area of research by investigating how changes that have occurred in host institutions during the time-out period are paralleled by re-entrants’ changes in re-entry commitment. Although scholars have taken for granted the positive effect of experience on firms entering via high commitment (e.g., Chang and Rosenzweig, 2001), results provide evidence suggesting that decisions firms make also depend on their understanding of the need to conform to host institutional environments and legitimacy pressures (Chan et al., 2006; Davis et al., 2000; Hernandez and Nieto, 2015; Xia et al., 2008; Kostova and Zaheer, 1999). Results showed significant support for the view that changes in institutional environments alone can, in fact, lead to changes in organisational strategies (Xia et al., 2009). This goes against the idea that changes in institutional environments alone cannot explain firm commitment decisions, because broadly, firms may continue to associate the host market with high levels of uncertainty despite changes occurring in its institutions (Peng, 2003). This study confirms the high explanatory power of institutional theory rationales for re-entrants, as favourable changes in host institutions during the time-out period have a positive effect on re-entry commitment escalation. Hence, re-entrants do respond to positive cues in their host environments by increasing their host market resource involvement.

Also interesting is that, favourable institutional changes in the host market increase the likelihood of commitment *escalation* on re-entry, whilst no observable effects of institutional change were found concerning commitment *de-escalation*. In fact, it is the interaction between prior experience accumulated in the past and institutional change that has a significant and negative effect on commitment *de-escalation*. In other words, re-entrants which are more diverse in their prior experience and learning resources are less likely to decrease their commitment when the host institutional environment changes favourably and thus, more likely to return via the same mode of operation as prior to exit. This means that, contrary to what has been proposed by previous research on *de novo* market entries concerning the positive effects of experience on firms adapting to their host institutional environments (Brouthers et al., 2008a; Chan et al., 2006; Chang and Rosenzweig, 2001; Xia et al., 2009; Zaheer, 1995), experienced re-entrants are more passive in their strategising and, whilst they may not decrease commitment in the market, re-entrants also do not increase their commitment mode when host institutions are favourable.

Overall, the results support my conceptualisation that re-entry commitment decisions are also the result of firms responding to potential opportunities created by their host institutions. Furthermore, this study found that, indeed, responsiveness to institutional changes varies according to a re-entrant's prior experience. This is important since it has been argued that multinational firms that are encouraged by local institutions, such as host governments, to capitalise on institutional change will receive support and resources from those institutions (Hoskisson et al., 2000; Meyer et al., 2009). Based on these results, adding an institutional perspective to the organisational learning view has therefore much to offer to the study of foreign market (re)entry commitment particularly in regards to contextualising the applicability of prior learning and addressing the question of when and why (re-entrant) firms display heterogeneous responses to their institutions (Kostova et al., 2008), or in this case, changes that have occurred in their host institutional environments during the time-out between exit and re-entry.

This study also aimed for a more nuanced understanding of organisational *learning*. Learning and organisational memory may not necessarily be fostered by prior experience but also by the organisational proximity of a given event and its impact on the organisation (Levitt and March, 1988). Because this study concerns *re-entry*, it also examined whether the motivations to exit the market exert a significant effect on re-entry commitment as well as on the ability of the re-entrant firm to learn from prior experience. Most notably, findings show that firms which have exited due to poor mode performance change their commitment rather than returning via the same mode. Therefore, as conceptualised in this study, re-entrants react to, and interpret the market exit experience, *particularly when the motive for exit (i.e. poor performance with commitment mode) is closely linked to the nature of the re-entry decision*. In some cases, market exit carries a stigma of failure and adds to the uncertainty of renewing operations in a foreign market, manifested in firms de-escalating commitment. In turn, some re-entrants perceive exit as an opportunity to return to the market and re-visit their strategy there, by escalating commitment. Organisational learning is fostered significantly by the *proximity* of the re-entry decision to that of market exit.

Consequently, the exit experience is not easily forgotten nor excluded from decisions making, irrespective of the changes that may have occurred within the organisation, including changes in management (Nummela, 2016). Furthermore, whilst on its own overall poor performance in the market did not have observable effects on re-entry commitment; for re-entrants with host experiential knowledge, exit has brought with it new learning and a tendency to escalate commitment on re-entry. Hence, market exit influences re-entry commitment decisions and also moderates the effect of prior experience on foreign market re-entry commitment.

Indeed, learning from prior experience does not have the strong and positive effect on re-entry commitment as it has been found to have on *de novo* market entry mode choices. Some evidence exists that re-entrants do learn from decisions made in the past, however this learning is not necessarily transferred to new situations, which is reflected in the tendency to re-enter via the same commitment modes. Whilst *experienced re-entrants* do not proactively react to external, institutional changes by escalating commitment when re-entering countries with more favourable institutional policies, there is evidence suggesting that, with more experience, re-entrant firms have learned sufficiently about that host market to change their commitment when exit has been attributed to poor performance. So, *re-entrants do not replicate unsuccessful commitment strategies* and experienced re-entrants in particular do not return to a previously exited market via the same commitment if they had previously underperformed in that market. Re-entrants tend to alter their commitment when the market exit was due to them performing poorly in the host market, and particularly if poor performance was associated with underperforming entry modes.

By testing for the effects of organisational learning and market exit on re-entry commitment, this study may also provide a window into the effects of foreign market exit on firm behaviour which remains an understudied area of IB research (Nummela et al., 2016). This study on re-entry commitment confirms that re-entrants tend to learn more from their mistakes (Arino and de la Torre, 1998) (i.e. poor performance exit) more so than they learn from positive experience.

Finally, together with the commitment mode chosen, the timing of international expansion is increasingly considered a crucial managerial decision (e.g., Delios et al., 2008; Gaba, Pan and Ungson, 2002; Guillén, 2002; Isobe et al., 2000; Murray, Min and Gao, 2012; Sapienza et al., 2006; Schwens and Kabst, 2009). In light of recent calls for papers on the inter-relationships between market (re)entry decisions (Casillas and Moreno-Menendez, 2014; Isobe et al., 2000), the relationship between the degree of resource commitment possessed in the market at the time of exit and re-entry timing is explored in the next chapter as timing and commitment “had almost equal power to predict [foreign market] performance” (Isobe et al., 2000, p. 478). In the next chapter, the effects of resource commitment, institutional pressures for legitimacy, organisational learning and exit motivations are considered to investigate why some re-entrants wait longer than others to re-enter. Since market exit played such a central part in re-entrants’ changes in commitment, examining the experience resources of the firm after exiting the market as well as the institutional context post exit may explain why some are ‘early’ versus ‘late’ re-entrants.

CHAPTER 5: 'THREE HOURS TOO SOON OR ONE MINUTE TOO LATE?' ANTECEDENTS OF FOREIGN MARKET RE-ENTRY TIMING DECISIONS

Abstract: The Piaggio Group renewed their sales of Vespa in India 13 years after exiting despite their two-decade long experience in the market. Honda Motor's decision to re-enter India's two-wheeler market came only one year after exit despite their brief initial foray into the market. These examples of re-entries are not unique. This chapter examines the timing of foreign market re-entry in order to take the very first step towards understanding what distinguishes early movers into a previously exited market from later re-entrants. The antecedents of the re-entry timing decision are studied from an organisational learning and institutional legitimacy perspectives. Furthermore, motives for the exit as well as the degree of resource commitment are also viewed as potential determinants of foreign market re-entry timing.

Introduction

The timing of international expansion decisions has important consequences for a firm's international competitiveness and survival in foreign markets (Chan et al., 2006; Delios and Henisz, 2003; Delios et al., 2008; Gaba, Pan and Ungson, 2002; Guillén, 2002; Isobe et al., 2000; Murray, Min and Gao, 2012; Powell, 2014; Sapienza et al., 2006; Schwens and Kabst, 2009). Whilst early entry may provide firms with initial competitive advantages in a foreign market, it also exposes foreign entrants to several challenges. These challenges have been primarily associated with the liability of foreignness arising from the foreign entrant's lack of experiential knowledge (Isobe et al., 2000; Sapienza et al., 2006) and higher costs associated with the process of learning about the market since early entrants cannot draw from the experience of other firms (Autio et al., 2000; Eriksson et al., 1997; Schwens and Kabst, 2009). In turn, the risks associated with foreign entry are reduced for later entrants and their pace of learning tends to be increased (Autio et al., 2000; Gaba et al., 2002). Comparing the behaviour of 'early' versus 'late' foreign entrants, or re-entrants in this case, is expected to contribute to our understanding of why some firms gain competitive advantages over others (e.g., Casillas and Moreno-Menendez, 2014; Chang, 1995; Delios and Henisz, 2003; Isobe et al., 2000; Schwens and Kabst, 2009).

Despite the claims that entry timing is interlinked with performance in the host market, few studies have focused specifically on examining the antecedents of market entry timing (notably, Gaba et al., 2002; Isobe et al., 2000; Schwens and Kabst, 2009) to gain a better understanding of what influences *when* firms enter a foreign market, and to the best of my knowledge, so far, no study has investigated the timing of foreign market *re-entries*. Re-entry entails that, after accumulating experience with operating in a host market, prior to returning to that market, re-entrants must first spend a period of time out. In this study, **foreign market re-entry timing** is therefore conceptualised as the time elapsed between the year in which the firm exited the foreign market and the year of re-entry into the previously exited market.

Some anecdotal evidence exists that re-entrants vary significantly in regards to the number of years spent out of the re-entered market (Crick, 2004; Welch and Welch, 2009). Some companies remain committed to the host market and re-enter within a short period of time to capitalise on their experience and investment in business networks and relationships, and to prevent significant loss of staff (e.g., Hadjikhani, 1996; Javalgi et al., 2011). In turn, other re-entrants may spend a longer time outside the market. To the latter firms, re-entry may be perceived more like *de novo* entry due to the changes that may have occurred within the firm and its environment in the time-out period and the potential challenges of relying significantly on prior learning and experiential knowledge. For (most) re-entrants that fall between these two extremes, the decision of how long to wait prior to re-entering may be significantly more complex.

Whilst there is broad recognition of the value of organisational learning and institutional theory approaches to explain market entry related decisions such as commitment modes, empirical work testing the explanatory power of these views on the timing of (re)entry is scarce. Notable exceptions include Casillas and Moreno-Menendez's (2014) recent study on the nature of the relationship between experiential learning and timing of subsequent foreign market entries; Guillén's (2003) paper on the effect of pressures for legitimacy and resultant imitative behaviour on the sequence of entries into China; and Sapienza et al.'s (2006) study on the differing effects of early versus late market entry on firm survival and profitability. From a learning perspective, (re)entering a foreign market, therefore, involves new and risky activities designed to help firms gain competitive advantages over their competitors (Makino et al., 2002) which is why the timing of entry has been linked to the knowledge and experience resources of the firm. Traditionally, experience has been considered to provide new knowledge that then leads to learning as firms spread their international presence into various foreign markets and or spend a longer period of time in specific markets to deepen their knowledge (Eriksson et al., 1997). Firms with a more varied international experience are expected to find it easier to transfer the knowledge and experience acquired in one market to international operations in different countries (Barkema et al., 1997; Barkema and Drogendijk, 2007; Zhang, Li and Zhou, 2010). The straightforward rationale for this is that more experienced firms would have already encountered challenges from competitors, national institutions, laws and regulations and may then possess a more comprehensive knowledge base from which to learn.

From an institutional theory view, firms give priority in their decision making to the possibility of obtaining legitimacy in the local market as they seek to overcome institutional constraints (Meyer et al., 2009). Hence, when entering host markets with underdeveloped institutions, and or markets viewed as unattractive by other foreign investors, re-entrants may take longer to re-enter due to potential obstacles consisting of inadequate regulatory, legal and political frameworks.

The present work is a first attempt at investigating foreign market re-entry timing by answering the following question; *What determines some foreign market re-entrants to wait longer than others before re-entering a previously exited market?* The time-out period is a unique characteristic of the re-entry phenomenon and deserves to be studied alongside other re-entry

related strategic choices. Using data on 1,020 re-entry events occurring between 1980 and 2015, this study proposes that re-entry timing should be investigated in terms of the re-entrant's prior experience, the degree of host institutional development and the attractiveness of the target market at the time of market exit, the motivations for exit and the re-entrant's strategic goals associated with market re-entry. In light of recent calls for papers on the inter-relationships between market entry related decisions (Casillas and Moreno-Menendez, 2014; Isobe et al., 2000), the relationship between degree of resource commitment at the time of exit and time-out is also explored here as previous studies found that timing and resource commitment "had almost equal power to predict [foreign market] performance" (Isobe et al., 2000, p. 478).

The principal argument here is that re-entrants wait longer to re-enter when the host institutional environment at the time of exit is underdeveloped, when there are fewer foreign entrants operating in the host market, therefore, making that market less attractive, when the exit is traumatic and costly and when the market is not strategically important. Whilst firms may be able to exploit their experiential knowledge to re-enter soon after exiting, over time this knowledge may no longer lead to learning and organisational forgetfulness can occur.

The remainder of this chapter is structured as follows. First, this study draws on organisational learning and institutional theories to develop a theoretical rationale and a set of hypotheses concerning how prior knowledge and experience as well as pressures to acquire host market legitimacy affect re-entry timing. Next, this study hypothesises about the effects of exit motives, resource commitment mode and firm strategic intent on the timing of foreign market re-entry. Finally, the study follows with a discussion of the main findings and the potential implications that re-entry timing behaviour may have on the competitiveness of these re-entrant firms.

Theoretical Development and Hypotheses

Organisational learning and experience effects on re-entry timing

The knowledge that firms need to do well in foreign markets is different from that which they possess from operating at home (Johanson and Vahlne, 1977). Firms that diversify into foreign markets face an increased liability of foreignness compared to local market players that have already been operating in that environment and who may possess superior market and institutional knowledge (Zaheer, 1995; Zhang et al., 2010). In particular, early entrants into a foreign market tend to experience the liability of foreignness more strongly and as a result, first entries into new markets will take more time (Zaheer, 1995). Although firms that expand internationally may not benefit from this experience in the short term, over time experienced entrants are expected to overcome the initial liability of foreignness, acquire and absorb market and institutional knowledge and ultimately speed the pace of expansion (Casillas, Moreno, Acedo, Gallego and Ramos, 2009; Casillas and Moreno-Menendez, 2014; Johanson and Vahlne

2009; Gao and Pan, 2010; Sapienza et al., 2006). Hence, foreign (re)entrants may require some time to absorb the new knowledge and experience acquired, build relationships with key stakeholders such as customers, suppliers and distributors as well as local institutions (Dau, 2013) and nurture network relationships that can be leveraged for further expansion in that market or other international markets (Johanson and Vahlne, 2006; 2009). Consequently, the first steps of a firm's international expansion process are expected to take longer, whereas when firms have acquired prior knowledge and experience and learned to exploit it in subsequent international forays, they tend to increase the pace of expansion (Casillas et al., 2009; Casillas and Moreno-Menendez, 2014; Eriksson et al., 2000; Gao and Pan, 2010; Guillén, 2003). Thus far, the market entry literature has conceptualised the relationship between prior knowledge and experience and the timing of international expansion as such that, as the experience base of the firm grows and the learning becomes greater, the speed of entry, for both initial entries into new markets and subsequent expansion into the same markets, also increases.

When entering a new and potentially uncertain foreign market environment or when expanding operations into different international markets, a firm seeks to grow and explore new market opportunities. This process of exploring opportunities whilst simultaneously dealing with the risks and challenges of potentially unfruitful attempts involves the presence of the liability of foreignness (Zaheer, 1995). Consequently, firms that accumulate experience in a host market may face a lower liability of foreignness when re-entering that same market since their market as well as institutional knowledge bases would be higher (Eriksson et al., 1997; Johanson and Vahlne, 1977). Although experienced firms may leverage knowledge of one market into another (Casillas and Moreno-Menendez, 2014; Eriksson et al., 1997), the time needed to engage in the subsequent expansion may be reduced when firms locate operations in markets in which they possess experiential knowledge (see Gao and Pan, 2010). Re-entrants already possess experiential knowledge from operating in the host market before exit. Based on this rationale, one could assume that early re-entrants, in particular, may suffer less from the liability of foreignness and their local market as well as institutional knowledge are perhaps superior. All else considered, foreign market re-entrants may re-enter the market early (i.e. experience a shorter period of time-out) to capitalise on extant knowledge and experience.

However, a more nuanced understanding of the potential effects of prior knowledge and experience indicates that they tend to translate mostly into short term advantages (March, 1991; Casillas and Moreno-Menendez, 2014). Overreliance on prior knowledge and experience accumulated over time and that have become embedded in the organisation's memory can lead to inertia causing the firm to become more rigid and potentially inhibiting the attainment of newer knowledge and capabilities (notably, Levitt and March, 1988; March, 1991). In the case of re-entrants, a longer time-out period may prove beneficial in order to restructure the firm internally, to recover some of the costs incurred during market exit and to replace severed relationships with various stakeholders. In fact, the links between experience, learning, organisational memory and firm strategy may be less straightforward particularly when investigating re-entry timing.

During the time-out period the international heritage of the firm could be refreshed (Welch and Welch, 2009) making organisational forgetfulness a positive aspect of spending a long time out of the market prior to re-entering. Organisational forgetfulness or unlearning of prior patterns of behaviour may become helpful to implementing necessary strategic changes prior to re-entering the market. Prior knowledge and experience possessed by re-entrants may not be as applicable as time passes and the internal and external environments of the firm may change. Following this rationale, whereas re-entrants may have a window of opportunity to exploit prior knowledge and experience, the more time that passes following exit, the less likely it is for prior knowledge and experience to play a role in re-entrants' decision of when to return to the host market. Hence, the effect of prior experience on re-entry timing decisions is such that,

Hypothesis 1: The more experience re-entrants possessed at the time of market exit, the more likely re-entrants are to re-enter relatively early after exiting.

Host institutional quality and foreign market re-entry timing

A key insight from institutional theory is the acknowledgement of the relationship between organisational decision making and the broader environment, in that firm strategy is moderated by the characteristics of the institutional environment in which it operates (Meyer and Peng, 2005; Meyer et al., 2009) and the effectiveness of firm strategic decisions is contingent on the ability to achieve institutional legitimacy (Henisz, 2003). Foreign (re)entrants may adhere to the rules and regulations imposed by key institutional actors such as the host government to attain legitimacy (e.g., Davis et al., 2000; North, 1990; Hernandez and Nieto, 2015). This reflects the belief that the prevalence of below par institutions in a host market leads to increased host market uncertainty and unfamiliarity (Kostova and Zaheer, 1999; Meyer, 2001; Meyer and Nguyen, 2005), resulting in higher costs and risks for the foreign (re)entrant (Isobe et al., 2000; Hernandez and Nieto, 2015; Meyer et al., 2009; Xu and Shenkar, 2002). Broadly, scholars are in agreement that below par institutions or institutional voids tend to increase host market uncertainty and potentially even reduce MNEs' chances to perform successfully in the host market.

Extant literature has thus far suggested that, when faced with below par institutions or institutional voids in the laws, regulations and social configurations of host markets, firms tend to choose locations where institutional voids are less prominent (Delios and Henisz, 2003; Francis et al., 2009; Kostova and Zaheer, 1999) or expand via lower commitment modes such as joint ventures to counteract the challenges associated with weak institutions (Chang and Rosenzweig, 2001; Delios and Beamish, 1999; Meyer et al., 2009). In other words, the quality of host market institutions, particularly that of regulatory institutions has been linked to pressures for legitimacy when making host location decisions or commitment mode choices, as institutional actors establish in a coercive manner what is and what is not allowed in a given market. Yet, the quality

of institutions in a host country can influence not only the location or mode of commitment but also the decision of *when* to enter (Guillén, 2003), or in this case *re-enter* a market.

Because the perceived costs and uncertainties associated with reduced institutional quality in the host markets may be higher for firms that have already invested in, and subsequently exited that market, re-entrant firms have to make strategic choices that help them overcome these constraints. This study proposes that the degree of institutionalisation in the host country at the time of market exit is highly relevant to, and will influence the re-entry timing strategy, therefore, affecting how long re-entrant firms spend out of the market. Specifically, countries with high levels of regulatory and general institutional instability tend to be more unpredictable. Ill-enforced laws and contracts in a market have been associated with high unpredictability with regards to the evolution of that market's future institutional development (Delios and Beamish, 1999; Meyer et al., 2009). High levels of corruption paralleled by a poorly performing system of intellectual property rights can generate problems with knowledge transfer and negatively impact investment (Uhlenbruck et al., 2006; Wei, 2000). Overall, proponents of the institutional view posit that the uncertainty generated by reduced institutional quality creates difficulties with firms conforming to the local pressures for legitimacy (Chan and Makino, 2007). Since entry and implicitly *re-entry* timing decisions are particularly sensitive to the efficiency of markets (Gaba et al., 2002; Delios and Henisz, 2003), in non-developed, emerging markets generally characterised by different levels of institutional under-development, re-entrants may take longer to re-enter due to potential obstacles consisting of inadequate legal, political and regulatory market frameworks.

In the specific case of re-entry, firms have the option to avoid investment after exit, if the uncertainty associated with the host market is very high, or postpone their re-entry into the market. As discussed in the previous chapter with empirical evidence, the quality of institutions in a host market does bring with it strategic changes regarding a re-entrant firm's choice of resource commitment in the foreign market. Therefore, the level of development of host institutions at the time of exit may also play a significant role in how firms make re-entry timing decisions. Firms that do not know how to handle the risks associated with idiosyncratic host institutional environments may choose to wait and re-enter at a time when the institutional environment is more favourable to doing business there. As also mentioned in the previous chapter, institutional change has been regarded as a process that requires significant resource investment particularly because key legitimising actors such as local governments may have incentives to preserve old institutions and rules of the game (Hernandez and Nieto, 2015; Hoskisson et al., 2000; Peng, 2003). National institutions, in particular, are expected to take a longer time to change (Hernandez and Nieto, 2015; Hoskisson et al., 2000; Peng, 2003). In other words, it may take some time for firms to assess the effect of institutional changes and the corresponding pressures for legitimacy and adapt their behaviour (Delios and Henisz, 2003) or in this case, make the decision to re-enter. Consequently, the following is proposed:

Hypothesis 2: *The better the quality of host institutions at the time of exit, the more likely re-entrants are to re-enter relatively early.*

Host market attractiveness and re-entry timing

Rivalry and competition are important drivers of the foreign market (re)entry timing decisions as firms tend to cluster with other firms when entering a host country perceived as attractive and legitimate (Yu and Ito, 1988). The presence of other foreign (re)entrants may signal market attractiveness to (re)entrants, acting as incentive for foreign market (re)entry. Scholars have observed that the phenomenon of clustering extends from foreign entrants imitating the international expansion behaviour of other foreign entrants particularly when deciding on the timing of (re)entry decisions (e.g., Ang et al., 2015; Delios et al., 2008; Gaba et al., 2002).

The rationale here is two-fold. First, as social actors, firms may not always have complete information about the challenges in their host institutional and competitive environments in order to be able to make rational and efficient decisions ex-ante (Hsieh and Vermeulen, 2014; Li and Yao, 2010). This has been particularly the case with entering emerging markets traditionally characterised by a higher degree of uncertainty as well as high attractiveness due to their potential for future growth (e.g., Chan et al., 2006; Cheng and Yu, 2008; Guillén, 2002; Li and Yao, 2010). Consequently, firm strategic decisions are nested within their social contexts and in order to reduce the uncertainty associated with operating in a given host market, firms may look for cues in their environments from other market players perceived as legitimate (Guillén, 2003; Li and Yao, 2010). When firm behaviour is shaped by the behaviour of others, a foreign firm will choose to be where other foreign entrants have already invested as imitating the behaviours of other organisations can be perceived to carry legitimacy to otherwise risky decisions.

Second, for re-entrants in particular, a timely return to a host market characterised by high attractiveness could be also perceived as an opportunity to more rapidly recover financial losses incurred upon exit as, in time, the attractiveness of host markets and potential for rapid entries may be reduced due to the growing number of potential entrants (Fuentelsaz, Maicas-Lopez and Polo, 2002). Scholars (e.g., Li and Yao, 2010; Miller and Eden, 2006) have specifically proposed a curvilinear relationship between host market foreign entrants' density and the likelihood of firms establishing subsidiaries there, noting that the positive externalities of co-locating with other firms may be, over time, offset by the negative externalities resulting from intensified competition. This tends to be the case when early moves into the market may secure less competition (Isobe et al., 2000), particularly in emerging host regions where local firms are less endowed with the resources and capabilities necessary to compete with foreign players in areas such as branding and or marketing (Pan and Chi, 1999; Tan and Vertinsky, 1996).

Thus, whether imitative behaviour occurs for competitive reasons (Delios et al., 2008; Gaba et al., 2002) and or to fit within a social context (Hsieh and Vermeulen, 2014; Guillén, 2003), early foreign market (re)entrants tend to convey information to later (re)entrants about the attractiveness of the host market and even drive other foreign firms to accelerate their entry into that market (Gaba et al., 2002). Because of the potential uncertainty associated with having exited the market, re-entrant firms may pay significantly more attention to the actions of other

foreign entrants. When more firms are seen to commit resources to a foreign market, non-entrants can develop a sense of urgency and paranoia associated with potentially missed foreign market opportunities or fears that competitors will put up high barriers to deter future entries (Gaba et al., 2002). Managers may perceive the risks of not investing in the market as higher than the financial losses incurred at exit or than the uncertainty associated with re-entering.

Following this rationale, re-entrants may choose to avoid being late and potentially missing out on opportunities for market growth and development. In such a scenario one would expect re-entrant firms to interpret competitive behaviour and implicitly market attractiveness, as the density of foreign firms operating in the host market at the time of exit. Consequently, the effect of host market attractiveness on re-entry timing is hypothesised as follows,

Hypothesis 3: The more attractive the host market at the time of exit, the more likely re-entrants are to return relatively early.

The interactions between host institutional quality/host market attractiveness and prior experience and their effects on re-entry timing

The idea that foreign entrants may avoid venturing early into host markets characterised by poor quality of institutions and with fewer foreign firms operating there is relatively straightforward. Yet, some proponents of the institutional school of thought have suggested that firms' responses to institutional development will vary with the experience profile of the foreign entrant, thus also influencing foreign market (re)entry timing decisions (Delios and Henisz, 2000, 2003; Henisz, 2000; 2003). This is particularly the case when the prior knowledge and experience of the firm are relevant in reducing the uncertainty associated with poorly developed institutional environments and reducing the need to use other foreign entrants as frames of reference (Delios and Henisz, 2003). Having operated in the host market prior to exit, one might argue that re-entrants have accumulated some degree of experiential knowledge that may help them protect themselves against potential threats coming from institutional actors in those markets, such as foreign partners, suppliers or distributors that may have become more legitimate to local governments (Henisz, 2000). Such learning can, therefore, help reduce the perceived uncertainty associated with the degree of development in the host institutional environment at the time of exit and firms may no longer be late entrants despite entering lesser developed environments.

Furthermore, experienced re-entrants could be argued to rely more heavily on learning from their own knowledge of, and prior experience with operating in that market rather than choosing to re-enter late when there is a lower concentration of foreign (re)entrants in the host market. Consequently, after having assessed the main effects of prior learning and institutional legitimacy rationales separately, this study tests an idea proposed in some notable previous studies (Delios and Henisz, 2003), namely that firms with greater levels of experience may have learned more

about how to deal with host market uncertainties arising from underdeveloped market institutions and lack of significant foreign investment. Thus,

Hypothesis 4: *A re-entrant's prior experience moderates the positive effect of host institutional development on early re-entries.*

Hypothesis 5: *A re-entrant's prior experience moderates the positive effect of host market attractiveness on early re-entries.*

The relationship between commitment mode prior to exit and re-entry timing

Timing and mode of entry decisions are inextricably related (e.g., Delios and Henisz, 2001; Gaba et al., 2002; Isobe et al., 2000; Madhok, 1997). Although, as discussed in previous chapters, the entry mode literature is extensive, few studies (for a notable exception, see Gaba et al., 2002) have paid attention to examining empirically how timing of (re)entry is affected by commitment mode (or in this case, the mode in which the firm was operating prior to exiting the market).

Modes of entry have been classified as equity based or foreign direct investment (equity joint ventures, greenfield investments and acquisitions) and non-equity based through arm's length contractual modes such as exporting, licensing, franchising and non-equity alliances. Similar to other studies (Chang and Rosenzweig, 2001; Gaba et al., 2002) mode of entry is viewed as the degree of equity owned in the host market. The degree of involvement in a foreign market is considered important because it affects the strategic options of the firm and the ability to adapt successfully to local markets (Ang et al., 2015; Chan and Makino, 2007; Gaba et al., 2002). Higher involvement levels such as wholly owned entries have been associated with the enhanced market presence (and more rapid initial entry, in the case of acquisitions), reduced distribution costs, better service levels and better control over marketing operations (Pan and Tse, 2000).

In turn, higher resource commitment may limit the strategic flexibility of firms and constitute a source of considerable monetary losses on exit (Belderbos and Zou, 2009; Root, 1987). Although market exit in itself is not irreversible, some types of market commitments such as wholly owned entries involve high resource investment that may potentially be irreversible due to reported difficulties in selling off and re-deploying assets (Isobe et al., 2000). In turn, partial ownership via joint equity ventures has been associated with a higher degree of flexibility as the firm can subsequently choose to terminate the investment or further invest in the market for greater control of its operations (Kogut, 1991). Thus, although the depth of experience acquired in the market is greater from direct investment, the risks and uncertainties associated with host markets (or previously exited markets as it is the case for re-entrants) may be reduced by limiting ownership in foreign ventures (Barkema and Vermeulen, 1998; Gaba et al., 2002; Xia et al., 2009).

From a timing of (re)entry perspective also, not all operation modes share the same level of complexity (Gaba et al., 2002). Because early (re)entry is already associated with a high level of

uncertainty, especially when host markets have just re-opened to foreign investment opportunities, early (re)entrants would be expected to start operating in the market via non-equity modes of (re)entry (Gaba et al., 2002; Huang and Sternquist, 2007; Isobe et al., 2000). For re-entrants in particular, some modes of commitment (i.e. wholly owned subsidiaries) may be perceived as more irreversible in that, losses of financial as well as human resources incurred upon exiting the market may have been more significant for firms that were previously operating via wholly owned subsidiaries. In this case, it seems reasonable to expect that exiting a wholly owned subsidiary when leaving the host market prompts later rather than early re-entries.

In turn, as previously mentioned, non-equity modes are characterised by relatively lower levels of risk. Thus, re-entrants that were previously operating via non-equity modes may have found their host market operations easier to dissolve and re-implement due to the greater strategic flexibility and lower resources requirements (Madhok, 1997). In other words, managers may be more willing to return to the market faster if the stakes are low and the losses experienced upon exit are not as substantial. This is in line with the findings in the previous chapter that also indicate that firms which operate via non-equity modes of entry reduce the uncertainty associated with market exit and subsequent re-entry by opting for the same non-equity modes upon returning to the market. In a similar manner, sharing ownership with a partner may have reduced the risks associated with uncertain host markets (Gaba et al., 2002; Hennart, Kim and Zeng, 1998; Xia et al., 2009), and studies have shown that when the foreign entrant exits the market, local partners often acquire their stake in the business (e.g., Hennart et al., 1998). Following this logic, one might expect that exiting a non-equity venture and exiting a joint venture would be positively associated with the likelihood of early re-entries. This study proposes that,

Hypothesis 6: *Firms that were previously operating via non-equity modes are more likely to re-enter relatively early.*

Hypothesis 7: *Firms that were previously operating via joint equity modes are more likely to re-enter relatively early.*

Hypothesis 8: *Firms that were previously operating via wholly owned modes are less likely to re-enter relatively early.*

The effects of market exit motives on re-entry timing

Actual (re)entry timing decisions should be considered in terms of how (re)entrants view the risks and uncertainties associated with returning to a previously exited foreign market (Isobe et al., 2000; Tan and Vertinsky, 1996). Thus far, the focus has been predominantly on how knowledge and experience accumulated in the past tend to influence the learning processes of foreign entrants and subsequently those firms' perceptions of the risks and uncertainties associated with entry related decisions. However, as argued when examining re-entry commitment decisions,

market exit may be interpreted in many forms, not only as evidence of international market failure, much depending on the motivations for exit (Benito and Welch, 1997; Nummela et al., 2016; Welch and Welch, 2009). For *re*-entrants in particular, the motives for the exit, and perhaps the trauma associated with having exited the market may influence perceptions concerning the attractiveness of that market. Here, prior exit may represent a source of uncertainty particularly as empirical research has already suggested that firms carry with them some negative experience associated with not having met their initial market entry objectives (Benito and Welch, 1997; Chen and Wu, 1996). Therefore *re*-entrants' decisions of how long to wait between exit and *re*-entry vary according to why they exited the market in the first place.

Most studies view organisational learning as a linear (often sequential) process of accumulation of knowledge and experience that, in time, can be exploited to positively influence strategic decisions such as (*re*)entry timing (e.g., Delios and Henisz, 2003; Delios et al., 2008; Guillén, 2003; Isobe et al., 2000; Murray, Ju and Gao, 2012). Implicit in these assumptions is the idea that there are no important disruptions that occur in a firm's path to international expansion and can affect the likelihood of organisations learning from prior experience. There is little consideration here that firms may learn from their mistakes more than from their successes (Loustarinen and Welch, 1990). In the previous chapter, I have illustrated with empirical evidence that *re*-entrants do, indeed, replicate prior learned behaviours to reduce uncertainty associated with *re*-entry, however, they are less likely to replicate unsuccessful prior decisions.

When exit is voluntary, firms may have a limited number of resources to compete and actively choose to re-allocate these resources in other markets and re-focus on growth in the home market or decrease expansion to increase product diversification (Benito, 2005; Das, 2000; Nummela et al., 2016). In the case of voluntary exits, such as poor market performance exits, it may mean that the firm had little knowledge of how to operate in the market compared to its competitors (Mellahi, 2003; Song, 2013) and may use the time-out period to develop and or acquire the necessary resources and capabilities to perform successfully in that market the second time around. For these *re*-entrants, *re*-entry timing may reflect their attempts to avoid previous mistakes, in that when perceptions of markets and the costs and benefits of existing strategies change, firms are expected to adapt to those markets by altering their strategies there in a timely manner not to miss out on important opportunities (Calof and Beamish, 1995). Although it may take time to revisit their strategy and attain the necessary resources the *re*-enter the market, firms may be more likely to be proactive and not postpone their market *re*-entries to ensure that planned changes in strategy are relevant to the host market conditions at the time.

In turn, when firms are victims of changing circumstances in their external environment that are beyond their control, it can lead to involuntary market exit which can impede the continuation of a firm's activities, such as regulations against foreign investment and or the nationalisation of industries (Cardon et al., 2011; Hoskisson and Turk, 1990; Hoskisson et al., 2013). The negative feedback from governments and regulators may also result in an inability of the foreign entrant to *re*-enter the market soon after exiting. In this case, it may be reasonable to assume that the

host market will most likely continue to be perceived as attractive by the firm, and re-entry is likely to occur as soon as the external market exit driving forces are no longer in place (Welch and Welch, 2009). Because changes in laws and regulations tend to take a longer period of time to become implemented (Hoskisson et al., 2000; Peng, 2003), the hypothesised effect of voluntary and involuntary exit motives and the timing of re-entry is as follows,

Hypothesis 9: *Where market exit is voluntary - strategic exit, poor market performance, poor mode performance – firms are more likely to re-enter relatively early compared to when the market exit is involuntary.*

Strategic intent

Firms make (re)entry decisions that serve their strategic objectives and behaviours, often irrespective of changes occurring in their external environments (Cui and Jiang, 2009; Gaba et al., 2002; Isobe et al., 2000). Foreign market (re)entry may therefore be also motivated by a firm's intent to acquire strategic assets that it would not otherwise have access to (Rui and Yip, 2008; Wright et al., 2005) and or exploit opportunities for growth by capturing new markets for their products (Gaba et al., 2002; Isobe et al., 2000). These objectives may not change significantly over time (Isobe et al., 2000), or in this case, during the time-out period, irrespective of the re-entrant's prior level of experiential knowledge and or interpretations concerning the market exit experience. Furthermore, firms may also pursue strategic intents of a global orientation by entering or re-entering a foreign market in order to use that market as a springboard for subsequent internationalisation in the host region (Javalgi et al., 2011; Morck, Yeung and Zhao, 2008). A firm's strategic intent with regards to global expansion has, thus far, been associated with how firms enter foreign markets, i.e. the choice of foreign commitment mode (e.g., Cui and Jiang, 2009; Luo and Tung, 2007). To this, some scholars have suggested that the foreign market timing decision can also be explained by the extent to which the firm pursues its global strategic intents in that market and or host region (Gaba et al., 2002; Isobe et al., 2000). Since these re-entered markets may be seen as "pawns" in a greater global game, re-entrants' strategic ambitions may significantly impact their decisions of long to wait until re-entering the host market.

The straightforward rationale for examining the effect of strategic intent in the context of foreign market re-entry timing decisions is that, when the investment in a host market is considered strategically important, foreign (re)entrants may become less averse to the (financial) risks that may arise from altering their strategy in the host market upon re-entry and also less sensitive to the losses incurred as a result of poor performance in the market (Isobe et al., 2000). Concerning the relationship between a firm's strategic intent in a foreign market and its market entry timing and subsequent success of foreign market decisions, it has been argued that "an MNE should carefully implement its entry [timing] strategy for each separate international market because the failure or success of the investment in one market will critically influence other activities within the [global] network" (Isobe et al., p. 472). For re-entrants also, strategically important foreign

markets (such as those markets that warrant the risks and uncertainties associated with re-entry) may be perceived as platforms to subsequently enter or re-enter other countries within that host region (Cui and Jiang, 2009). As such, one might expect that, when the investment is strategically important, re-entrant firms will perceive re-entry as an opportunity and re-enter sooner. Thus,

Hypothesis 10: *Where there is strategic intent, firms will be more likely to re-enter relatively early.*

Method

Data Source and Sample Selection

Data comes principally from business information and research databases Factiva (Dow Jones) and LexisNexis (Reed Elsevier), which aggregate content from a large number of licensed and reliable data sources. Because foreign market re-entry is an under-researched area, there are no pre-existent databases from which to draw re-entry data (see *Chapter 3* on methodology). This database represents the most authoritative and up-to-date information on re-entry.

Variables

Dependent variable

Previous studies on the timing of foreign market entry tend to examine the order of entry into foreign markets by looking at whether firms define themselves as 'first movers', 'early followers' or 'late followers' (c.f. Isobe et al., 2000). Given the potential biases arising from this method, particularly with regards to the frequency with which respondents (i.e. managers) tend to define their organisations as relative 'first entrants' into a host market, I decided to use actual time periods of (re)entry (see Gaba et al., 2002, p. 41). In this study, the dependent variable represents the time that re-entrant firms have spent out of the host market, namely the time elapsed between the *year of exit* and *year of re-entry*. Factiva and LexisNexis were used to identify when re-entrants had exited and re-entered the market to calculate the time-out period accordingly. The SPSS software package was used to identify two equal quartiles regarding the distribution of the time-out period. The two quartiles were then computed into a dichotomous variable measuring whether the re-entrant belonged to the first quartile ("1") or whether it belonged to the second quartile ("0"). The first quartile represents re-entrants that have re-entered the market relatively early, i.e. within 1-5 years following market exit; these re-entrants are referred to as *early* re-entrants. The second quartile represents re-entrants that have spent more than 5 years outside the host market and are therefore referred to in the analysis as relatively *late* re-entrants. In previous studies (notably, Gaba et al., 2002), a period of time of around 1 to 5 years has been associated with a firm being an early entrant into a foreign host market or in this case, an early foreign market *re-entrant*.

Independent variables

Firm experience

Following previous studies (e.g., Luo and Peng, 1999; Brouthers et al., 2008a), the experience variables used in this study are measured as follows; *general experience intensity* (number of years internationally since inception), *host experience intensity* (number of years in the host region since inception), *general experience diversity* (total number of countries internationally), *host experience diversity* (total number of countries in the host region); and *host experiential knowledge* which refers to the number of years the firm operated in that specific host market between initial entry and exit. Similar to the previous analysis, factor analysis confirmed that the two measures of *experience intensity* loaded on a single factor (i.e. Cronbach's alpha = .84) and the two measures of *experience diversity* loaded into another factor (i.e. Cronbach's alpha = .71). This resulted in three experience measures being used in this study namely *host country experiential knowledge*, *experience intensity* and *experience diversity*; with the latter two experience measures (this time) being calculated at the time of market exit, with a one-year lag.

Host institutional quality

Host institutional quality refers to the degree of institutional development in the host market at time of exit that may increase investor confidence and decrease legitimacy pressures leading to early re-entries. Data on institutions was collected from the Economic Freedom of the World Index which derives an overall institutional score for each country for each year whilst considering the following factors, namely 1) size of government, 2) legal system and intellectual property rights, 3) sound money, 4) freedom to trade internationally, and 5) regulation⁹. Institutional development is measured at the time $t-1$, respectively with a one-year lag prior to the firm exiting the market. Following most recent studies (Hernandez and Nieto, 2015), the focus here is on the *magnitude* of institutional development. The institutional variable is, therefore, a continuous variable that reflects the quality of host institutions, i.e. the higher the value the more favourable the institutional environment at the time of $t-1$ exit.

Host market attractiveness

This study measures host market attractiveness at $t-1$ exit, with a one-year lag prior to the firm exiting the market. This variable was calculated with a logarithm transformation. This data was collected for each year and for each country from the World Bank database and is calculated as the value of net inflows (new investment inflows less disinvestment) in the reporting economy

⁹ As mentioned in the previous chapter, additional robustness checks were conducted for the institutional development variable; this study also compiled information to measure institutional quality at the time of exit from other databases such as the World Bank that have been used in some studies (e.g., Meyer et al. 2009; Xia et al., 2009).

from foreign investors, and is then divided by the country's GDP. This is also a continuous variable, i.e. the higher the value the more FDI into the host market at the time of $t-1$ exit.

Mode of operation prior to exit

Multiple searches in Factiva and LexisNexis allowed coding this variable into three dummies which took the value of "0" for non-equity ventures, "1" for a joint equity venture and "2" for a wholly owned subsidiary. Each variable representing a mode of operation prior to exit took turns as an independent variable in the regression models.

Market exit motives

Factiva and LexisNexis are used to identify why re-entrants had exited the market and in line with previous studies (e.g., Benito, 2005; Nummela et al., 2016) exit motives were classified into four categories, namely voluntary exits such as *strategic exits*; exit due to *poor market performance* and exit due to *poor performance with mode*; and *involuntary exits* (e.g., government pressures). Dummy variables were created for each of these four exit motives. As shown in *Table 5.3.*, the voluntary exit variable is highly correlated to involuntary exit, in that when voluntary exit takes the value of "0", involuntary exit takes the value of "1" (the likelihood of voluntary exit was compared to the likelihood of involuntary exit in the regression models).

Strategic intent

In this study, strategic intent is a qualitative variable coded from the news articles collected from Factiva and LexisNexis. This variable reflects whether the motive to re-enter the market is due to its strategic importance to the firm's global and regional strategy and willingness of the firm to learn and change its strategy to further expand into the regional market. This variable takes the value of "1" if the market is strategically important and "0" if the motive to re-enter was different.

Control variables

This study accounted for *firm size*, which has been associated with firms possessing more resources in order to engage in higher risk and become early (re)entrants (Delios and Henisz, 2003), and is measured as the value of total assets with a logarithm transformation at the time of $t-1$ exit. Furthermore, since older firms are more likely to show signs of inertia that may prevent them from assessing market opportunities in a timely manner (Guillén, 2002; Hannan and Freeman, 1984), *firm age* was computed as the number of years from when the firm was founded up to one year prior to market exit. Furthermore, this study documented *whether a firm has been present in the host market through a different division in the same/different sector* at the time of market exit. MNEs which have maintained close ties with host markets by operating there via other businesses may be more confident and perhaps more likely to re-enter the market sooner.

Additionally, regionalisation effects were coded to measure whether there is a regionalisation effect between the home origin and destination of re-entry; i.e. whether re-entrants tend to return to countries within their home region earlier and re-enter markets further afield after a longer time-out period. Various classifications exist in the literature concerning geographic regions. In line with previous research (e.g., Rugman et al., 2014), this study looked for regionalisation patterns between countries within the European Union, North America, Latin America, APAC, and Africa. Finally, four industry dummies are added for the automotive, retail, financial services and consumer electronics because around 60 percent of the sample of reported re-entry events consists of firms operating in these four industries. The standard deviations and pairwise correlations for all the variables are reported in *Table 5.1*, whilst the means and the variance inflation factors (VIFs) are reported in *Table 5.2*. As shown in *Table 5.2*, the VIFs range between 1.09 and 4.06, suggesting no serious problems of multicollinearity (cf. Field, 2009)¹⁰.

Model specification

Foreign market re-entry timing, which in this case is calculated as the time-out period between exit and re-entry, is modelled using a binary logistic regression model. This statistical method was applied because the dependent variable is a categorical variable with two alternative outcomes (i.e. firms belong to quartile 1 and are perceived as early re-entrants or firms belong to quartile 2 and are considered relatively later re-entrants); and the mix of both continuous and categorical predictor variables which affect the odds of choosing one alternative re-entry time frame over another. In this way, one can estimate the effect of the explanatory or independent variables on the probability that the firm will re-enter relatively early (i.e. within one to five years after exit) compared to relatively later (over five years after exiting).

Robustness checks

Thus far, the literature has not engaged significantly with what early and late entry means. For instance, since the time-out ranges between 1 year and 50 years, the dependent variable has been categorised into four quartiles to provide more insight into the different thresholds at which the independent variables have an observable effect on time-out. The SPSS software package was used to identify four equal quartiles regarding the distribution of the time-out period. The four quartiles were then computed for four different dichotomous variables measuring whether the re-entrant belonged to a respective quartile ("1") or otherwise ("0"). The time-out was split into four quartiles as follows; first quartile, Q1: 1-2 years, second quartile, Q2: 3-5 years, third quartile, Q3: 6-10 years and fourth quartile, Q4: over 11 years. Each of the variables representing a quartile took turns in being the dependent variable in the binary logistic models. Results of the robustness checks are shown in *Appendix 3 (pages 204-210)* – no significant differences exist to challenge the results reported below.

¹⁰ Exception being VIFs for exit motives "involuntary exit", "poor market performance" and "strategic exit" which have very high VIF values because firms that have experienced involuntary exit have not also reported voluntary exits.

Table 5.1: Descriptive statistics and correlation coefficients for re-entry timing (***p<0.001; **p<0.01; *p<0.05; †0.10)

Variables	Std. Dev.	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
(1) Time-out	10.5	974	1																							
(2) Host experiential knowledge	17.6	975	.13**	1																						
(3) General experience intensity	26.6	956	.10**	.37**	1																					
(4) Host experience intensity	23.5	948	.10**	.43**	.78**	1																				
(5) General experience diversity	50.3	901	.06*	.16**	.33**	.27**	1																			
(6) Host experience diversity	7.6	907	.12**	.10**	.21**	.21**	.55**	1																		
(7) Host institutional quality	1.3	888	-.39**	-.04	-.18**	-.11**	-.15**	-.13**	1																	
(8) Host market attractiveness	1.0	907	-.09**	-.02	-.06*	-.05	-.07*	-.01	.12**	1																
(9) Exit mode: Non-equity venture	0.5	976	-.02	-.02	-.08*	-.08*	.13**	.05	.08*	.00	1															
(10) Exit mode: Joint equity venture	0.4	976	-.13**	-.03	-.02	-.00	-.05	.01	-.05	-.01	-.56**	1														
(11) Exit mode: Wholly owned subsidiary	0.4	976	.16**	.05	.11**	.10**	-.10**	-.07*	-.04	.01	-.60**	-.31**	1													
(12) Involuntary exit	0.5	1020	.34**	.10**	.10**	.05	.02	.01	-.38**	-.16**	-.09**	-.02	.13**	1												
(13) Poor market performance	0.5	1020	-.29**	-.14**	-.07*	-.04	.01	.01	.26**	.14**	.13**	.02	-.17**	-.80**	1											
(14) Poor performance with mode	0.4	1020	-.17**	-.10**	-.04	-.06	-.01	.02	.03	-.01	.01	.19**	-.20**	-.29**	.36**	1										
(15) Strategic exit	0.3	1020	-.05	.07*	-.02	.00	-.03	-.05	.12**	.02	-.09**	.01	.09**	-.20**	-.39**	-.14**	1									
(16) Strategic intent	0.5	1020	-.17**	-.05	-.05	-.04	.03	.04	.18**	.04	.08**	-.02	-.07*	-.32**	.32**	.13**	-.02	1								
(17) Firm age	39.5	974	.06*	-.27**	.61**	.48**	.11**	.06	-.18**	-.03	-.13**	.02	.13**	.07*	-.09**	-.02	.05	-.03	1							
(18) Firm size	0.4	988	.16**	.20**	.37**	.32**	.36**	.27**	-.13**	-.06	-.11**	.02	.11**	.11**	-.09**	-.02	-.00	-.03	.32**	1						
(19) Already present in the market	0.3	1020	-.02	.10**	.19**	.19**	.27**	.14**	.11**	.01	.06	-.04	-.02	-.16**	.11**	-.04	.05	.11**	.10**	.26**	1					
(20) Regionalisation	0.4	1020	-.04	-.10**	-.22**	-.11**	-.24**	.02	.04	.08**	-.06*	-.01	.08**	-.04	.01	-.05	.05	.02	-.12**	-.10**	-.05	1				
(21) Automotive	0.4	1020	.10**	.14**	.25**	.20**	.43**	.25**	-.05	-.07*	.11**	-.01	-.11**	-.05	.09**	.09**	-.05	.05	.02	.20**	.18**	-.12**	1			
(22) Retail	0.3	1020	-.09**	-.11**	-.16**	-.15**	-.16**	-.10**	.09**	.10**	.03	-.07*	.02	-.14**	.13**	.08**	.01	.11**	-.03	-.18**	-.13**	.04	-.17**	1		
(23) Financial	0.3	1020	.11**	.07*	.21**	.20**	-.22**	-.11**	-.11**	.01	-.24**	.03	.25**	.19**	-.19**	-.11**	.01	-.16**	.34**	.19**	-.04	.05	-.22**	-.15**	1	
(24) Consumer electronics	0.3	1020	-.07*	.01	-.01	-.04	.07	.04	-.00	-.02	.07*	-.02	-.06	-.06*	.04	-.04	.02	.08**	-.04	-.01	.16**	.01	-.14**	-.10**	-.13**	1

Table 5.2: Collinearity diagnostics for re-entry timing

Variable name	Mean	Collinearity Tolerance	VIFs
(1) Time-out	9.08	0.90	1.11
(2) Host experiential knowledge	16.27	0.74	1.33
(3) General experience intensity	37.01	0.24	4.06
(4) Host experience intensity	30.60	0.31	3.25
(5) General experience diversity	55.00	0.46	2.13
(6) Host experience diversity	9.33	0.65	1.52
(7) Host institutional quality	6.58	0.40	2.46
(8) Host market attractiveness	0.27	0.91	1.09
(9) Exit mode: Non-equity venture	0.52	0.62	1.60
(10) Exit mode: Joint equity venture	0.23	0.80	1.25
(11) Exit mode: Wholly owned subsidiary	0.25	0.78	1.59
(12) Involuntary exit	0.29	0.03	27.48
(13) Poor market performance	0.62	0.02	43.32
(14) Poor performance with mode	0.18	0.77	1.29
(15) Strategic exit	0.09	0.04	24.40
(16) Strategic intent	0.35	0.89	1.11
(17) Firm age	69.59	0.49	2.02
(18) Firm size	7.26	0.68	1.46
(19) Already present in the market	0.23	0.73	1.37
(20) Regionalisation	0.33	0.82	1.21
(21) Automotive	0.21	0.62	1.59
(22) Retail	0.11	0.81	1.23
(23) Financial	0.17	0.67	1.47
(24) Consumer electronics	0.08	0.83	1.19

Results

Empirical results are presented in *Tables 5.3* and *5.4*. The estimated coefficients as shown in the tables should be interpreted as the amount of increase (or decrease, if the sign of the coefficient is negative) in the predicted log odds of the dependent variable that would be predicted by a 1 unit increase (or decrease) in the predictor variable. A negative coefficient means that the predictor variable decreases the likelihood of the firm choosing to re-enter early compared to re-entering late. In turn, a positive coefficient means that the variable increases the likelihood of the firm re-entering early compared to re-entering late. As illustrated in the regression tables, the explanatory variables chosen to explain re-entry timing decisions are highly relevant.

Model 1 in *Table 5.3* reports the baseline estimation which includes annual and country indicator variables, firm-level controls (firm size, firm age), re-entry specific controls (prior presence in the market in a different sector), country level controls (regionalisation effects) and industry controls. Firm age decreases the likelihood of early re-entries indicating perhaps that older firms are more inert and more likely to wait before re-entering. A similar effect is observed for firm size which, perhaps surprisingly, tends to have a negative effect on the likelihood of early re-entries. Although

firm size has been associated with greater resources and ability to leverage economies of scale that ensure more rapid entries in the host market (Gaba et al., 2002), perhaps larger re-entrants take longer to mobilise and re-deploy their assets following the decision to exit. Prior presence in the host market in a different sector has a positive effect on early re-entry; this may mean that firms re-enter earlier if they have not lost all connections to the host market. *Regionalisation* also decreases the likelihood of later re-entries as firms tend to return early to markets within their home region. As for industry effects, firms operating in retail are more likely to return early. Retailers, in particular, tend to rely on economies of scale in international expansion (Huang and Sternquist, 2007) and thus, early re-entry may be a proactive strategy of preserving customers.

Models 2-14 add the hypothesised effects. Specifically, Model 2 in *Table 5.3* adds the main effects of prior experience on re-entry timing. Hypothesis 1 did not receive support in the statistical model, in that more experienced re-entrants are not necessarily more likely to be early re-entrants; in fact, the coefficients of prior experience were negative and significant for host experiential knowledge ($\beta=-0.01$, $p<0.05$) and marginally significant for experience diversity ($\beta=-0.15$, $p<0.10$). Looking at the role of prior experience on re-entrants' likelihood to return to a foreign market within 5 years after exiting indicates that experienced firms are, in fact, less likely to become early re-entrants, whilst as shown in Appendix 3, *Table 5.5*, the more experience intensity re-entrants possess, the less likely to are to become very late re-entrants (i.e. re-enter after 10 years following exit). Perhaps other factors affect the re-entrant's ability to benefit from host market experiential knowledge in the short term after exiting the market.

Overall, the remaining hypotheses received strong support in the models. *Table 5.3* also includes the regression models testing for the main effects of host institutional quality and market attractiveness on re-entry timing. Model 3 shows that the higher the quality of host institutions at the time of exit, the more likely firms are to re-enter within 1 to 5 years ($\beta=0.39$, $p<0.001$). Furthermore, compared to the baseline Model 1 or Model 2 (main effects of experience) which yield a less significant improvement in the explanatory power; Model 3 shows a relatively high chi-square value (i.e. 96.520; $p<0.001$) indicating the key role played by a firm's assessment of its potential to acquire institutional legitimacy on re-entry timing. These results support the conjuncture that institutional forces are more influential to re-entry timing than, for instance, re-entrants' prior experience. Thus, Hypothesis 2 is supported. Furthermore, Hypothesis 3, which predicted a positive effect of host market attractiveness on the likelihood of earlier re-entries is also supported in Model 4 ($\beta=0.54$, $p<0.01$). Indeed, the presence of foreign entrants in the host market makes it more likely for re-entrants to return within 1 to 5 years after exiting the market.

In turn, Hypothesis 4 predicted that a re-entrant's prior experience moderates the positive relationship between host institutional development and early re-entries. Models 5 and 6 in *Table 5.3* show a positive and significant effect of the interaction between experience intensity and host institutional quality on early re-entries ($\beta=0.20$, $p<0.01$). Firms that have been international for longer may be better equipped to understand the effect of institutions and thus, to re-enter soon

after exit. Thus, Hypothesis 4 is supported for experience intensity. In turn, the interaction between host attractiveness and firm prior experience is not significant in Model 6; in fact, adding the effect of experience reduces the significance of host market attractiveness. One possible explanation for this result is that the confidence gained from exploiting the firm's own prior knowledge and experience may go in contrast with imitating the behaviour of other firms by re-entering the host market. Hence, the results did not find support for Hypothesis 5.

In regards to the effect of prior commitment on re-entry timing; indeed, re-entrants that were previously part of joint equity ventures tend to be more likely to return within 1 to 5 years ($\beta=0.71$, $p<0.001$) and implicitly, less likely to wait longer prior to re-entry. Hypothesis 7 was therefore confirmed in Model 8, *Table 5.3*, whilst Hypothesis 6 was not supported meaning there is no significant effect of prior mode being non-equity commitment on late re-entries. It may be that firms which were previously operating via non-equity commitment did not acquire the depth of knowledge necessary to become early re-entrants. Furthermore, as stated in Hypothesis 8, firms that were previously operating through wholly owned subsidiaries tend to be more cautious and are thus, unlikely early re-entrants ($\beta=-0.53$, $p<0.001$). To be more specific, in *Appendix 3, (Table 5.9, page 204)* it is illustrated that re-entrants which, prior to exit, were operating within wholly owned subsidiaries were more likely to re-enter over 10 years after exiting (Q4: $\beta=0.58$, $p<0.01$). Therefore, as shown in Model 9, Hypothesis 8 has received strong support in this study.

Models 10-13 in *Table 5.4* test for the effect of exit motives on re-entry timing. As predicted in Hypothesis 9, when exit is due to voluntary decisions made by the re-entrant, early re-entry (i.e. within 5 years) is likely to occur. Particularly, the regression model's results show positive and significant effects of poor market performance ($\beta=0.49$, $p<0.05$) on the likelihood of firms being relatively early re-entrants. Hypothesis 9 is supported, implicitly suggesting that involuntary exits may lead to late re-entries, possibly re-entry occurs when the national and or industry-specific laws and regulations are removed. Interestingly, adding the effects of exit motives on re-entry timing increases significantly the explanatory power of the models (e.g., Models 10 and 11), which is a similar result to what I found in the previous analysis concerning the effects of market exit on re-entry commitment. Exit is, therefore, critical to understanding re-entry.

Finally, Model 13 tests for the hypothesised effects of strategic intent on foreign market re-entry timing. Hypothesis 10 predicted that when the investment in the host market is of global strategic importance, the firm will be more likely to be a very early re-entrant. In this model too, the hypotheses are confirmed in that there is a positive relationship between strategic intent and early re-entry ($\beta=0.56$, $p<0.001$) and as illustrated in *Appendix 3 (Table 5.11, page 210)*, there is a negative relationship on the likelihood of later re-entries (over 10 years: $\beta=-0.72$, $p<0.001$). As discussed later, these findings may speak to the fact that firms may be willing to deal with the uncertainties associated with foreign market re-entries if and when the host markets re-entered are strategically central to re-entrants' overall global strategies.

Table 5.3. Results of the binomial regression – Models 1-9: Early versus late re-entrants^{a,b} (**p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
<i>Constant</i>	1.04***	1.04***	-1.81***	0.83**	-2.31**	0.65*	1.26***	0.97***	1.14***
Host experiential knowledge		-0.01*			0.03	-0.01			
Experience intensity		0.11			-1.21*	-0.09			
Experience diversity		-0.15†			0.12	-0.10			
Host institutional quality			0.39***		0.49***				
Host market attractiveness^b				0.54**		0.36			
Host experiential knowledge x Host institutional quality					-0.01				
Experience intensity x Host institutional quality					0.20**				
Experience diversity x Host institutional quality					-0.02				
Host experiential knowledge x Host market attractiveness						0.01			
Experience intensity x Host market attractiveness						0.12			
Experience diversity x Host market attractiveness						-0.08			
Mode prior to exit: Non-equity venture							-0.16		
Mode prior to exit: Join equity venture								0.71***	
Mode prior to exit: Wholly owned subsidiary									-0.53**
<i>Controls</i>									
Firm age	-0.01***	-0.01***	-0.00*	-0.01***	-0.01*	-0.00*	-0.01***	-0.01***	-0.01***
Firm size ^b	-0.09***	-0.06**	-0.07**	-0.06*	-0.01*	-0.03	-0.09***	-0.09***	-0.08***
Already present in the market	0.51**	0.51**	0.18	0.25	0.09	0.33†	0.51**	0.55**	0.49**
Regionalisation	0.29*	0.26†	0.30*	0.09	0.26	0.09	0.22	0.24	0.28†
Automotive	-0.16	-0.03	-0.07	-0.02	-0.02	0.15	-0.19	-0.17	-0.22
Retail	0.35	0.16	0.17	0.20	0.01	0.01	0.30	0.41†	0.39
Financial	0.42†	0.29	0.55*	0.74**	0.48†	0.61*	0.45†	0.50*	0.62**
Consumer electronics	-0.09	-0.17	0.05	0.22	0.03	0.09	-0.12	-0.09	-0.12
<i>Model indices</i>									
-2 Log likelihood	1.240.5	1114.0	1120.1	998.7	999.0	902.7	1185.6	1168.9	1177.4
Chi-square	75.076***	61.535***	96.520***	44.197***	88.692***	33.536**	74.188***	90.850***	82.423***
N	949	848	879	769	786	690	909	909	909

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

Table 5.4. Results of the binomial regression – Models 10-13: Early versus late re-entrants^{a,b} (**p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 10	Model 11	Model 12	Model 13	Model 14
<i>Constant</i>	0.49+	0.86**	1.01***	0.88***	-2.80**
Voluntary exit: poor market performance	0.75***				-0.23
Voluntary exit: Poor mode performance		0.94***			0.50*
Voluntary exit: Strategic exit			0.49*		0.02
Strategic intent				0.56***	0.32*
Host experiential knowledge					-0.02**
Experience intensity					-2.88**
Experience diversity					0.05
Host institutional quality					0.50***
Host market attractiveness^b					0.36
Host experiential knowledge x Host institutional quality					-0.02**
Experience intensity x Host institutional quality					0.33**
Experience diversity x Host institutional quality					0.01
Host experiential knowledge x Host market attractiveness					0.01
Experience intensity x Host market attractiveness					0.17
Experience diversity x Host market attractiveness					-0.03
Mode prior to exit: Non-equity venture					-0.56**
Mode prior to exit: Join equity venture					0.71**
Mode prior to exit: Wholly owned subsidiary					-0.71**
<i>Controls</i>					
Firm age	-0.01***	-0.01***	-0.01***	-0.01***	0.00
Firm size ^b	-0.09***	-0.10***	-0.09***	-0.09***	-0.02
Already present in the market	0.41*	0.57***	0.48**	0.44**	0.32
Regionalisation	0.28†	0.34*	0.27†	0.28†	-0.05
Automotive	-0.26	-0.28	-0.16	-0.21	0.23
Retail	0.23	0.27	0.33	0.23	-0.11
Financial	0.52*	0.49*	0.41†	0.49*	0.90**
Consumer electronics	-0.13	-0.06	-0.10	-0.17	0.10
<i>Model indices</i>					
-2 Log likelihood	1214.7	1213.3	1236.4	1225.7	793.4
Chi-square	100.849***	102.204***	79.188***	89.877***	95.943***
N	949	949	949	949	658

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

Discussion and conclusions

The literature on international business and strategic management reflects the lack of studies dedicated to examining the timing of international expansion. In particular, there is no empirical evidence that accounts specifically for *re-entry*. Drawing on the organisational learning and institutional theory perspectives, this study covered these gaps in the literature by developing a set of hypotheses concerning the antecedents of re-entry timing such as prior experience, institutional development, market attractiveness, exit, resource commitment and strategic intent. A reminder of the hypothesised relationships and findings is relayed in *Figure 5.1*.

The results have several implications in regards to the question posed at the start of this study, namely *what drives some re-entrants to wait longer than others prior to returning to the host market*. Later re-entrants are not endowed with the same level of resources as early re-entrants. Contrary to previous notable studies (notably, Fuentelsaz et al., 2002), early re-entrants tend to be smaller and younger firms re-entering markets within their home region. Based on these results, perhaps managers should expect that re-entrants that are smaller in size and younger, i.e. without high levels of bureaucratic inertia, as well as those re-entrants that are in possession of a regionalisation advantage, may re-enter a previously exited foreign market earlier compared to larger and older re-entrants which are less likely to benefit from the same levels of strategic flexibility, thus delaying their strategic responses to initial market entry and exit events.

Most importantly perhaps, the results provide us with further evidence on the importance of contextualising the effect of prior knowledge and experience on organisational learning, which overall does not have a direct and positive effect on early re-entries as previously suggested for *de novo* entries (e.g. Fuentelsaz et al., 2002; Gaba et al., 2002; Isobe et al., 2000). In other words, experienced re-entrants are not necessarily more likely to be early re-entrants. In fact, host market specific experiential knowledge has a negative effect on early re-entries. This means that firms may need time to distill the lessons learned from operating in the host market, particularly as they have to simultaneously manage the potentially traumatic market exit experience. Recent literature has not taken into account that knowledge and experience take time to become part of organisational learning and routines (March, 1991) and furthermore, not all experience may become organisational routines and thus positively influence organisational behaviour. Hence, early re-entrants may not benefit from their prior experience with operating in the market and re-enter the market when they have unlearned previous behaviours and or when the uncertainty associated with that market has become reduced.

Particularly in the case of experiential knowledge, its usefulness in re-entry decisions may be superseded by how firms interpret the market exit experience. In turn, firms in possession of experience intensity accumulated from operating internationally for a longer period of time may have had sufficient time to distill the lessons learned, which is perhaps why these firms are more likely to re-enter early when the host institutional environment offers positive cues (Delios and Henisz, 2003). This study reinforces the idea expressed in the previous chapter that knowledge

and experience accumulated in the past, *on their own*, do not necessarily result in organisational learning for re-entrants contrary to what scholars have found in studies on *de novo* entries.

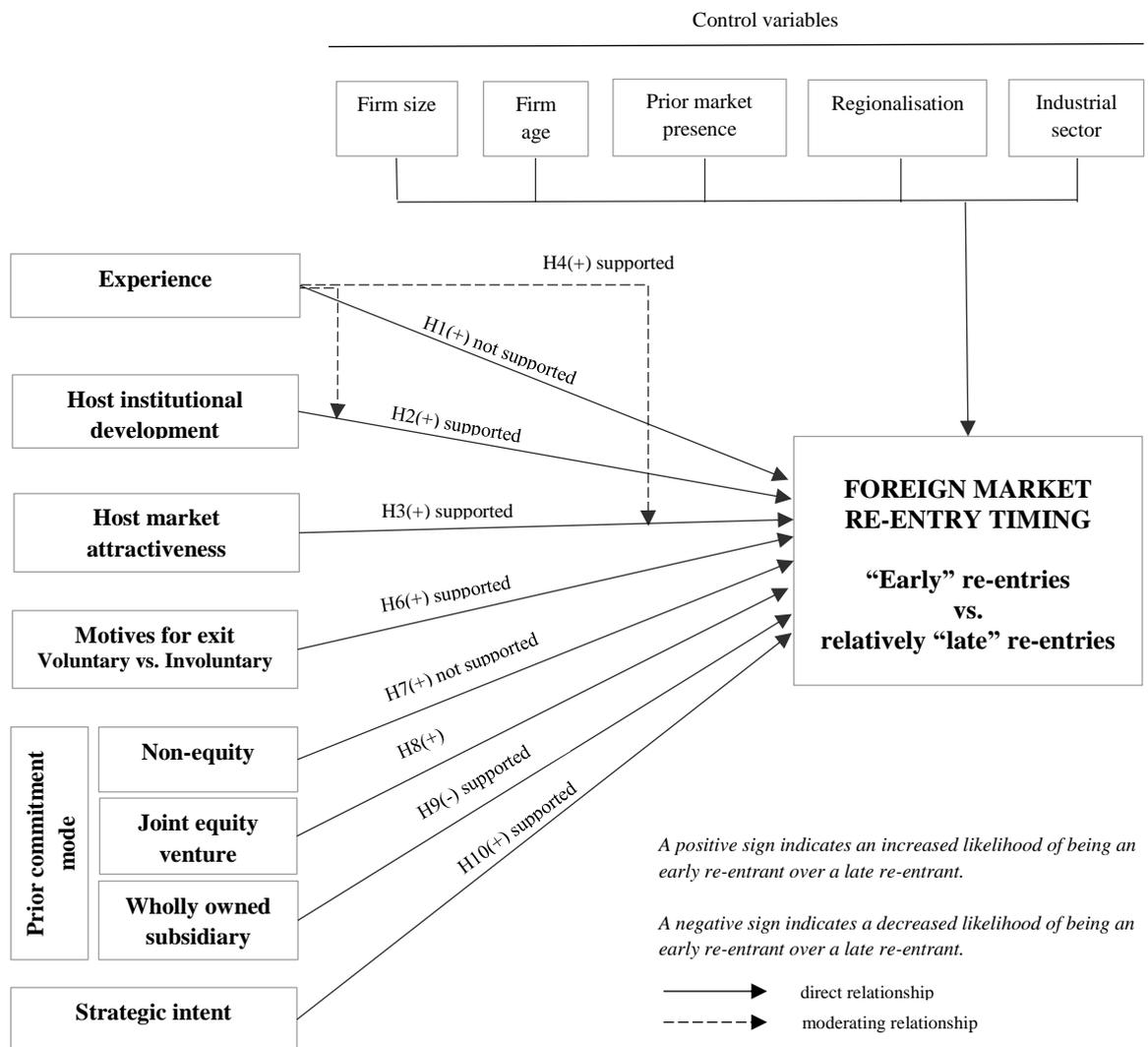


Figure 5.1: An organisational learning and institutional legitimacy perspective on re-entry timing

Second, the results highlight the importance of including institutional and host market specific characteristics in our conceptualisations of foreign market (re)entry timing decisions (Isobe et al., 2000) as they may play a key role in fostering as well as potentially delaying firms acquiring legitimacy in a foreign market and subsequently, firm growth. Based on the results of this study, re-entrant firms evaluate the quality of host institutions in making their re-entry timing decision. This means that favourable conditions in the host institutional environment are, indeed, associated with early re-entries (Gaba et al., 2002). Similar results were found concerning host market attractiveness meaning that firms are more likely to re-enter early when there is a

significant foreign investment in the host market. These results reinforced the role of the institutional view in explaining how firms make decisions associated with foreign markets based on their expectation of attaining legitimacy in those markets. It also strengthens the overall argument in this thesis, namely that foreign market re-entry informs less concerning exploiting organisational learning from prior experience accumulated in the past and reveals more about how firms respond and react to cues in their host institutional environments and opportunities to attain legitimacy from favourable institutions, most often irrespective of their prior experience.

Indeed, similar to what I found concerning foreign market re-entry commitment decisions, it appears that the behaviour of early re-entrants can be better explained by examining factors within the host environment than by looking at re-entrants' level of prior knowledge and experience. This highlights the importance of where firms locate foreign activities when they opt to re-enter exited markets. Theoretically, extant conceptualisations which view institutions principally as carriers of risks and uncertainties to be avoided or dealt with (Peng, 2000) may be too reductionist and should make room for research that examines how and when institutions are perceived as opportunities to be exploited, via, for instance, early market (re)entries.

Contrary to previous studies (e.g., Fuentelsaz et al., 2002; Gaba et al., 2002), there is no strong evidence to suggest that managers are more willing to re-enter foreign markets earlier when the resource commitment is lower, as it would be in the case of operating via non-equity modes. The timing of re-entry is, indeed, tempered by commitment mode, but only in the case of joint equity ventures and wholly owned subsidiaries. Perhaps firms that were previously operating in the host market via non-equity modes such as exports or licensing have not acquired the depth of knowledge necessary to re-enter the market early. There may also be fewer incentives for these firms to quickly recover the losses incurred upon exit which, in the case of firms operating via exports or licensing, would be significantly smaller. Since the majority of firms that were operating via equity joint ventures tend to either de-escalate or also re-enter via joint ventures (see Chapter 4), it is not surprising that joint venture commitment is associated with early re-entry. This means that firms may not need as much time to re-enter when de-escalating to a non-equity mode or when returning via a mode with which the firm already has some experience.

Whilst joint equity re-entries increase the likelihood of early re-entries, wholly owned subsidiaries tend to be harder to implement and costlier to dissolve. Particularly if the re-entrant is to then also re-enter the market via own subsidiaries, it may take significantly longer to set up greenfield ventures upon re-entry. Where acquisitions are concerned, they may foster faster market entry (Tan, 2009) but they can also be costlier and often contingent on the availability of appropriate targets. Timing decisions are, to some degree, inter-linked with entry mode commitment choices (Gaba et al., 2002; Isobe et al., 2000); these findings are particularly important for re-entrants since previous research has shown that the highest performers in foreign markets are firms that both (re)enter early and through high resource commitment modes (Isobe et al., 2000).

Results also suggest that market exit carries a stigma of failure and therefore may add to the uncertainty of renewing operations in a foreign market, manifested not only in whether firms change their commitment upon re-entry but also in how long they wait to go back. Consequently, this reinforces previous findings on re-entry commitment, in that market exit plays a key role in how firms interpret the success or failure of their initial market forays. When the decision to exit is involuntary, firms may not be able to re-enter the market soon after exit but will take advantage of changes in the regulations that spurred exit and come back when those are no longer in place.

This means that the motives for exit are inter-related with the motives of re-entry. It also means that organisational learning may not only rest in accumulating experience over time (Casillas et al., 2015; Gaba et al., 2002; Johanson and Vahlne, 1977; Sapienza et al., 2006), but in how re-entrants perceived and interpret the exit experience and subsequently respond to cues in their institutional environments. Also interesting is that firms which have exited voluntarily due to poor performance and strategic exits tend to be early re-entrants rather than late ones. This means that either firms react and interpret market exit by changing their strategies and adapting to the market to avoid underperforming there or perhaps simply re-enter the market due to the limited options they have to internationalise without actually having learned significantly from their initial foray into the market. In fact, by also testing for the effect of strategic intent on re-entry timing, we know that re-entrants choose to re-enter early when the re-entered markets are of strategic importance. This, in turn, means that re-entrant firms are willing to deal with the exit stigma and the uncertainty associated with early re-entry when re-entry is part of an internationalisation wave of penetrating the region, irrespective of whether the firm has learned from its initial foray.

Overall, the empirical results in this thesis have, thus far, suggested that prior knowledge and experience may not always transform into routines and result in organisational learning that can be exploited in the short term by re-entrants. Prior knowledge and learning may be set aside, disregarded and perhaps even forgotten as firms make re-entry timing decisions according to cues from external, host institutions. This means that learning by stages may be more useful when firms deal with lower levels of uncertainty and ambiguity (Anand et al., 2014) which is actually reflected in the significant role of experience when accounting for more favourable institutional conditions. Re-entrant firms also lean more on learning from the exit experience, and subsequently make re-entry timing decisions based on how they perceive and interpret exit.

With regards to the antecedents behind foreign market entry, or in this case, foreign market *re-entry* decisions, a growing body of literature suggests that developed market firms and emerging market firms are driven by different factors when engaging in international expansion (Cui and Jiang, 2009; Hitt et al., 2000; Luo and Tung, 2007; Mathews, 2006; Rugman et al., 2014). Hence, the next chapter examines the motivations to re-enter (and subsequent re-entry decisions) of emerging and developed market re-entrants. In particular, the next chapter specifically explores whether and how re-entry commitment and timing decisions depend on the home and or host market environments re-entered (i.e. developed versus emerging markets).

CHAPTER 6: FOREIGN MARKET RE-ENTRY DECISIONS OF DEVELOPED AND EMERGING MARKET RE-ENTRANTS

Abstract: Extant literature has proliferated the idea that developed market multinationals (DMMs) and emerging market multinationals (EMMs) are somehow different in regards to why, how and when they enter foreign markets. Research on EMMs has come centre stage in IB, with a surge of studies urging scholars to investigate the differences (if any) between the international decisions made by developed and emerging market firms. Neither has considered that this can be studied in the context of foreign market re-entry showing that EMMs have not only commenced expanding internationally but have also exited and *re-entered* some foreign countries. This study explores DMMs' and EMMs' motivations to re-enter and their subsequent re-entry decisions by distinguishing between re-entry into developed and emerging markets.

Introduction

Since the 2000s, academics have been paying particular attention to emerging markets because of their increased role in global demand and economic growth (Buckley et al., 2012; Chiao et al., 2010; Deng, 2009; Hoskisson et al., 2013; Luo and Tung, 2007; Meyer et al., 2014; Pan et al., 2014). In 2015, emerging markets have not only received significant amounts of foreign direct investment but have also engaged in international investments themselves accounting for around 36 percent of world's FDI outflows (UNCTAD, 2016). Scholars have focused on the theoretical underpinnings of this literature because of the ongoing debate over the applicability and relevance of conventional international business and management theories to explaining foreign market entry strategies of firms entering emerging markets (Demirbag et al., 2008; Meyer and Peng, 2004; Rodriguez et al., 2005) and more recently of firms from emerging markets expanding internationally (Buckley et al., 2012; Pan et al., 2014; Rugman et al., 2014). The emerging nature and transitional characteristics of non-Western markets have led some scholars to suggest that emerging markets possess unique characteristics which should be incorporated more into the existing literature (Buckley et al., 2012; Child and Rodrigues, 2005; Hoskisson et al., 2000; Meyer and Peng, 2004; Lin, 2010). This camp of scholars argues for an application of extant theorisations to EMMs' international expansion decisions whilst others (Luo and Tung, 2007; Mathews, 2002; 2006) propose the development of newer theories by exploring the unique forces influencing why, when, and how EMMs enter foreign markets. Despite the extensive debate about the appropriateness of current perspectives, there is no agreement on the theoretical foundations of EMMs' initial market entry and no studies on *re-entry*.

The aim of this exploratory study is twofold. First, research investigating the determinants of EMMs' international decisions is scarce (Jormanainen and Koveshnikov, 2012). Moreover, there is no research investigating the determinants of *re-entry* for these firms. This paper characterises

and explores the re-entry decisions of DMMs and EMMs. This study is timely because emerging economies have been investing significantly abroad (UNCTAD, 2016). It is important because the ability of EMMs to commit resources abroad could potentially question some assumptions of current theories (Rugman et al., 2014), which requires at the very least, an initial testing of some of those theories. In undertaking this exploratory research, this study focuses on the following: *what are the re-entry determinants and subsequent re-entry decisions of EMMs and DMMs?*

Similar to the broader market entry literature (Surdu and Mellahi, 2016), new trends in the EMM literature indicate that any one single theoretical framework is not sufficient to explain why, how and when EMMs (re)internationalise, leading to a growth in the use of multi-theoretical approaches (Bonaglia, Goldstein and Mathews, 2007; Chen and Chen, 2003; Demirbag, Tatoglu and Glaister, 2009). As the potential to support organisational learning in different international markets has become important in market entry studies published in the 2000s, this has led to combining learning theory with other emergent perspectives such as the institutional view in order to understand market entry. Consequently, the theoretical explanation for the foreign market re-entry decisions of DMMs and EMMs is largely drawn from institutional legitimacy (change) and organisational learning perspectives. In so doing, this study will also test some of the key determinants associated in the past with (*de novo*) market entry decisions.

Second, a growing trend in the foreign investment behaviour of multinational firms has been DMMs expanding more into emerging markets and EMMs expanding into both emerging and developed markets (UNCTAD, 2016). EMMs may not only differ from DMMs, but EMMs entering developed markets may be different from EMMs entering emerging markets (Deng and Yang, 2015), in the same manner in which DMMs entering developed markets tend to be driven by different factors compared to DMMs or EMMs internationalising into emerging markets (Hitt et al., 2000; 2004). This, in turn, provides a promising context in which to examine the effects of prior learning and institutional change on DMMs' and EMMs' foreign market re-entries into both developed and emerging markets. Specifically, this study poses another question: *what are the re-entry determinants and subsequent re-entry decisions of EMMs and DMMs in developed and emerging markets?* Although home institutions are key push factors for EMMs' initial foreign entries, the effect of host institutions has been neglected. Thus, this study considers re-entrants' motivations and re-entry decisions when (EMM and DMM) re-entrants return to developed host markets and when they re-enter less developed, emerging host market environments.

In the next section, a brief overview is presented to illustrate the theoretical background of EMM research. Next, the study draws on the learning and institutional legitimacy perspectives to hypothesise the expected relationships between re-entry decisions and determinants associated with DMMs and EMMs. The final section of the chapter consists of the results and discussion of findings concerning the antecedents and subsequent re-entry decisions of DMMs and EMMs re-entering both developed and emerging host market locations.

Literature background

Foundational studies on *de novo* market entry shared the perspective that firm resources should be exploited in the host country for direct investment to take place (Buckley and Casson, 1976). Following this logic, respectively, if market entry is a function of the exploitation of firm resources in foreign markets, then EMMs are less likely to possess the resources of older and larger (generally Western) developed market MNEs. Furthermore, if firms with valuable knowledge resources internalise the market for those resources and protect their know-how via direct investment (Buckley and Casson, 1976), then EMMs' international expansion would generally occur through lower resource commitment modes such as exports. Even so, organisational economics theories continue to be used in a large number of EMM studies published in top journals (Jormanainen and Koveshnikov, 2012). Scholars applying this line of thought are primarily concerned with how EMMs undertake international entry strategies via high resource commitment modes (i.e. M&As) without possessing the firm-specific advantages that enable firms to compete successfully in the focal market (Buckley et al., 2012; Pan et al., 2014). Pan et al. (2014) found that firms whose directors were involved in public policy formation downplayed the transaction costs associated with internationalisation and chose higher ownership stakes in foreign markets. Whilst TCE based theories may still be useful in explaining EMMs' entry into other emerging markets and leveraging their ownership and location advantages, on their own, they do little to explain decisions such as entry modes or entry timing into developed markets.

To this, resource based proponents propose that even when firms possess some advantages, they may still require resources from the host environment, in order to learn and tailor products to local markets or to acquire companies that are already operating, with some degree of success in the host environment (Li, 2003). These studies also attempt to capture how resource profiles (together with nature of the transaction) determine initial foreign market entry decisions, in that the motivation to acquire complementary (R&D, marketing) resources was associated with EMMs' opting for wholly owned subsidiaries over other modes of entry such as international alliances (Chiao et al., 2010). Overall, extant literature suggests that EMMs use direct investment strategies to improve their bottom line and exploit their advantages in other emerging economies, whilst responding to home institutional pressures to upgrade their resources and capabilities by then entering developed countries (Chiao et al., 2010; Hitt et al., 2000; Li, 2003).

In turn, as discussed at length in previous chapters, the institution-based perspective has evolved as a popular line of theorising international market entry strategies because it is expected to bring context back to the centre of theoretical debates. For DMMs, idiosyncratic host institutional environments characterised by factors such as legal restrictions on foreign ownership, investment risk (Brouthers, 2002), host government intervention (Henisz, 2003) and corruption (Rodriguez et al., 2005) tend to create market imperfections that determine the value of, and potential to expand, firm-specific advantages such as prior knowledge and experience. In addressing how host institutional uncertainties may be overcome, scholars suggested that larger multinationals may have higher bargaining power over their host institutions (cf. Pan, 2000);

imitating the market entry decisions of earlier entrants tends to reduce uncertainty (c.f. Lu, 2002; Ma and Delios, 2007; Yiu and Makino, 2002); and entry modes such as equity alliances may be more suitable to facilitate local knowledge acquisition from host market partners (Ma and Delios, 2007; Meyer, 2001). Broadly, these studies propose that when and how firms (predominantly DMMs) enter foreign markets is not only different in firm-specific advantages but they vary with the affiliations of firms with their host institutional environments (e.g. Luo, 2005; Demirbag et al., 2007; Isobe et al., 2000; Ma and Delios, 2007; Yiu and Makino, 2002).

For EMMs in particular, foreign market (re)entry compels them to manage the institutional idiosyncrasies of both home and host markets (Rugman et al., 2014). Scholars drawing on the institution-based view have been primarily concerned with how home country institutional environments shape the international entry strategies of EMMs (cf. Chittoor et al., 2008; Du and Boateng, 2015; Hitt et al., 2004). In the context of Chinese MNEs, it has been suggested that home government institutions reduced the importance of learning from prior knowledge and experience, thereby motivating inexperienced firms to engage in high resource commitment (Lin, 2010). From an institutional perspective, firms' actions are also constrained by institutional forces within a host country or an industry, which may also limit EMMs' international entry options and motivations. Knowledge that is location based is tied with host market responsiveness since EMMs may also need to choose the entry mode strategies which are most likely to enable them to develop effective marketing strategies in a timely manner and compete on the basis of their brands and not just their manufacturing and logistics capabilities (Bangara et al., 2012). Despite being subject to home government intervention, EMMs also have to manage the institutional idiosyncrasies of their host environments which may affect the likelihood and speed of their engagement in foreign market entry or re-entry in this case, as well as the degree of resource commitment in the (re-entered) market (Kedia, Gaffney and Clampit, 2012; Wang et al., 2012).

EMM-centric theories and their interpretation of organisational learning

EMM-centric theories such as the springboard perspective (Luo and Tung, 2007) and the LLL (linkage, leverage and learning) framework (Mathews, 2002; 2006) focus on how EMMs catch up with their developed market counterparts; the focus here is on the time-based aspects of acquiring knowledge resources and learning (Ge and Ding, 2008; Kedia et al., 2012; Popli and Sinha, 2014). Luo and Tung (2007) advocate a 'springboard' perspective, implying that EMMs use foreign expansion as a springboard to recursively acquire assets that may help them overcome the limitations of their home institutional environments and become global players. An early movement in the foreign market may not only provide access to technological capabilities, critical knowledge and patents, but it may also create barriers for follower firms and ensure privileged access to customers, brands and distribution channels. Luo and Tung (2007) provide an overarching framework by integrating the firm level motivations (e.g., firm strategic intent and strategic objectives) and the external factors (e.g., home governments, global competition)

propelling EMMs to internationalise. Popli and Sinha (2014) attested the springboard perspective, noting that more experienced Indian MNEs engaged in pre-emptive international acquisitions following a clustering of industry level acquisitions. The springboard view highlights that, despite the similarities in motivations to become legitimate (in line with institutional theory), EMMs responses are also a function of firm-level attributes (Luo and Tung, 2007), such as large domestic presence and prior experience (Popli and Sinha, 2014). However, the springboard view does not elucidate the post-springboard or post initial entry difficulties EMMs encounter.

Similarly, the LLL (linkage, leverage and learning) framework is proposed as an alternative to the OLI paradigm (Mathews, 2002/2006), for firms seeking to augment, rather than just exploit strategic assets. The LLL framework assumes that foreign market entry strategies are based on firms' extensive use of institutional network links to access new resources, and the ability to leverage those resources together with complementary capabilities (e.g. rapid imitation, efficient followers). Inherent in these assumptions is that resource exploitation and augmentation are inter-related (Dunning, 2006); over time, repetition of these *link* and *leverage* processes may lead to the ability to *learn* how to succeed globally. Ge and Ding (2008) suggested that the LLL framework provides a better explanation for the catch-up strategies of manufacturing EMMs which may start their international expansion by creating linkages with firms in developed markets and leverage those linkages to lower their production costs and achieve cost leadership; EMMs may, later on, focus on innovation or marketing capabilities as sources of competitive advantage. Interestingly, Yeoh (2011) also distinguished between 'early' EMMs, which possessed capabilities in developing new product brands and EMM 'latecomers' seeking to offset their competitive disadvantages in the entire value chain. Some view the LLL model as a departure from established theories due to its extensive focus on how the dynamic pursuit of knowledge influences EMMs' ascension into global players (Kedia et al., 2012). Similar to the springboard perspective and other process models (i.e. Uppsala theory), the emphasis is on the temporal dimension of knowledge acquisition and entry strategies.

Theoretical development and hypotheses

Organisational learning and experience effects: Learning within DMMs and EMMs

Organisational learning provides a basis to explore whether the experience and knowledge resources firms possess facilitate entry and performance in markets characterised by institutional idiosyncrasies (e.g., Brouthers et al., 2008a; Kostova and Zaheer, 1999; Xia et al., 2009; Zaheer, 1995), as well as what knowledge and experience firms need to become MNEs from emerging economies (e.g., Bonaglia et al., 2007; Buckley et al., 2012; Chen and Chen, 2003; Li, 2003; Lin, 2010). From an organisational learning perspective, intangible resources such as prior learning and experience become more important when firms enter market environments that are different from their home markets. More experienced developed market (re)entrants are expected to

better understand and manage the differences that exist between developed and emerging markets and that may subsequently threaten firm performance in the host market, such as below par enforcement of laws and regulations, planning oriented institutional frameworks and comparatively inactive capital markets (e.g., Brouthers et al., 2008a; Kostova and Zaheer, 1999; Xia et al., 2009; Zaheer, 1995). Learning from prior knowledge and experience may, therefore, decrease the perceived distance between developed and emerging market contexts (Barkema and Shvyrkov, 2007, Chang and Rosenzweig, 2001). Chang and Rosenzweig (2001) found that as MNEs learn about local practices and gain experience in managing foreign affiliates, the initial uncertainty and liability of foreignness disappear, motivating firms to engage in further expansion in areas of business where they appeared to lack a superior advantage. Gao et al. (2008) also highlighted that prior knowledge and experience resources motivated US MNEs to enter the Chinese market (see also Barkema and Shvyrkov, 2007; Hitt et al., 2006a; Kotabe et al., 2002).

Particularly, DMMs expanding into emerging markets may benefit from importing firm-specific organisational practices and routines acquired from past experience. Although previous studies recognised knowledge as an important part of the foreign market entry process (c.f. Johansson and Vahlne, 2003); they often referred to it as 'generic' knowledge about the market. Other studies highlight the importance to distinguish between experiential knowledge and institutional knowledge acquired from operating in different countries, or knowledge acquired over time by being internationally diversified for longer (e.g., Brouthers et al., 2008a; Chang and Rosenzweig, 2001; Gao et al., 2008; Xia et al., 2009). The idea that only over time firms truly learn how to transfer resources abroad leads to the expectation that experience accumulated in the past motivate subsequent entries. Implicit in these assumptions is that DMMs' re-entries should be viewed not only in terms of the initial investment (transaction) costs but also in regards to how acquiring knowledge and experience may be leveraged for re-entries in emerging markets.

The effect of learning from experience when returning to emerging markets is particularly relevant for *re-entrants*. Whilst *de novo* entries may be perceived by DMMs as opportunities to penetrate emerging markets opening up for investment (Chang and Rosenzweig, 2001; Gao et al., 2008), re-entry into these markets may be perceived as riskier given the failed initial attempt. Prior experience may, therefore, increase investor confidence in returning to previously exited emerging markets. On the other hand, DMMs re-entering developed markets may not require such high levels of prior knowledge and experience given the likely similarities between their home and host market environments (Brouthers, 2002; Madhok, 1997; Makino and Neupert, 2000). MNEs from developed markets tend to possess resources which are a better fit with a location in other developed markets, thus leading to increased likelihood of DMMs entering those markets irrespective of prior experience (Makino and Neupert, 2000). It is proposed that,

Hypothesis 1a: *The more prior experience re-entrants possess, the more (less) likely they are to be DMMs re-entering emerging (developed) host markets.*

In regards to EMMs, a recurring line of inquiry has been what (experience) resources EMMs may be able to exploit abroad given that they have relatively recently emerged as global players and are, consequently, expected to possess less knowledge of, and experience with, operating in international markets (Xu and Meyer, 2013; Wright et al., 2005). Home country institutional environments are viewed as key determinants of firm resources and subsequently, market entry strategies for these firms (e.g., Brouters et al., 2008a; Buckley, Clegg et al., 2007b) in which case EMMs' firm advantages tend to be different from those possessed by DMMs. Many EMMs tend to start their international expansion by leveraging linkages with DMMs to lower their production costs and achieve cost leadership, confirming that EMMs tend to initially enter international markets with costs leadership strategies in order to exploit their advantages in low-cost production (Bonaglia et al., 2007). Because EMMs have primarily learned from institutional ties and networks as well as joint venture arrangements facilitated by local governments (Wright et al., 2013), it may be difficult for them to distil the lessons learned and subsequently leverage this learning and experience in developed markets in which such structures and mechanisms do not exist. In other words, the process of learning and knowledge acquisition of EMMs may be conditioned, to some degree, by their local market and institutional environments. EMMs may, in fact, internationalise to acquire new resources that are not available in their home environments (Buckley, Clegg et al., 2007b; Yiu et al., 2007; Wan, 2005; Wang et al., 2012). In studies of (Chinese) EMMs, 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 enter developed host markets. Hence, despite lacking the experience of DMMs, EMMs are subject to home government intervention which increases the likelihood of their internationalisation (Deng, 2009; Hoskisson et al., 2013; Wang et al., 2012).

There is growing recognition that firms balance the exploitation of existing knowledge with an exploration of new knowledge in foreign markets to enhance their performance (Holburn and Zelner, 2010). Since EMMs' limited international experience is linked with (re)entries into other emerging markets (generally more institutionally underdeveloped than their home country), Tsang and Yip (2007) summarised that EMMs engage in knowledge exploration in developed host markets and knowledge exploitation in other emerging markets (see also Holburn and Zelner, 2010). In this case, when re-entering emerging host markets, firms which themselves originate from countries characterised by weak institutional environments, i.e. EMMs, tend to be less deterred by host country policy risks and uncertainties due to their experience with operating in such idiosyncratic institutional environments at home (Holburn and Zelner, 2010; Xu and Shenkar, 2002). Hence, rather than prior learning being a pre-requisite for re-entry, for EMMs which do not possess experience and knowledge advantages traditionally associated with DMMs, re-entry into developed markets becomes an incentive to (re)acquire such advantages.

Hypothesis 1b: *The more prior experience re-entrants possess, the more (less) likely they are to be EMMs re-entering emerging (developed) host markets.*

Learning via modes of re-entry: Contextualising changes in re-entry commitment

Traditionally, scholars have purported that the prior international knowledge and experience motivating DMMs would lead these firms to engage in foreign direct investment activities (into other institutionally stable, developed markets) by reducing the transaction costs associated with initial market entry (Anderson and Gatignon, 1986; Beamish and Banks, 1987; Buckley and Casson, 1976; Hisey and Caves, 1985). In turn, environmental uncertainty arising from entering underdeveloped markets is associated with higher costs which would potentially reduce initial benefits from (re)entering markets through high commitment modes (Brouthers, 2002; Luo, 2005; Meyer, 2001; Meyer et al., 2009; Yiu and Makino, 2002). Whereas prior studies found that DMMs entering developed markets opted for high resource commitment modes to avoid the risks of knowledge dissipation, the coercive power of institutions in many emerging markets stimulates uncertainty avoidance behaviour, increasing the likelihood of firms opting for lower commitment modes (Ma and Delios, 2007; Meyer, 2001). Hence, (re)entry commitment modes chosen by firms are based not solely on risk minimisation; firms choose commitment strategies that reduce risk by balancing control over critical assets with the attainment of new resources from local partners, to offset the liability of foreignness (Li et al., 2008b; Martin and Salomon, 2003; Meyer and Estrin, 2001). Host country environments are determinants of (re)entry commitment.

Furthermore, firms are conditioned in their decision making by prior decisions that they have already tried and tested (Cyert and March, 1963) because current strategic decisions are not separable from previous decision making (Hannan et al., 2002; Rumelt, 1995) and once a decision has been made, the range of options available is perceived as reduced (Huang and Sternquist, 2007; Lu, 2002). In their study on the relevance of effectiveness of prior learning on foreign market entry decisions, Padmanabhan and Rao (1999: 28) explicitly supported the idea that “the relevancy and the extent of transferability of prior experience depend critically on the degree of similarity between the current decision and prior decisions” (see also Huang and Sternquist, 2007; Vermeulen and Barkema, 2001). As argued in previous chapters, since re-entry is a second entry into the market, this contention is most probably valid, particularly for re-entries into developed markets which are unlikely to have changed significantly during time-out. Past routines may have become a blueprint for how firms operate in the host market (Chang and Rosenzweig, 2001; Xia et al., 2009). Hence, both DMMs and EMMs may then make little efforts to divert from prior types of commitment when re-entering developed host markets.

In regards to EMMs, as mentioned earlier, these firms were found to rely more on conventional sources of competitive advantage such as low-cost labour and a domination of home markets (Hoskisson et al., 2000). From an organisational learning perspective, entry modes are conceptualised as a means to gain rapid access to knowledge and resources and achieve organisational transformation that would enable EMMs to reposition themselves in the global value chain and increase the number of their markets and industries (Bianchi, 2009; Hitt et al., 2000; Kedia et al., 2012). Since it has been suggested that the tacit nature of resources and

capabilities that EMMs seek, such as managerial know-how, may not be easily acquired through market transactions, (re)entries via high resource commitment modes such as cross-border mergers and acquisitions are expected to help EMMs acquire complementary resources to overcome their competitive disadvantages (Gubbi, Aulakh et al., 2010; Luo and Tung, 2007) via asset enhancement (Kedia et al., 2012; Lin, 2010) and or asset acquisition (Deng and Yang, 2015; Hitt et al., 2000; Lin, 2010; Rui and Yip, 2008). In turn, these strategic motivations are associated with the further global expansion of their businesses through exploratory learning (Kedia et al., 2012). Gubbi et al. (2010) and later Deng and Yang (2015) found that the likelihood of EMMs' using entry modes to acquire vital resources via internationalisation is affected by host government effectiveness (i.e. whether the EMMs enters a developed or emerging host market).

Other studies (e.g., Aybar and Ficici, 2009; Chen and Young, 2010; Hope, Thomas and Vyas, 2011) have also added that EMMs are undeterred by poor previous performance when making entry commitment decisions in developed markets. Aybar and Ficici (2009) and later Chen and Young (2010) found a tendency for overpayment and engagement in high resource commitment modes in the case of Chinese MNEs even when the value-destroying impact of these acquisitions on shareholder value has been well documented. Hope et al. (2011) later also confirmed that due to lower cost of capital or capital received from governments, EMMs tend to increase the price offered to target firms in developed host markets irrespective of own prior performance or that of other firms operating in those markets. EMMs re-entering developed markets may be unlikely to change their strategies and thus, unlikely to alter their commitment upon re-entry.

For re-entrants returning to less stable host markets, re-entering via the same modes in which they were operating prior to exit may not be a viable option. When exit was due to poor market performance, it may mean that the firm had little knowledge of how to operate in the market compared to its competitors (Nummela et al., 2016; Song, 2013) and consequently, may choose not to re-invest significant resources there when re-entering. On the other hand, re-entrants may wish to attain more control over their foreign operations and opt to escalate commitment upon re-entry, as it often the case with firms changing their mode of operation following initial entry often in response to emerging host market opportunities, i.e. from joint ventures to wholly owned subsidiaries (cf. Beamish, 1987). Both DMM and EMM re-entrants may choose to reduce the risk and uncertainties associated with high competition and or weaker institutional environments by altering their commitment (Gao et al., 2010; Uhlenbruck et al., 2006; Wright et al., 2013). Hence, this study proposes that the commitment decisions of re-entrant DMMs and EMMs may not always differ. Following the rationale that commitment mode decisions are intertwined with the institutional environments in which firms operate, this study proposes that:

Hypothesis 2a: *Changes in commitment (escalation and de-escalation) are more (less) likely to occur when DMMs re-enter emerging (developed) host markets.*

Hypothesis 2b: *Changes in commitment (escalation and de-escalation) are more (less) likely to occur when EMMs re-enter emerging (developed) host markets.*

Who waits longer? Organisational learning and time-out

As discussed earlier, the time-out period between exit and re-entry ranges from a short re-evaluation of a firm's activities in the host market (i.e. one year) to a long period of absence that may bring with it organisational forgetfulness and changes in the overall goals of the organisation. A disruption in organisational learning and routines such as one caused by market exit has also been associated with potential loss of competencies and disrupted ties with the environment and relevant stakeholders within it (e.g., Amburgey et al., 1993; March et al., 1991). Therefore, the longer the time-out period, the less likely it may be for re-entrants to access the prior knowledge and experience that they may have acquired in the past and which may have, to some degree, now dissipated. As previously shown in *Tables 5.3 and 5.4* (pages 130-131), there are differences between re-entrants regarding the duration of time-out and its determinants.

This section proposes that for re-entrant DMMs, returning to markets similar to their home market may mean that less time is necessary to unlearn pre-established routines or adapt to changes that may have occurred in the host environment. DMMs may also (re)enter non-developed market environments that may have undergone a series of institutional transitions during the time-out period, yet this may also mean that some of the intangible resources lost upon exit (i.e. business relationships, distribution partnerships) may be harder to recover in institutionally idiosyncratic environments than they would be when returning to developed host markets. DMMs are likely to be early re-entrants when returning to markets more institutionally similar to their home markets, i.e. DMMs are more likely to be early re-entrants into developed host markets.

In regards to EMMs' re-entry timing, since pioneering is probably not an option for most of these firms, particularly when entering or *re-entering* developed markets, EMMs are expected to follow a gradual expansion process as they learn about foreign markets and benefit from being market followers (Isobe et al., 2000; Da Rocha et al., 2012). Isobe et al. (2000) added that international expansion depends not only on the ability of firms to innovate and exploit technological advantages (i.e. DMMs); noting that being able to identify the institutional idiosyncrasies in host markets and secure strong relationships with local communities is increasingly viewed as a source of competitive advantage and an important motivation for early market entry in emerging market environments (see also Da Rocha et al., 2012; Henisz, 2003). EMMs are expected to possess such advantages when entering other emerging markets (Isobe et al., 2000; Da Rocha et al., 2012; Yang et al., 2009) and this may also apply to EMM *re-entrants*. In fact, for re-entrants this contention may be even more valid as re-entrant EMMs manage the uncertainties associated with re-entry following the previously failed attempt to perform in the host market, in which case, a more risk-averse attitude would be to wait longer prior to re-entering markets that are governed by potentially different institutional rules and norms as compared to the home market.

At the same time, this study is proposing that the motivations of DMM and EMM *re-entrants* are more similar than those of DMM and EMM *de novo* entrants. Thus far, studies have shown that EMMs show high commitment in developed host markets, despite their expected resource and

knowledge disadvantages. Whilst EMMs may, indeed, perceive developed host markets as more uncertain, EMM *re-entrants* already possess some degree of experiential knowledge from their initial foray into those markets, which may reduce that initial liability of foreignness. Hence, I proposed that EMMs are also more likely to be early re-entrants into developed markets.

In turn, re-entrants may face challenges in overcoming the institutional idiosyncrasies of emerging market host environments which may delay their re-entry, although this is expected to be particularly the case for DMMs re-entrants. Overall, DMMs and EMMs may wait longer to re-enter emerging markets that are generally characterised by institutional under-development.

Hypothesis 3a: *DMMs are likely to re-enter developed markets earlier and be later re-entrants into emerging markets.*

Hypothesis 3b: *EMMs are likely to re-enter developed markets earlier and be later re-entrants into emerging markets.*

Are DMMs' and EMMs' re-entries a response to host institutional changes?

Scholars have proposed that compared to DMMs, EMMs expanding into emerging markets tend to be less sensitive to the institutional idiosyncrasies specific to those markets as they are similar to their home market environments and institutions (Lin, 2010; Yang et al., 2009; Wei, Zheng, Liu and Lu, 2014). However, as illustrated in previous chapters, the institutional pressures firms experienced prior to exit may no longer be relevant. In an organisational model that omits the role of changes in institutional pressures for legitimacy, firms would be expected to learn about foreign markets and continue their expansion with relative ease, thus benefitting from the learning and experience accumulated in the past (Oliver, 1992). Yet, for re-entrants, equally relevant are the host institutional changes that may have occurred in the time-out between exit and re-entry.

Despite similarities and synchronisations in how the economies of emerging markets have opened up to foreign investments, institutional changes varied significantly (Chittoor et al., 2008; Hoskisson et al., 2000). While Central and Eastern European countries experienced rapid transitions to market-based economies, partly due to resources and skills brought in by foreign investors; in other emerging economies (e.g., China, Vietnam) the transition to a market-based economy was more evolutionary, with governments intervening significantly in firms' foreign strategies (Hitt et al., 2004). Whereas strategising in these markets was not thought of as necessary in the past as these now emerging markets were closed to foreign investment, there are continuous institutional changes occurring in these economies that (re)entrants may need to navigate to regain legitimacy. Re-entry into emerging economies can bring institutional pressures because institutions are often plagued by poorly developed intellectual property laws and law enforcement mechanisms. The market share seeking strategies of local firms operating in emerging markets may also clash with the profit-seeking strategies particularly of DMMs

(Hoskisson et al., 2000). Such changes in institutional environments may then make institutionalised organisational practices redundant (Oliver, 1992; Peng, 2003) which may increase the level of uncertainty associated with strategic decisions and may even temporarily increase the costs of operating in emerging markets, particularly when there is resistance to change. In turn, favourable changes in host institutions attract re-entrants.

EMMs tend to be viewed as less responsive to the institutions of host markets (Holburn and Zelner, 2010; Isobe et al., 2000), leading scholars to propose that organisational responses to host institutional transitions may be different between DMMs and EMMs. Scholars agree that EMMs' strategic intents and subsequent (re)entry decisions are contingent on the rules set by their home governments, particularly in markets characterised by high government involvement (Gaur, Kumar and Singh, 2014; Yang et al., 2009; Wei et al., 2014). However, institutional voids may also make it difficult for EMMs to build reputable global brands and compete on the basis of their brands and not just their manufacturing and logistic capabilities (Bangara et al., 2012; Du and Boateng, 2015; Popli and Sinha, 2014), therefore challenging how EMMs exploit their resources and capabilities in other emerging markets. For re-entrants, host institutional voids contribute to the uncertainty that already exists around the re-entry process determining both DMMs and EMMs to (re)align their strategies with the host institutional changes.

Consequently, this study hypothesises that both DMMs and EMMs are likely to re-enter host markets that have undergone some degree of favourable institutional changes. In turn, this study does not expect a significant relationship between host institutional changes and re-entry of either DMMs or EMMs into developed host markets; unsurprisingly, no notable institutional changes are expected to have occurred in developed host institutional environments to distinguish between EMMs' and DMMs' international re-entry decisions into those markets.

***Hypothesis 4a:** DMMs are more likely to re-enter emerging markets that have undergone favourable institutional changes.*

***Hypothesis 4b:** EMMs are more likely to re-enter emerging markets that have undergone favourable institutional changes.*

Host market attractiveness

As illustrated with empirical evidence in the previous chapter, rivalry and competition are important drivers of foreign market (re)entry timing decisions as firms tend to cluster with other firms when entering a host country that is viewed as most attractive (Fuentelsaz et al., 2002; Guillén, 2003; Li and Yao, 2010; Popli and Sinha, 2014; Yu and Ito, 1988). The presence of other foreign (re)entrants signals host market attractiveness to re-entrants, therefore acting as an incentive for foreign market re-entries. Scholars have observed that the phenomenon of clustering extends from foreign entrants imitating the international expansion behaviour of other

foreign entrants particularly when entering (or in this case re-entering) emerging host markets (e.g., Ang et al., 2015; Delios et al., 2008; Gaba et al., 2002; Guillén, 2003). Emerging markets have been traditionally characterised not only by a higher degree of uncertainty but also high attractiveness due to their potential for future growth (e.g., Chan et al., 2006; Cheng and Yu, 2008; Guillén, 2002; 2003). Therefore, the presence of other foreign players in emerging host markets is expected to decrease the perceived uncertainty associated with these markets' institutional inadequacies and increase the opportunity costs associated with operating there (Guillén, 2003). Since developed host markets have been characterised by decreased opportunities and market saturation and thus, considered to present less opportunities for growth in certain industries (e.g., Alexander, 1990; Freeman and Cavusgil, 2007; Popli and Sinha, 2014), the growing presence of foreign entrants in those markets too may represent a signal to DMMs of their attractiveness, thus potentially prompting re-entries.

For re-entrants, the rationale is that returning to host markets that are perceived as attractive by other foreign players potentially carries legitimacy to an otherwise riskier decision (Fuentelsaz et al., 2002). Managers may consider that the risks of not investing in an attractive market may be higher than the financial losses incurred following exit, or the uncertainty associated with the re-entry process. Most studies drawing on the sociological view of institutional theory, - which predicts an imitative, or isomorphic behaviour of MNEs in foreign markets (DiMaggio and Powell, 1991) -, have been primarily conducted on DMMs (e.g., Guillén, 2003; Huang and Sternquist, 2007; Lu, 2002; Rodriguez et al., 2005). Consequently, this study proposes that DMMs are expected to reduce the uncertainty associated with re-entry by engaging in imitative behaviour.

Hypothesis 5a: *DMMs are more likely to re-enter emerging (developed) markets characterised by high market attractiveness.*

Fewer studies have examined whether EMMs also engage in imitative behaviour (Li and Yao, 2010; Popli and Sinha, 2014). Li and Yao (2010) found that EMMs seldom imitated the behaviour of other firms when entering host markets characterised by uncertainty. Thus, in the case of EMMs' foreign market (re)entries, following the behaviours of other organisations may also carry legitimacy to otherwise risky decisions. Having said this, more significant evidence exists showing that the international expansion decisions of EMMs are driven primarily by the need to acquire new resources from developed host market environments and exploit extant resources and capabilities in emerging host markets. Previous studies have generally concluded that home market intervention leads EMMs to opt for the entry strategies that carry most gains to their home institutions (Meyer et al., 2014; Rugman et al., 2014). Hence, the main push factors for EMMs' international expansion consist of government pressures for internationalisation, in which case these firms are unlikely to also base their internationalisation decisions by imitating the behaviour of other foreign entrants in host markets (Zhao and Hsu, 2007). Additionally, EMMs are already relatively late to the internationalisation game, meaning that there will be a greater availability of

attractive markets they can re-enter. I propose that the presence of foreign entrants, on its own, is unlikely to act as neither a deterrent nor a stimulus for EMMs re-entrants.

Hypothesis 5b: *There will be no observable effect of host market attractiveness on EMMs' re-entries, irrespective of the host markets re-entered.*

Re-entrants' strategic behaviour: Why do DMMs and EMMs re-enter foreign markets?

Firms make foreign market (re)entry decisions that serve their strategic objectives and behaviours (Cui and Jiang, 2009). Foreign market (re)entry decisions may be motivated by a firm's intent to acquire strategic assets that it would otherwise be unable to access (Rui and Yip, 2008; Wright et al., 2005) and or exploit opportunities for growth by capturing new markets for their products (Isobe et al., 2000). In turn, the types of resources and capabilities firms seek is expected to vary with their market context (i.e. developed or emerging) (e.g., Chan et al., 2006; Chittoor et al., 2008; Hitt et al., 2000; 2004; Luo and Tung, 2007; Peng, 2003).

Particularly, the extant literature on EMMs' international activities posits that EMMs' motivations to expand internationally are fundamentally different from DMMs' foreign market (re)entry motives (for recent reviews see Jormanainen and Koveshnikov, 2012; Wright et al., 2013). In a notable study, Hitt et al. (2000, p. 450) argue that "although there may be some similarities in the resources emerging and developed market firms seek from [international] partners, there are differences in the importance each places on certain resources, capabilities, and characteristics". The underlying rationale here is that foreign market (re)entry does not occur in a vacuum, but it is in turn nested within the social, political and economic environment in which the firm operates (Dacin, Ventresca and Beal, 1999; Hitt et al., 2000). For DMMs, given the saturation of their home markets, these firms may pursue strategic intents of a global orientation by entering or re-entering a foreign market to use it as a springboard for subsequent internationalisation in the host region (Cui and Jiang, 2009; Javalgi et al., 2011; Morck et al., 2008). As shown in *Chapter 5*, whether or not the host markets firms return to are strategically important for the re-entrant firms is an important determinant of re-entry. Strategically important markets (that warrant the risks and uncertainties associated with re-entry) are often seen as platforms to subsequently (re)enter other countries within the host region, particularly for DMMs (Cui and Jiang, 2009).

Also, the removal of regulatory barriers has been cited as an important driver of (re)entry (e.g., Cardon et al., 2011; Chan et al., 2006; Nummela et al., 2016; Peng, 2003); firms may become victims of changing circumstances in their external environments that are beyond their control and can lead to involuntary market exits. Involuntary exit motives generally refer to forces resting within the environments of home and host markets that are not conducive to business development and can impede the continuation of a firm's activities such as regulations against foreign investment and or the nationalisation of industries (Cardon et al., 2011; Hoskisson and Turk, 1990). In such contexts, firms are generally forced to exit the host market, most often

irrespective of their performance prior to exit (Fletcher, 2001); and re-enter most probably when the negative feedback from governments and regulators is no longer a threat to their operations in that market. Because re-entry is not a discrete occurrence and is inter-linked with market exit and *de novo* entry (Javalgi et al., 2011), re-entrants may use time out to develop or acquire the necessary resources and capabilities to successfully re-enter that market. For DMMs in particular, their expansion tends to be shaped by these firms' abilities to organise their resources and revisit their market strategies (Hitt et al., 2000; 2004), as well as the entrepreneurial orientation and opportunity recognition capabilities of managers (notably, Ireland et al., 2001).

Variations between the motivations to re-enter are expected to exist between DMMs and EMMs as their home environments differ significantly. For instance, in emerging economies such as China, EMMs' (re)entry decisions are expected to be almost entirely driven by the home government and government relationships which subsequently shape EMMs' own strategic motivations (Buckley, Clegg et al., 2007b). In other emerging countries also (e.g. Brazil) international expansion was found to occur through government supported institutions with these political relationships driving expansion for EMMs as they are yet to be replaced with commercial relationships (Turner, 2011). Recently, Du and Boateng (2015) found that home governments shape the strategies and strategic motivations of EMMs according to the industries in which prominent home institutions have a stake. Therefore, unlike their developed market counterparts seeking to exploit their capabilities abroad, as well as to reduce the uncertainty associated with saturated Western markets by expanding into emerging host locations with potential for growth, EMMs are expected to (re)enter foreign markets in order to gain access to new resources and organisational learning that would facilitate their expansion as global players and reinforce their position in their own home markets (Hitt et al., 2000; 2004). Even here the distinction can be made that DMMs seek to attain knowledge about operating in underdeveloped markets, whilst EMMs (which have grown at a faster pace, yet remain less resource-endowed) seek specific resources and capabilities such as technical and managerial knowledge (Luo and Tung, 2007).

Overall, the extant literature on the market entries of developed and emerging market firms is in strong agreement that EMMs' strategic intents, and (re)entry motivations are likely to be contingent on the rules set by their home governments, in which case the motivations of the firms themselves to enter or in this case, re-enter foreign markets have been significantly understated in the literature. Given the growing body of literature that conforms to the idea that EMMs and DMMs differ significantly in their international expansion motivations (with little focus on what those specific differences may be), this study also acknowledges the importance of exploring the motivations of both DMMs and EMMs to re-enter. I propose that,

Hypothesis 6: Motivations to re-enter may vary between DMMs and EMMs irrespective of host markets re-entered.

Method

Data Source and Sample Selection

As mentioned in previous chapters in more detail, data comes principally from business information and research databases Factiva (Dow Jones) and LexisNexis (Reed Elsevier), which aggregate content from a large number of licensed and reliable data sources (e.g., Li et al., 2008). The rationale for this choice of data sources is that there are no pre-existent databases from which to draw data concerning re-entrants (see *Chapter 3* on methodology). To the best of my knowledge, this database represents the most up-to-date information on re-entry.

Variables

Dependent variable

The dependent variable represents the different combinations of home and host market locations, classified in terms of their level of economic and institutional development. FTSE Russell Index was used for an objective and consistent classification of home and host countries; the FTSE index provides a classification of “developed” and “emerging” markets using a widely accepted range of criteria developed by working closely with institutional investors. The four combinations of home-host locations (i.e. “DMM-developed”, “DMM-emerging”; “EMM-developed”, “EMM-emerging”) were then computed for four separate dichotomous variables. For instance, the variable “DMM-developed” measured whether the re-entrant was a developed market firm re-entering a developed host market, whilst the variable “EMM-emerging” represents an emerging market firm re-entering an emerging host market and so on.

Independent Variables

Firm experience

As a reminder, experience is measured as follows; *general experience intensity*, *host experience intensity*, *general experience diversity*, *host experience diversity* and *host market experiential knowledge*. These measures of experience are particularly relevant here given the extant research on EMMs’ international activities (e.g. Luo, Xue and Han, 2010; Rugman et al., 2014) which highlights that EMMs’ tend to possess less general international experience and overall, tend to be more endowed with host region-specific experience resources.

Changes in commitment

Changes in commitment represent the difference (if any) in the firm’s mode of operation in the host market prior to exit and the mode of re-entry. Consequently, a firm can escalate

commitment, de-escalated commitment or re-enter via the same commitment mode. Searches in Factiva and LexisNexis allowed coding this variable (see Chapter 4 for more details).

Time-out

Time-out represents the time spent out for the host market, i.e. the time elapsed between the *year of exit* and *year of re-entry*. Factiva and LexisNexis were used to identify when re-entrants had exited and re-entered the market in order to calculate the time-out period accordingly.

Institutional change

Data on institutional factors was collected from the Economic Freedom of the World Index and is an aggregate measure of five factors, namely 1) size of government, 2) legal system and intellectual property rights, 3) sound money, 4) freedom to trade internationally, and 5) regulation (e.g., Aguilera and Cuervo-Cazurra, 2004; Jory and Ngo, 2014; Wan and Hoskisson, 2003). Institutional change is measured at the time $t-1$ of exit and $t-1$ of re-entry; i.e. institutional change = $(t-1)$ re-entry – $(t-1)$ exit. As per previous studies (e.g., Bae and Salomon, 2010; Hernandez and Nieto, 2015), the focus here is on the magnitude of host institutional change in order to assess whether it is DMMs or EMMs (or both) that respond to cues in their host environments.

Host market attractiveness

This study measures host market attractiveness at $(t-1)$ re-entry with a one-year lag prior to the firm re-entering; this variable is calculated with a logarithm transformation. This data was collected for each year and for each country from the World Bank database and is calculated as the value of net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by the country's GDP. This is a continuous variable, i.e. the higher the value the more FDI into the host market at the time of $t-1$ re-entry.

Market re-entry motives

Motives for re-entry were also coded from Factiva and LexisNexis and categorised into: “*more resources*” (whether the firm acquired resources that enable it to re-enter), “*changes in strategy*” (whether the firm returned with a different product, price or distribution strategy), “*strategic intent*” (i.e. re-entry is part of broader expansion plan) and “*institutional pull*” (i.e. removal of regulatory and other institutional barriers in the host market). Motives for re-entering the market are therefore four dichotomous variables (1;0) that were identified from the news articles and were subsequently analysed and coded into the database. This data is based on either the views of CEOs via interviews published in the news outlets, an objective analysis of the re-entry event in the news outlets (generally by industry analysts) or most often, both sources.¹¹

¹¹ It should be mentioned here that re-entrants may report two or more motives to re-enter as they are not mutually exclusive; and can therefore simultaneously take the value of “1” in the coding process. This is also further reflected in the lack of multicollinearity reflected in the value of the VIF factors in *Table 6.2* below.

Control variables

This study accounted for *firm size*, which has been associated with firms possessing more resources in order to engage in higher risk and resource commitment, and measured it as the value of total assets with a logarithm transformation at the time of ($t-1$) re-entry (Gao and Pan, 2010). Furthermore, since older firms are more likely to show signs of inertia that may prevent them from changing their entry mode patterns (Guillén, 2002; Hannan and Freeman, 1984), *firm age* was controlled for and computed as the number of years from when the firm had been founded up to one year prior to re-entry. Some notable studies (e.g., Araujo and Rezende, 2003) also suggested that management can alter the direction of an MNE's international path or re-shape it altogether; thus, *changes in management* measures whether the CEO has changed up to three years prior to re-entry. Because a firm could engage in more than one re-entry event, I documented *whether a firm has been present in the host market through a different division in the same/different sector* at the time of re-entry. As illustrated previously, MNEs which have maintained close ties with host markets by operating there via other businesses tend to be more confident with their host market operations and more likely to, for instance, re-enter earlier.

Changing economic factors in the host market have been associated with increased potential for market growth (Javalgi et al., 2011), thus *changes in host market growth* are measured as the changes in GDP/capita; i.e. host market growth change = ($t-1$) re-entry – ($t-1$) exit. In addition, scholars drawing on resource and institution based rationales also pointed out that the unique competitive pressures in each industry result in different motivations for, and levels of, resource acquisition, and thus, different degrees of internationalisation for firms (Yang et al., 2009; Wei et al., 2014). When international competitors entered the consumer electronics sector in China, incumbent firms were pushed to establish wholly owned subsidiaries in developed host markets to gain direct access to resources, marketing and R&D capabilities that could then be transferred back home (cf. Yang et al., 2009). This study too, controls for industry effects in that four industry dummies are added for the automotive, retail, financial services and consumer electronics because almost 60 percent of the total sample of reported re-entry events consists of firms operating in these four industries.

The standard deviations and pairwise correlations for all the variables are reported in *Table 6.1*, whilst the means and the variance inflation factors (VIFs) are reported in *Table 6.2*. As shown in *Table 6.2*, the VIFs range between 1.03 and 3.13, suggesting no serious problems of multicollinearity for the multivariate analysis (Field, 2009).

Model specification

The dependent variable(s) is(are) modelled using a binary logistic regression model. This statistical method was applied due to the characteristics of each of the dependent variables,

which is, a categorical variable with two alternative outcomes for each of the four sub-samples; and the mix of both continuous and categorical predictor variables which affect the odds of choosing one alternative sub-sample over another. In this way one is able to estimate the effect of the explanatory variables on the probability that the re-entrant belongs to one of the four home-host sub-samples namely, DMMs re-entering emerging markets (Q1: "DMM-EM"); DMMs re-entering developed markets (Q2: "DMM-DEV"); EMMs re-entering developed markets (Q3: "EMM-DEV"); and EMMs re-entering emerging markets (Q4: "EMM-EM"). In each of the four regression models, the dependent variable was compared with the remainder of the sample (i.e. "1" if the firm was a *DMM* re-entering a *developed* host market and "0" otherwise, and so on).

Robustness checks

Thus far the foreign market entry literature has only engaged with whether firms differ either according to the home country or according to the host countries targeted. For robustness checks, this study ran a simple binomial regression model analysis by comparing the decisions made by DMMs and EMMs where the host market (developed versus emerging) was only included as a control variable (see results of the regression models in *Appendix 4*). As shown in *Appendix 4*, the strategy of pairing the home and host markets and comparing each group with the remaining sample of firms is the most suitable to test the hypotheses, since comparing DMMs and EMMs without considering the markets re-entered did not render significant results. These findings build on the discussion in previous chapters regarding the relevance of host institutional environments to firm strategic decisions, such as foreign market re-entry.

Some additional statistical testing has also been conducted to confirm that the difference observed between DMMs and EMMs (and naturally, between EMMs and DMMs re-entering emerging versus developed markets) is a true difference and not a random effect (statistical artefact) caused by skewed sampling (Shavelson, 1988). Independent-Samples t-tests have been conducted particularly to compare whether the re-entry timing of DMMs and EMMs differed significantly and whether there are significant differences in their host experiential knowledge.

Table 6.1: Descriptive statistics and correlation coefficients for re-entry location patterns (**p<0.001; *p<0.01; †p<0.05; †0.10)

Variables	Std. Dev.	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
(1) Home developed	0.3	1020	1																									
(2) Host developed	0.4	1020	-.01	1																								
(3) Host experience intensity	33.8	986	.16**	-.09**	1																							
(4) General experience intensity	38.9	997	-.19**	-.17**	.82**	1																						
(5) Host experience diversity	8.0	907	.09**	-.14**	.22**	.22**	1																					
(6) General experience diversity	57.4	901	.21**	-.16**	.24**	.30**	.55**	1																				
(7) Host experiential knowledge	17.6	975	.08**	-.01	.42**	.37**	.10**	.16**	1																			
(8) No changes in commitment	0.4	976	-.07*	.07*	-.08*	-.08**	-.08*	-.03	-.01	1																		
(9) Commitment escalation	0.3	976	.01	-.08*	-.01	.01	.04	.01	-.01	-.64**	1																	
(10) Commitment de-escalation	0.3	976	.08**	-.02	.12**	.10*	.06	.03	.01	-.62**	-.19**	1																
(11) Time-out	10.5	974	.06*	-.14**	.41**	.37**	.12**	.06*	.13**	-.07*	-.02	.11**	1															
(12) Host institutional changes	0.6	874	-.02	-.27**	.16**	.15**	.07*	.05	.06	-.09**	.06	.05	.48**	1														
(13) Host market attractiveness	4.2	981	-.01	.12**	-.04	-.06*	.01	-.05	-.02	.06	-.08**	.01	-.02	-.09	1													
(14) Motives for re-entry: More resources	0.3	1020	.02	.07*	.01	-.01	-.01	-.05	-.04	.01	.02	-.03	.01	-.02	.06*	1												
(15) Motives for re-entry: Strategic intent	0.4	1020	.04	-.06*	.01	-.00	.00	-.03	.00	.00	-.02	.02	.00	.06	.06	.02	1											
(16) Motives for re-entry: Changes in strategy	0.4	1020	-.01	.15**	-.08**	-.09**	.03	.03	-.05	-.02	.01	.02	-.17**	-.13**	.04	-.10**	.34**	1										
(17) Motives for re-entry: Institutional pull	0.4	1020	-.05	-.20**	.10**	.13**	.02	.04	.03	-.03	.03	.01	.26**	.21**	-.15**	-.19**	-.31**	-.35**	1									
(18) Firm age	48.6	1020	.23**	-.17**	.52**	.65**	.09**	.16**	.28**	-.05	.01	.07*	.23**	.15**	-.05	-.04	.06*	-.07*	.08**	1								
(19) Firm size	3.3	988	.21**	-.07*	.33**	.37**	.27**	.36**	.20**	-.11**	.05	.09**	.16**	.09**	-.04	.00	-.06*	-.03	.11**	.36**	1							
(20) Changes in management	0.4	1020	.07*	.04	.05	.06*	.04	.05	.09**	-.01	.01	.01	.03	-.06*	.02	.07*	.01	-.01	-.01	.10**	.18**	1						
(21) Already present in the market	0.4	1020	.04	.08**	.14**	.16**	.14**	.27**	.10**	.00	-.01	.01	-.02	-.07*	-.02	-.01	.02	.11**	-.15**	.10**	.26**	.10**	1					
(22) Automotive	0.4	1020	.05	-.03	.21**	.25**	.26**	.43**	.14**	-.05	.03	.04	.10**	.05	-.05	.02	-.01	.05	-.05	.04	.20**	.04	.18**	1				
(23) Retail	0.3	1020	.05	.05	-.17**	-.18**	-.10**	-.16**	-.11**	-.05	.03	.02	-.09**	-.06	.08**	-.01	.07*	.11**	-.10**	-.05	-.18**	-.01	-.13**	-.17**	1			
(24) Financial	0.3	1020	.08**	-.06*	.24**	.24**	-.19**	-.22**	.07*	-.02	-.03	.06*	.11**	.05	.02	-.00	.07*	-.16**	.10**	.35**	.19**	-.01	-.04	-.22**	-.15**	1		
(25) Consumer electronics	0.2	1020	-.03	.01	-.04	-.01	.04	.07*	.01	-.03	.04	.00	-.07*	-.01	-.05	-.02	-.01	.08**	-.04	-.05	-.01	.00	.16**	-.14**	-.10**	-.13**	1	
(26) Host market growth	0.2	813	-.06	.03	-.01	-.06	-.04	-.09*	-.06	.05	.01	-.08*	.05	-.01	.10**	.04	.05	.12**	-.20**	-.07*	-.04	-.04	.07*	.04	.01	.01	.01	1

Table 6.2: Collinearity diagnostics for re-entry location patterns

Variable name	Mean	Collinearity Tolerance	VIFs
DMM into developed	0.28	0.82	1.21
EMM into emerging	0.04	0.95	1.05
EMM into developed	0.09	0.94	1.06
Changes in commitment	0.49	0.82	1.22
Commitment escalation	0.24	0.79	1.26
Commitment de-escalation	0.25	0.77	1.30
Host experiential knowledge	16.28	0.77	1.31
General experience intensity	55.20	0.32	3.13
Host experience intensity	42.71	0.33	3.01
General experience diversity	69.00	0.63	1.59
Host experience diversity	11.25	0.68	1.48
Time-out	9.08	0.86	1.17
Host institutional changes	0.26	0.88	1.13
Host market attractiveness	2.80	0.96	1.03
Motives for re-entry: More resources	0.15	0.86	1.15
Motives for re-entry: Strategic intent	0.52	0.62	1.59
Motives for re-entry: Changes in strategy	0.35	0.58	1.71
Motives for re-entry: Institutional pull	0.25	0.57	1.73
Firm age	76.81	0.53	1.91
Firm size	8.29	0.66	1.51
Changes in management	0.47	0.93	1.08
Already present in the market	0.23	0.76	1.32
Automotive sector	0.21	0.65	1.54
Retail sector	0.11	0.81	1.23
Financial services	0.17	0.70	1.43
Consumer electronics sector	0.08	0.87	1.15
Host market growth	0.93	0.89	1.12

Results

Figures 6.1 and 6.2 reflect some initial statistical analysis comparing DMMs and EMMs.¹² Broadly, both DMMs and EMMs tend to rely on non-equity modes of commitment such as licensing and franchising both in terms of their initial market foray (see *Figure 6.1*) and when re-entering previously exited markets (see *Figure 6.2*). This is perhaps more surprising for EMMs as they have been expected to expand into developed markets mainly via acquisitions. In fact, the overall proportion of modes tends to change only when (DMM and EMM) firms re-enter emerging host markets where wholly owned subsidiaries are overall more popular than joint equity modes of re-entry. In turn, the experience profiles and the time-out period of DMMs and EMMs share both differences and similarities. Overall, $Mean_{\text{experiential knowledge_EMMs}}=12.38$ is lower than the $Mean_{\text{experiential knowledge_DMMs}}=16.89$, whilst the $Mean_{\text{time-out_EMMs}}= 7.28$ is also lower than the $Mean_{\text{time-out_DMMs}}= 9.36$. *Figures 6.1 and 6.2* illustrate that the highest mean for “host experiential knowledge” is for DMMs re-entering emerging host markets. This said, EMM and

¹² Although this study does not focus specifically on comparing DMMs and EMMs, the analysis includes some statistical analysis such as *cross-tabulations* and *Independent-Sample t Tests*.

DMM re-entrants are similar concerning their experiential knowledge, i.e. how long they have spent in the market prior to exit, when re-entering developed host markets (Q1=16.30; Q2=15).

In regards to “time-out”, DMMs re-entering developed markets are statistically different from DMMs re-entering emerging markets (6.93<10.56, p<0.001). EMMs are more similar in regards to time-out duration irrespective of the host markets re-entered although they also re-enter developed markets somewhat earlier (7.16<7.33, p<0.05). Perhaps surprisingly, there are lesser differences in how long DMMs and EMMs wait to re-enter developed host markets (Q1=6.93; Q3=7.16). As discussed later, re-entrant EMMs may be a new breed of EMMs which may not suffer from the same knowledge and experience disadvantages associated with *de novo* EMMs. Perhaps re-entrant EMMs share more similarities than differences with re-entrant DMMs.

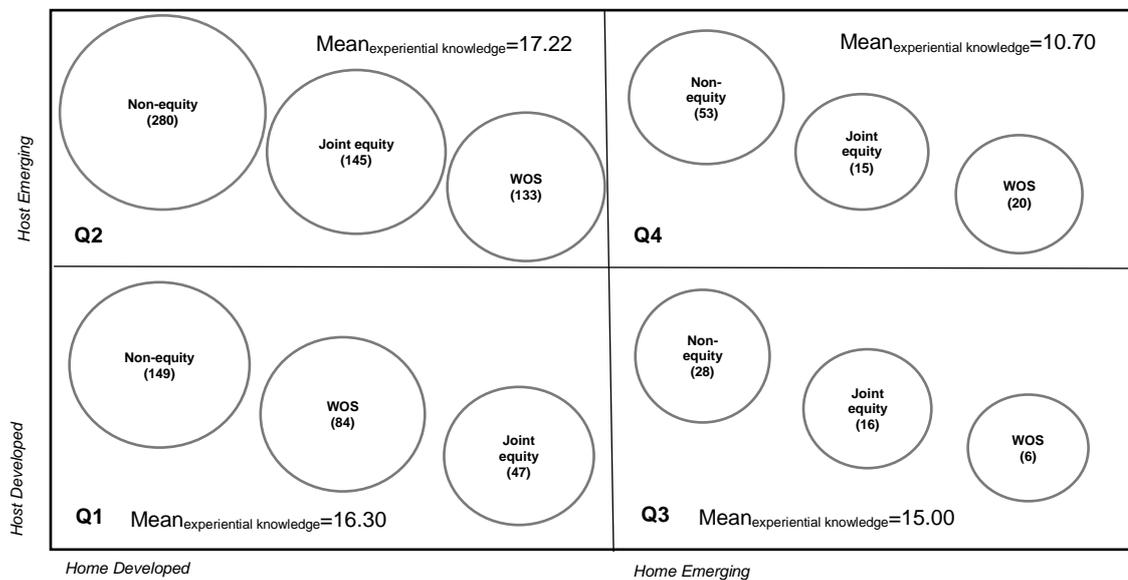


Figure 6.1: DMMs and EMMs commitment and experience at the time of market exit

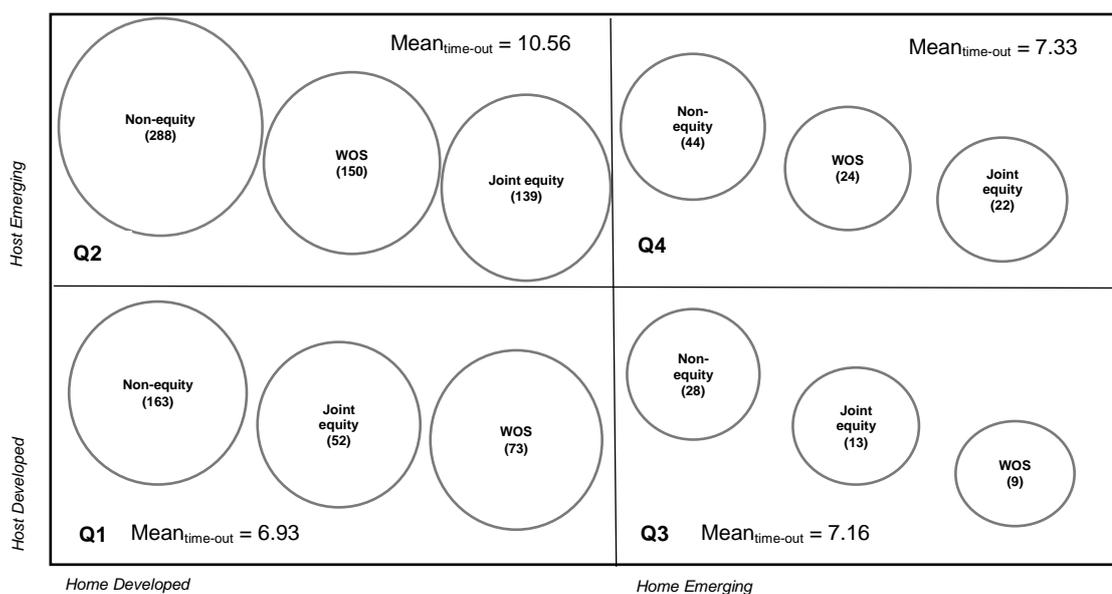


Figure 6.2: DMMs and EMMs commitment and time-out at the time of market re-entry

Furthermore, the empirical results of the regression models are presented in *Tables 6.3* and *6.4*. The estimated coefficients as shown in *Tables 6.3* and *6.4* should be interpreted as the amount of increase (or decrease, if the sign of the coefficient is negative) in the predicted log odds of the dependent variable that would be predicted by a 1 unit increase (or decrease) in the predictor variable. The dependent variables here are Q1 (DMM into emerging), Q2 (DMM into developed) (*Table 6.3*) and Q3 (EMM into emerging), Q4 (EMM into developed) (*Table 6.4*). As illustrated in the logistic regression tables, the predictor variables chosen are highly relevant in most models.

Model 1 in *Table 6.3* reports the baseline estimation. Firm age increases the likelihood of firms belonging to Q1 (DMMs into emerging) and decreases the likelihood of firms belonging to Q2, Q3 and Q4. The older the firm, the more likely it is to be a DMM re-entering an emerging market. EMMs tend to be younger firms or firms newer to internationalisation. Similarly, firm size tends to have a negative effect on the likelihood of firms belonging to Q4 (EMMs re-entering emerging markets) and a positive effect on Q1 (DMM re-entering emerging markets). Also interesting is that being present in a different sector in the host market has a positive effect on the likelihood of firms belonging in Q1 and a negative effect for firms in Q2, and no effect concerning EMM re-entry. Whilst EMMs have not been around for as long, DMMs may transfer knowledge and return to emerging markets where they already have a presence in, whilst in developed markets, the institutional proximity may make the need for such continuous market presence less critical.

Models 2-16 add the hypothesised effects; Model 2 (*Table 6.3*) and Model 10 (*Table 6.4*) add the main effects of prior experience types. Hypotheses 1a received support in the statistical model, in that more experience does appear to increase the likelihood of re-entrants being DMMs returning to emerging markets, particularly relevant being general experience intensity ($\beta=0.01$, $p<0.01$) and general experience diversity ($\beta=0.01$, $p<0.001$). Furthermore, prior experience decreases the likelihood of re-entrants being DMMs returning to developed markets. Hypothesis 1b is also supported in Model 10. Specifically, whilst general experience diversity decreases the likelihood of re-entrants being EMMs returning to emerging host markets, host experience diversity is positively related to EMMs re-entering emerging markets. EMM re-entrants' experience is predominantly within the host market region, which also tends to be their home region (see Appendix 5). Indeed, most EMM re-entrants have had less time as internationalisers and are therefore less likely to have the diversity of experience possessed by DMMs and more likely to possess host region experience resources that can be leveraged for re-entry.

When Model 3 tested for the effects of changes in commitment on DMMs location choices, results confirmed that DMMs are less likely to change (i.e. escalate) commitment when re-entering developed markets ($\beta=-0.36$, $p<0.10$). In turn, no support was found that DMMs are more likely to change commitment when re-entering emerging markets, thus, Hypothesis 2a is only partly supported. In turn, there is support for Hypothesis 2b in that EMMs are more likely to escalate commitment when re-entering emerging markets ($\beta=0.53$, $p<0.10$) and less likely to escalate ($\beta=-0.91$, $p<0.10$) and de-escalate ($\beta=-1.91$, $p<0.10$) when re-entering developed host markets.

These findings are in contrast to the view that, DMMs and EMMs differ significantly in their commitment choices into developed markets (Wei et al., 2014). Similar to DMMs, EMMs continue to pursue strategic goals via the same mode of commitment in developed markets, whilst the latter appear to escalate commitment perhaps to adapt to changes in emerging markets.

Initially, no statistical support was found for Hypotheses 3a and 3b in the regression model to suggest that either DMMs or EMMs are more likely to spend more or less time out of developed or emerging markets. In turn, the *t-Test* results discussed earlier (page 157) supported both Hypothesis 3a and Hypothesis 3b in that DMMs spend a longer time out when re-entering emerging markets and less time out when returning to developed markets (see *Figure 6.2*, Q1 and Q2). EMMs also spend a longer time out when re-entering emerging markets and less time out when re-entering developed host markets (see *Figure 6.2*, Q3 and Q4). Particularly, one explanation for EMMs' re-entry behaviour may be that the opportunity in developed markets may be perceived as higher than the uncertainty associated with home-host market distances. An early movement (or in this case, a speedy return) may create barriers for follower firms and ensure privileged access to key resources, customers, partners and distribution channels.

Hypothesis 4a predicted that firms in Q1, i.e. DMMs are more likely to re-enter emerging markets that have undergone institutional changes. Hypothesis 4a is supported in Model 5 which shows a positive effect of host institutional changes on the likelihood of firms belonging in Q1 ($\beta=1.25$, $p<0.001$) and a negative effect on the likelihood of firms in Q2, i.e. DMMs re-entering developed host markets ($\beta=-1.24$, $p<0.001$). Hypothesis 4b is also supported in that the likelihood of re-entrants being EMMs re-entering an emerging market also increases with the degree of favourable institutional changes ($\beta=1.02$, $p<0.001$) and is negative in Q4. EMMs are, in fact, also sensitive to the institutional changes in emerging markets when deciding where to re-enter.

Hypothesis 5a predicted that DMMs are more susceptible to imitative behaviour. Indeed, whilst there is a positive and significant effect of host market attractiveness on DMMs re-entering developed markets ($\beta=0.06$, $p<0.001$), the effect is negative for firms in DMMs re-entering emerging markets ($\beta=-0.05$, $p<0.001$), thus only partially supporting Hypothesis 5a. Perhaps a growth in the concentration of other foreign (re)entrants in the host market during time-out is not the reason for which DMMs re-enter host emerging markets; DMMs may re-enter to achieve first mover advantages in growing markets rather than follow other foreign (re)entrants into those markets. Hypothesis 5b was supported as EMMs tend not to be influenced by host attractiveness.

Finally, this study tested for the re-entry motives of DMMs and EMMs. Some interesting results were found here revealing that overall, EMMs' and DMMs' re-entry motivations are similar when re-entering developed markets but differ when re-entering emerging host markets, thus providing partial support for Hypothesis 6. Specifically, DMMs re-enter emerging host markets, in part, due to host government motivations or removal of barriers that prevented them from operating in the market previously. DMMs also have a tendency not to change strategy when re-entering emerging markets, whilst both EMMs and DMMs tend to be less likely to use developed host

markets as platforms for further expansion within the host region. In turn, DMMs are more likely to pursue host regional expansion via re-entry into emerging markets. Overall, results confirm the initial proposition of this study, namely that there are both similarities and differences in DMMs' and EMMs' foreign market re-entry motivations and subsequent re-entry strategies.

Discussion and conclusions

Extant literature has focused generally on whether differences between DMMs and EMMs exist and not on what drives the decisions of DMMs and EMMs in the context of different types of foreign expansion decisions. This study focuses on what drives DMMs and EMMs to re-enter foreign markets. Foreign market re-entry is a viable decision for both DMMs and EMMs, and, contrary to previous research, this study found both differences but mostly similarities in their re-entry determinants and subsequent re-entry decisions. Although much remains to be discussed particularly concerning the re-entry behaviour of EMMs, some interesting findings exist.

Key findings concerning the determinants and subsequent re-entry decisions of DMM and EMM re-entrants are as follows: (1) DMMs with more experience resources exhibit a general tendency to leverage their learning by re-entering emerging host markets, whilst EMMs' experience is mostly regional; (2) a highly uncertain host environment such as that of emerging markets prompts both EMMs and DMMs to re-enter emerging markets that have undergone more favourable institutional changes; (3) DMMs are likely to display imitative behaviour on re-entry; (4) the motivations of EMMs and DMMs to re-enter are similar when re-entering developed markets but differ when re-entering emerging markets; (5) both DMMs and EMMs are late re-entrants in emerging markets and early re-entrants in developed markets; and (6) both DMMs and EMMs tend to re-enter developed host markets in the same manner in which they operated prior to exit. Findings indicate that there are both similarities and differences between DMM and EMM re-entrants, with more similarities found when exploring re-entry into developed markets.

There are various implications for theory and practice. First, whilst previous studies underscore the many differences between DMMs' and EMMs' *de novo* entry motivations and strategic decisions (e.g., Buckley et al., 2012; Luo and Tung, 2007; Mathews, 2006; Peng, 2004; Lin, 2010), this study found some differences, but mostly similarities between DMM and EMM re-entrants. These similarities are even more evident when DMMs and EMMs re-enter developed host market environments, characterised by institutional stability and perhaps leading to more homogeneity in strategic motivations. As previously suggested (Buckley et al., 2012; Pan et al., 2014), DMMs re-entering emerging markets tend to have more experience than DMMs re-entering developed markets as well as compared to EMM re-entrants as the latter have arrived later to the internationalisation game and have, unsurprisingly, not accumulated general international experience from which to draw learning from. For EMM re-entrants which possess international experience, this experience is most likely associated with the host markets re-entered which, indeed tend to be within EMM re-entrants' home regions (Rugman et al., 2014).

Table 6.3: Results of the regression models for location patterns of DMMs^{a,b}

Variables	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7		Model 8	
	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:	Q1:	Q2:
	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev	Dev-Em	Dev-Dev
Constant	-0.68	0.72	-1.50	0.93	-0.99	1.06	-0.68	0.82	-1.25	1.35	-0.66	0.76	-0.87	0.46	-1.16	0.87
Host experiential knowledge			-0.01	0.01											-0.01	0.01
General experience intensity			0.01**	-0.01**											0.01**	-0.01**
Host experience intensity			-0.01*	-0.01**											-0.01*	0.01*
General experience diversity			0.01***	-0.01**											0.01***	-0.01*
Host experience diversity			-0.01	-0.00											-0.01	0.00
Commitment escalation vs. no change					0.28	-0.36[†]									-0.01	0.06
Commitment de-escalation vs. no change					0.05	0.21									-0.07	-0.52*
Time-out							-0.01	0.01							-0.09***	0.10***
Host institutional changes									1.25***	-1.24***					1.24***	-1.73***
Host market attractiveness ^b											-0.05**	0.06***			-0.04 [†]	0.03 [†]
Motives for re-entry: More resources													-0.19	0.18	-0.03	0.123
Motives for re-entry: Changes in strategy													-0.30[†]	0.22	-0.40 [†]	0.43 [†]
Motives for re-entry: Strategic intent													0.30[†]	-0.35[†]	0.06	0.05
Motives for re-entry: Institutional pull													0.84***	-1.61***	0.13	-0.80*
<i>Controls</i>																
Firm age	0.01***	-0.01**	0.01***	-0.00	0.01***	-0.00*	0.01***	-0.01**	0.01***	-0.00*	0.01***	-0.01**	0.01***	-0.01***	0.01*	-0.00
Firm size ^b	0.06**	0.00	0.03	0.02	0.06**	-0.01	0.06**	-0.00	0.07**	-0.01	0.09***	0.00	0.08***	-0.00	0.05 [†]	-0.01
Changes in management	0.28 [†]	-0.31*	0.18	-0.20	0.27 [†]	-0.28 [†]	0.27 [†]	-0.32*	0.26 [†]	-0.28 [†]	0.22	-0.31*	0.22	-0.32*	0.08	-0.09
Already present in the market	0.70***	-0.76***	1.01***	-0.89***	0.67***	-0.76***	0.70***	-0.78***	0.58**	-0.61**	0.70***	-0.77***	0.56**	-0.55**	0.86***	-0.64**
Automotive sector	-0.49*	0.35	-0.03	0.18	-0.43 [†]	0.29	-0.49*	0.35	-0.55*	0.35	-0.33	0.31	-0.46*	0.33	-0.12	0.34
Retail sector	-0.03	-0.58*	-0.23	-0.37	0.01	-0.63**	-0.02	-0.59*	-0.07	-0.54*	-0.05	-0.56*	-0.17	-0.38	-0.47	-0.03
Financial sector	-0.10	-0.44 [†]	-0.44	-0.22	0.00	-0.47*	-0.07	-0.48 [†]	0.00	-0.55*	-0.00	-0.43	0.04	-0.38	-0.14	0.49
Consumer electronics	-0.20	0.26	-0.02	0.17	-0.16	0.15	-0.20	0.21	-0.15	0.20	-0.17	0.18	-0.38	0.40	0.06	-0.07
Host market growth	-0.34	0.07	-0.02	-0.19	-0.30	0.01	-0.32	0.06	-0.64*	0.32	-0.27	-0.02	-0.12	-0.28	0.09	0.31
<i>Model indices</i>																
-2 Log likelihood	1050.4	975.6	888.0	854.4	1015.7	937.5	1049.1	973.6	968.7	905.6	1214.4	963.4	1207.1	1069.1	782.5	714.4
Chi-square	68.342***	35.783***	116.202***	53.773***	64.599***	37.092***	68.003***	37.031***	123.180***	88.915***	105.839***	47.177***	72.303***	110.619***	168.176***	148.665***
N	811	811	728	728	783	783	810	8101	791	791	969	969	988	988	689	689

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

Table 6.4: Results of the regression models for location patterns of EMMs^{a,b}

Variables	Model 9		Model 10		Model 11		Model 12		Model 13		Model 14		Model 15		Model 16	
	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:	Q3:	Q4:
	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em	Em-Dev	Em-Em
Constant	-6.65**	-4.47**	-5.69**	-2.99 [†]	-5.45**	-5.09**	-6.53**	-4.68**	-5.87**	-5.39**	-6.65**	-4.47**	-4.44**	-2.46 [†]	-0.65	-3.57
Host experiential knowledge			0.02	0.00											0.02	0.00
General experience intensity			-0.00	0.01											-0.01	0.00
Host experience intensity			-0.00	-0.02											-0.00	-0.02
General experience diversity			-0.01	-0.02***											-0.01	-0.02***
Host experience diversity			-0.05[†]	0.07***											-0.05	0.07**
Commitment escalation vs. no change					-0.91[†]	0.53[†]									-0.81	0.48
Commitment de-escalation vs. no change					-1.91[†]	-0.25									-1.81 [†]	-0.75
Time-out							0.02	-0.01							0.04	-0.03
Host institutional changes										-1.14***	1.02**				-0.65 [†]	0.93**
Host market attractiveness ^b											-0.03	-0.01			-0.01	0.01
Motives for re-entry: More resources													0.21	-0.16	0.11	-0.30
Motives for re-entry: Changes in strategy													-0.07	0.28	-0.44	0.14
Motives for re-entry: Strategic intent													-0.76[†]	0.44	-0.83	0.37
Motives for re-entry: Institutional pull													0.45	0.53	0.53	0.63
<i>Controls</i>																
Firm age	-0.02***	-0.01*	-0.02*	-0.01	-0.02***	-0.01*	-0.02***	-0.01*	-0.02**	-0.01**	-0.02***	-0.01*	-0.02***	-0.01**	-0.02 [†]	-0.01
Firm size ^b	0.02	-0.16***	0.07	-0.15***	0.03	-0.16***	0.02	-0.16***	0.01	-0.15***	0.02	-0.16***	-0.03	-0.15***	0.03	-0.14**
Changes in management	0.29	-0.06	0.26	-0.11	0.29	-0.13	0.28	-0.03	0.29	-0.12	0.28	-0.06	0.30	0.07	0.37	-0.32
Already present in the market	0.14	-0.05	-0.16	-0.42	0.13	-0.01	0.12	0.00	0.25	-0.22	0.14	-0.05	-0.21	-0.07	-0.37	-0.60
Automotive sector	0.12	0.26	-0.23	-0.54	-0.06	0.37	0.11	0.25	0.06	0.46	0.13	0.26	0.38	0.15	-0.57	-0.11
Retail sector	1.49*	0.91*	1.46 [†]	0.78 [†]	1.33 [†]	0.96*	1.47*	0.92*	1.52*	0.79 [†]	0.50*	0.91*	1.02	0.93*	1.28	0.65
Financial sector	1.80 [†]	2.45**	2.01*	2.58**	1.54	2.25*	1.76 [†]	2.46**	1.59	2.38*	1.79 [†]	2.44**	1.32 [†]	0.52	1.63	2.21*
Consumer electronics	0.01	-0.02	-0.09	-0.14	-0.11	0.19	-0.04	0.09	-0.06	0.02	0.06	-0.01	-0.05	0.07	-0.19	0.19
Host market growth	1.03	0.58	0.57	0.54	0.88	0.94	1.01	0.59	1.10	0.84	1.08	0.60	1.21	0.66	0.35	1.24
<i>Model indices</i>																
-2 Log likelihood	292.4	443.9	257.0	365.6	280.8	429.9	291.8	440.7	279.2	408.0	1107.0	443.5	344.4	529.5	236.0	318.8
Chi-square	32.225***	55.988***	35.523**	81.656***	40.798***	55.431***	32.659***	54.403***	43.329***	60.405***	32.791***	56.193***	39.507***	59.322***	52.369***	88.628***
N	811	811	728	728	783	783	810	810	791	791	969	969	988	988	689	689

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

Even so, this study reveals that EMMs are not only present in the international arena but these firms also re-enter both emerging and developed markets, therefore also responding to the favourable institutional changes occurring in their host market environments. Hence, even as EMMs may expand into developed markets to acquire new resources and capabilities, they may still choose to return to, and remain sensitive to the institutional idiosyncrasies of host emerging markets. These results contradict prior studies (e.g., Lin, 2010; Yang et al., 2009; Wei, Zheng, Liu and Lu, 2014) that have made a case for how EMMs, originating from environments characterised by poorly developed institutions are less likely to make decisions based on the institutional quality of the markets (re)entered and more likely to prioritise resource seeking market expansion in developed host markets (Holburn and Zelner, 2010; Luo and Tung, 2007).

Second, findings here also provide support for the inertia view of organisational learning (Xia et al., 2009) as both DMMs and EMMs re-enter via the same commitment modes in which they were operating prior to exit, particularly when re-entering developed host markets. Re-entering a market previously exited increases the risks associated with that market, particularly in developed and potentially saturated host markets where there is less potential for growth and further market expansion. EMMs may be known to enter foreign markets to attain resources and capabilities (Holburn and Zelner, 2010; Tsang and Yip, 2007); yet, re-entry may mean that once some of those resources and capabilities are attained firms tend to become more risk-averse and less willing to further escalate commitment into the market. EMMs are also less likely to de-escalate commitment in developed host markets compared to the rest of the firms in the sample, meaning that their objectives in those markets may have remained the same and those resources and capabilities sought were better attained by re-entering via the same commitment modes in which they were operating prior to exit. For instance, when acquisitions are made in developed markets, which are characterised by better quality resources and institutions, firms are expected to benefit more, especially in terms of post-acquisition management such as acquiring critical knowledge (Nair, Demirbag and Mellahi, 2015) which is expected to increase the likelihood of subsequent international acquisition activities particularly from EMMs.

Also, results in *Table 6.5* (Appendix 4) have shown that broadly, DMMs are more likely to de-escalate than EMMs. These results may mean that EMMs' strategic objectives in foreign host markets have not changed in the time-out period and perhaps these firms have little incentives to transfer the experience acquired in the past to change their commitment when re-entering foreign host markets. EMMs may also not know how to transfer knowledge accumulated in the past (from prior entries) to new decisions such as re-entry which means that process theories such as Uppsala stage model and LLL may not be the most suitable to study EMMs' re-entries.

Also interesting is that the results in this study do not broadly corroborate previous research stating that the acquisition of superior resources such as knowledge is cited as the key motive for foreign expansion of EMMs as they enter foreign markets via acquisition strategies (e.g., Aybar and Ficici, 2009; Buckley et al., 2012; Buckley, Ellia and Kafouros, 2014). As illustrated in

Figures 6.1 and 6.2 above, both DMM and EMM re-entrants frequently use non-equity modes of operation in foreign markets (licensing, franchising), whilst the ratio of joint equity to wholly owned commitment choices varies slightly depending on the home/host markets. Whilst acquisitions and greenfield operations have been suggested as the best routes to access resources in host markets, one must consider that, in practice, not all EMMs have strong government (financial) support or even host region experience (Ge and Ding, 2008). Some firms are also not part of large business groups and may not be highly successful in the domestic market in order to afford to change their commitment to higher resource intensive modes or generally, to learn new behaviours and routines and operate via a different commitment mode.

Third, contrary to previous studies (cf. Holburn and Zelner, 2010), EMMs are not immune to the institutional transitions occurring in their host markets, as both DMMs and EMMs re-enter markets that have undergone favourable institutional changes. Recent studies recognise that capabilities, such as brands, marketing and managerial skills are unlikely to be acquired from, or enhanced in institutionally underdeveloped markets (cf. Du and Boateng, 2015; Popli and Sinha, 2014). Unlike initial entrant EMMs, re-entrant EMMs may view other emerging markets not only as opportunities to exploit resources acquired at home but also as opportunities to develop capabilities that enable them to compete better with global players. Perhaps *re-entrant EMMs* are a new breed of EMMs which have different goals and expectations from foreign markets compared with traditional EMMs deemed to have international expansion goals that are powerfully inter-linked with their home institutional objectives. This then means that re-entrant EMMs may be, to some extent, also driven by commercial objectives rather than solely political and institutional goals. Such findings potentially provide opportunities to expand the current use of institutional theory since most studies examine the effect of host country factors on DMMs' international expansion, whilst host institutions have been neglected when researching EMMs.

Fourth, an underlying assumption of previous research (e.g., Guillén, 2003; Henisz and Delios, 2001) is that firms have a propensity to (re)enter markets with low levels of risk or reduce host market risks by following the behaviour of other foreign entrants. Findings support the idea that the presence of other foreign entrants signals host market attractiveness to DMM re-entrants, therefore acting as an incentive for re-entry particularly into emerging markets. Indeed, as social actors, (DMM re-entrant) firms may not always have complete information about the challenges in their host institutional and competitive environments in order to be able to make rational and efficient decisions *ex-ante* (Hsieh and Vermeulen, 2014; Guillén, 2003; Li and Yao, 2010). However, these ideas are not supported for EMMs' re-entry behaviour. This means that EMMs' re-entry is not primarily driven by the presence of other foreign firms in host markets. Contrary to previous studies (e.g., Guillén, 2003; Li and Yao, 2010), EMMs may be more capable of attaining information about the attractiveness of their host markets without using other foreign entrants as cues. Consequently, for EMMs, re-entry strategic decisions may not be nested within their organisational social contexts and to reduce the uncertainty associated with operating in a given host market firms they may also look for cues from business and or institutional networks.

Fifth, the results of this study do not fully corroborate the premise in previous research about the significant differences that exist in the motivations for foreign expansion of DMMs and EMMs; in fact, the motivations to re-enter developed markets are more similar which may mean that the resources and growth opportunities that exist in mature, developed markets are perceived by DMMs and EMMs alike, for which reason neither tend to view such markets as platforms for further expansion in the host region. This said, whilst re-entry motives explain, to some degree, the re-entries of DMMs; results are less significant for EMMs since the proportion of DMM re-entrants in the sample is significantly larger than that of EMMs. Also, it may be that EMMs' motivations are more heterogeneous than previously expected, particularly when further distinguishing between re-entry into developed and emerging host markets. Despite similarities and synchronisations in how the economies of emerging markets have opened up to foreign investments, not all EMMs' foreign investment strategies and trajectories are the same (Chittoor et al., 2008; Hitt et al., 2000; 2004; Hoskisson et al., 2000). Re-entrants' responses to home institutional transitions may differ amongst EMMs from different countries and subsequently may influence their re-entry motives. Although emerging economies share several common features, they are institutionally heterogeneous and therefore one size may not fit all EMMs. When investigating re-entrants, it would be more useful and interesting to further distinguish between different types of EMMs rather than merely discuss two broad types (i.e. DMMs and EMMs) of re-entrants. Theoretically, this means that institutional theory scholars should be cautious not to generalise findings from single countries across institutionally different emerging economies.

In summary, although there may be significant differences concerning *de novo* market entries of developed and emerging market firms, re-entrant DMMs and EMMs also share similarities. This study explored how both types of firms show signs of learning inertia when re-entering developed markets, in that they re-enter foreign markets without escalating or de-escalating their commitment upon re-entry. Furthermore, both DMMs and EMMs re-enter host markets that have undergone favourable institutional changes and tend not to view developed host markets as critical opportunities for future international growth. When considering the host markets re-entered, both spend more time out of emerging markets and less time out of developed markets.

Also interesting is that there are few patterns identified in the re-entry motives of EMMs meaning that re-entrant EMMs may be a more heterogeneous sample of firms whose motivations to re-enter vary. Whilst re-entrant EMMs may not possess the international experience of DMMs, they too have experienced the exit process and proactively decided to re-enter previously exited markets particularly as those markets opened to investment opportunities. This alone suggests that re-entrant EMMs and re-entrant DMMs may be more similar than they are different in their foreign market re-entry choices. Rather than being part of the "first wave" or "second wave" of EMM internationalisers, re-entrant EMMs may be directly competing with DMMs and there may be benefits in considering them as a new breed of emerging market firms altogether. Some of these ideas are expanded in the next chapter which summarises the key points and contributions of the thesis and proposes directions for future research in this new area of market re-entry.

CHAPTER 7: DISCUSSION, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This chapter summarises the main findings of this thesis together with their contribution to the academic literature and business practice (*Tables 7.1-7.3*). Methodological limitations are highlighted in this chapter and followed by several future research directions for researchers interested in re-entry and re-entrants. Further knowledge on re-entry and the performance outcomes of foreign market re-entry decisions is valuable to both academics and practitioners.

Discussion of findings and implications for theory

This study empirically questions the positive and linear effects of organisational learning from prior experience on re-entry commitment and timing decisions of both developed and emerging market re-entrants. In doing so, it contributes to extant literature that studies how organisations learn in their international expansion forays by examining foreign market re-entry and integrating both organisational learning and institutional theory rationales in the study of re-entrants. Thus, this thesis adheres to the rationale that foreign market re-entry decisions that fit the organisational capabilities and knowledge resources of the re-entrant firm should also take into consideration environmental contingencies such as pressures for legitimacy from institutional actors, institutional dilemmas associated with entering underdeveloped host market institutional environments and institutional changes occurring in the environment of the firm. Few scholars (notably, Brouthers et al., 2008a; Li et al., 2007; Xia et al., 2009) have, thus far, incorporated contextual, institutional variables in the theoretical reasoning of organisational learning perspectives and none have done so in the context of *foreign market re-entry* and *re-entrants*.

In fact, foreign market re-entry remains an understudied and theoretically overlooked area of research. Most of the extant research which focuses on *de novo* market entry decisions tends to view organisational behaviour as predominantly rational and economic driven, focusing on the risks, costs and benefits of exploiting firm-specific advantages in foreign markets (i.e. organisational economics theories). Studies relying on traditional market entry theories such as TCE and or the Uppsala stage model of internationalisation have been criticised primarily for their limited ability to explain firm behaviour beyond the initial foreign market entry decision. Following the analysis of the literature, I concluded that a line of research based entirely on transaction cost rationales or Uppsala model of internationalisation is unlikely to yield significant insights into foreign market re-entry phenomena. Hence, while the early market entry literature (i.e. TCE, industrial organisation view, Uppsala theory) made significant contributions to the IB literature, more recent studies draw from theories that are growing in popularity in the broader management literature. Theoretical perspectives such as organisational learning emphasise the role of knowledge and experience resources by focusing not only on experiential knowledge but

also general experience with operating internationally, knowledge associated with a specific decision and knowledge associated with learned behaviours and routines developed over time.

In regards to extant organisational learning literature, perhaps surprisingly given the numerous critiques attributed to it (Blomkvist and Drogendijk, 2013; Delios and Henisz, 2003; Forsgren, 2002), experiential learning remains “the most analysed source of foreign knowledge acquisition” (Casillas et al., 2015, p. 103). Knowledge and learning about foreign markets are expected to play a key role in the internationalisation process because understanding how to operate in a host market makes foreign entrants more confident in their ability to perform there leading, for instance, to increased market commitment. Extant research on *de novo* entry decisions continuously supports such a view that multinational firms are expected to acquire experience and make entry mode and timing decisions in a path dependent process. Yet, the extant research on *de novo* market entry has largely been conducted based on the assumptions that international expansion is a linear and irreversible process, and thereby firms can only deal with host market uncertainty by exploiting previously accumulated knowledge and experience.

Conceptually, this study proposed that, although *de novo* foreign market entry decisions may be rational, the re-entry behaviour of firms is less straightforward making room for the behavioural and sociological explanations that underlie re-entry phenomena. In particular, a key proposition of this study is that, whilst *de novo* entry has the potential to offer a partial conceptual explanation for re-entry decisions, due to similarities that may exist between initial entry and re-entry, differences are expected to exist between the two internationalisation decisions. Key differences expected between *de novo* entry and re-entry are related to three main points, namely *the nature of market exit motivations*, *the duration of the time-out period* and *the changes that may have occurred in the host institutional environment* between market exit and re-entry. These three points are examined together with other market entry variables to study the re-entry commitment choices and re-entry timing decisions of developed and emerging foreign market re-entrants.

Indeed, it cannot be discounted that re-entrants may possess, and potentially benefit from possessing knowledge and experience from their initial market foray in order to manage the uncertainties associated with re-entering a previously exited host market. When examining the host markets re-entered, this study found that developed market re-entrants, in particular, tend to be more likely to re-enter markets dissimilar to their own (i.e. emerging), when in possession of superior prior experience resources (*Table 7.3*). That said, empirical results provide strong support for the idea that prior experience accumulated over time, *on its own*, does not necessarily lead to organisational learning, nor does it significantly influence key aspects of the re-entry process such as re-entry commitment (*Table 7.1*) or re-entry timing decisions (*Table 7.2*). In turn, this begs the question: *Do re-entrant organisations really learn from their knowledge and experience accumulated over time? And if so, is this knowledge transferable to new decisions such as re-entry commitment/timing?* In fact, this study demonstrated empirically that re-entry commitment decisions tend to rely more on paradigms of interpretation of the market exit process

than prior knowledge and experience accumulated over time. For instance, re-entrant firms which had exited as a result of poor performance with their previous commitment mode are those more likely to re-enter by changing the mode in which they were operating prior to exiting.

In turn, relying on prior knowledge and experience may lead to organisational inertia in that the more experienced the re-entrants, the less likely they are to alter modes of commitment upon re-entry, even when those modes resulted in poor performance and subsequently, exit. What is more, re-entrant firms are not more likely to respond to favourable institutional changes by increasing their resource commitment when they have accumulated more prior international knowledge and experience. For re-entry commitment decisions in particular (see *Table 7.1*), “within-form” experience was highly relevant in that, all else considered, most re-entrants tend to re-enter foreign markets via the same modes of commitment in which they were operating prior to exit. Extant literature emphasises the positive effects of learning from prior experience, in that learning accumulated over time leads to increased confidence and a greater propensity to opt for higher resource commitment. In contrast to this literature, this study shows that prior experience do not always broaden re-entrants’ capabilities to learn nor do they always increase the absorptive capacity of the re-entrant. This means that foreign market re-entrants tend not to learn from experience accumulated in the past, nor leverage such experience when deciding how to re-enter, i.e. whether or not to escalate or de-escalate commitment upon re-entry.

In regards to whether and how firms learn from prior experience when making re-entry timing decisions (see *Table 7.2*), prior experience has a negative effect on how long firms wait before re-entering. More experienced re-entrants tend to wait longer before re-entering, meaning that other factors may affect the re-entrant’s ability to timely benefit from prior knowledge and experience. This is in contrast with the idea that entry (or in this case, re-entry) timing is positively associated with the degree of experience of the foreign (re)entrant (Fuentelsaz et al., 2012; Gaba et al., 2002; Isobe et al., 2000). Even when looking at re-entry timing, motives for exit have a higher explanatory power than prior knowledge and experience, in that firms are more likely to be late re-entrants when exit is involuntary (meaning that they need to wait until regulations change and re-entry is permitted) and early re-entrants when exit is associated with poor performance or strategic exit. Furthermore, mode of commitment in the host market had a more observable effect on re-entry timing than prior experience, in that late re-entrants tend to be firms which were previously operating in the host market via wholly owned subsidiaries. Whilst deep involvement in the market translates into more learning for initial entrants, re-entrants interpret the exit process negatively when exiting wholly owned subsidiaries, as this means they may have incurred more losses following exit, thus also waiting longer to re-enter. Therefore, in the case of foreign market re-entry timing decisions also, why re-entrants exit foreign markets influences significantly whether re-entrants benefit from experience accumulated in the past.

Theoretically, some interesting conclusions can be drawn regarding the applicability of extant organisational learning and institutional legitimacy rationales for re-entry and re-entrants. The

link between prior experience, knowledge, organisational learning and strategic (re)entry decisions may be less straightforward than thus far theorised. Indeed, it is difficult to anticipate what lessons firms learn from their prior experience and (re-entrant) firms may, in fact, learn more from their failures (i.e. the market exit experience) than they do from their successes.

Whether or not prior experience accumulated over time becomes organisational learning that can be utilised in future decision making may depend significantly on re-entrant firms' own interpretations of the exit process, the re-entry opportunities available to them and the changes that may have occurred during the time-out period between market exit and market re-entry. Furthermore, managers may have their own frames of reference dictating how much is remembered from prior experience and how new opportunities such as re-entry are perceived. In regards to the effect of organisational learning specifically, this study proposes that re-entrant firms may not always be able to establish a cause and effect relationship between their first foray into the foreign market and market re-entry. Re-entry, much like other strategic decisions may not be linear and unidirectional, but an iterative process of revisiting the phenomenon to unlearn prior routines and behaviours and learn the new "rules of the game". In turn, this may result in various interpretations of a strategic decision within the organisation, particularly over the market exit experience which, unsurprisingly, tends to add further complexity to the re-entry decision. Exit may carry a stigma of failure and add to the uncertainty of renewing operations in a foreign market, manifested particularly in regards to how and when firms re-enter. This may lead to firms unlearning or even forgetting prior routines and behaviours, responding to cues in their external (institutional) environments and or repeating prior decisions, such as prior commitment modes without incorporating some of the prior experience and learning into decision-making processes.

Previous international management and strategy research have repeatedly engaged with the idea that highly experienced (generally Western) multinational organisations tend to be more confident as well as strategically perceptive and therefore capable of altering their strategies successfully in response to changes in their internal and external environments. This study sheds light on this new breed of internationalisers, *re-entrants*, which, although in possession of market specific knowledge and experience, choose to be late re-entrants. What is most interesting is the strong explanatory power of prior entry modes on re-entry modes. The results of this study contradict the idea that prior experiential knowledge is a determinant of entry mode selection; specifically, that firms with prior host market-specific knowledge, such as re-entrants, tend to be more aggressive in their re-entry commitment decisions. This study's findings offer strong support for the idea that firms prefer an equity-based mode of re-entry if they have previously operated in that market via an equity-based mode, irrespective of their prior host market and or general international experience. For re-entrants, prior modes are established routines and may be seen as reference points to interpreting the re-entry process. From this, one might conclude that firms tend to revert to those decisions and behaviours most familiar to them when faced with highly complex and uncertain decisions, as with re-entrants returning to previously failed

internationalisations projects. This is strongly correlated to practice and to how firms display motivations to re-enter in the business press but are yet to re-enter.

The aforementioned ideas are valid for both developed and emerging market re-entrants which share more similarities than differences also contrary to what has been theorised. The study of re-entrants and their re-entry choices speaks directly to the idea of there being key differences between *de novo* entry and re-entry, concluding that re-entrant EMMs are a potentially different breed of EMMs compared to *de novo* entrants which are new (and later) to the international arena. The previous exploratory study on *who re-entrants are* revealed that EMMs use a range of commitment modes in their international forays, including non-equity commitment entries and re-entries. EMM re-entrants also tend to respond to changes in their host institutions, despite being stapled with not possessing the knowledge and experience resources of developed market multinationals. Again, experience may not be a prerequisite for re-entry in the manner in which it has been previously hypothesised. In fact, firms with less experience are also capable of strategic decisions that go beyond initial international expansion. Perhaps re-entry events somewhat bridge the great resource and experience gap purported between DMMS' and EMMs' strategies.

This thesis advanced the argument that observing host institutional changes presents an opportunity to combine institutional and learning perspectives in the context of foreign market re-entry. In particular, this thesis proposed that organisational unlearning may occur not only as a result of the interpretation of the exit process and or the duration of the time-out period but also as a result of overall changes in institutional pressures for legitimacy. Re-entrants' strategic decisions also result from attempts to unlearn existing rules of behaviour in order to learn new routines and behaviours necessary to remain legitimate in changing institutional environments. This study also addressed whether and how re-entrants' ability to learn and benefit from prior knowledge and experience vary with re-entrants' responses to institutional pressures for legitimacy and institutional changes. Particularly interesting is that the quality of host institutions, as well as the presence of other foreign firms attaining legitimacy in host institutional environments, are strongly associated with earlier market re-entries. This means that re-entrants may pay attention to cues in their institutional environments irrespective of the learning acquired from prior experience. Combining and integrating institutional and learning perspectives would provide a more comprehensive explanation of re-entry decisions. Extant institutional theory rationales have thus far proven to contribute significantly to explaining re-entry.

With few exceptions (e.g., Xia et al., 2009), extant studies make assumptions that host institutional environments are stable, thereby overlooking how institutional changes may influence international expansion decisions. In an organisational model that omits the role of institutional legitimacy and particularly, institutional changes, firms would be expected to learn about foreign markets and continue their expansion with relative ease, thus benefitting from the learning and experience accumulated in the past. In practice, based on the results obtained in this study, for re-entrants, this is not the case. Institutional quality and development and in

particular institutional change, take priority when firms consider how and when to re-enter as well as which markets to return to. This study illustrates empirically that re-entrants proactively respond to changes in their environments rather than continuing to exploit their prior learning and experience when making re-entry choices. This means that favourable changes in the host institutional environment of the firm during the time-out period create new opportunities for firms to acquire legitimacy in the market (Xia et al., 2009), as demonstrated by the positive effect of institutional transformation on the likelihood of re-entrants changing their commitment when re-entering the market. Furthermore, there is a positive effect of institutional changes on the likelihood of both developed and emerging market firms engaging in foreign market re-entries.

Although in the international management literature, scholars have been concerned with the heterogeneity that characterises firm decisions, particularly when faced with complex and changing environments (Chang, 1995; Henisz and Delios, 2001); the empirical findings in this thesis demonstrate that, irrespective of their previous knowledge and experience, the uncertainty associated with key (re)internationalisation decisions tends to be reduced when institutional environments are perceived favourably and or when host markets are highly attractive for the re-entrant firm, thus significantly increasing the chances of re-entrants displaying imitative behaviour. This means that learning from knowledge and experience accumulated over time is perhaps less useful than previously suggested, and in fact, firms that are rich in experience resources tend to be less flexible. Previous theorisations that champion the effect of organisational learning on firm behaviour have not contextualised the effect of learning from prior knowledge and experience. Consequently, including institutional rationales into an organisational learning perspective does not require an alteration of core concepts – prior knowledge and experience – but rather it requires a complex conceptualisation of the applicability and usefulness of prior experience to changing institutional environments, as well as looking beyond the initial market entry decision at new phenomena such as foreign market re-entry.

Implications for practitioners

Foreign market exit should not be viewed as a permanent solution for multinational firms whether they originate from developed or emerging market environments. In international business research, initial entry is commonly viewed as being an irreversible process. Yet, this study has shown that firms also re-enter previously exited foreign markets. From a practitioner's perspective, this means that firms which follow the prescription of irreversibility of international operations may miss out on potential host market opportunities if they do not consider re-entry as a viable strategic option. Since re-entrants are a breed of internationalisers the literature has been silent about (although as illustrated with examples, in practice, they are in fact, not a "new" breed of internationalisers at all), understanding what re-entrant firms *should* do when re-entering a previously exited market (i.e. the performance outcomes of their decisions), first requires a

good understanding of how re-entrants behave and more importantly, what the key antecedents associated with re-entry behaviour (and potentially re-entry performance) are.

For re-entrants, previous modes of operation reflect on how the firm chooses to re-commit to foreign markets. Operating via the same commitment mode may yield benefits in terms of salvaging some of the intangible (possibly even tangible) investments that were lost after exit. However, when this behaviour is driven by an attempt to reduce the uncertainty associated with re-entry, it may also represent an impediment to re-entrants exploiting previous experience and or responding to changes in their host environments via commitment choices. I propose that it is important for potential re-entrants to understand the contextual influence of the failed attempt in terms of both the role of the MNE's previous experience with the host market as well as the potential changes occurring in host institutional environments during the time-out period.

Firms that are encouraged by local institutions such as governments, to capitalise on host institutional changes may receive support and resources from key institutional actors in the local market (Meyer et al., 2009). This may decrease the need to possess significant experience with operating in the market. The choice of re-entering via a higher commitment equity mode may present risks in environments that have recently transitioned like some in this sample (Newman, 2000; Peng, 2003), but may also present benefits for firms to capitalise on growing host markets such as that of South Africa, where restrictions were imposed on foreign investment and foreign firms were forced to exit the market. The lifting of international trade barriers represents an opportunity to overcome potentially adverse market exit experience and invest more resources.

Interestingly, most firms in the sample operate in industry sectors where there are multiple commitment choices available to them and yet choose to return in the same manner in which they were operating prior to exit. This begs the question: *Is re-entry commitment behaviour indicative of learning myopia?* Little learning from prior experience accumulated over time characterises re-entry which means that other factors such as aforementioned institutional changes and exit motivations are prioritised in managers' calculations regarding re-entry. This also means that firms that are considered to be endowed with different levels of resources for *de novo* entry such as developed and emerging market MNEs are now on a more "levelled playfield" as the latter are no longer associated with a liability of newness from being late to the international arena. This also means that, irrespective of their home markets, *re-entrants* compete mainly on their abilities to recover after market exit and tune in to changes in their host institutions rather than competing on the basis of the resources and capabilities developed in the past.

In regards to foreign market re-entry timing in particular, there are several implications for practising managers. Most importantly, the quality of host institutions, the actions of other foreign entrants as well as a firm's own strategic intents and interpretations of potential strategic failures (i.e. market exit) matter for early re-entry. The motivation for early re-entry comes indeed in response to the behaviour of other foreign firms and implicitly, the need to overcome competitive pressures by acquiring institutional legitimacy and by re-entering before competitors move in.

Managers are more willing to re-enter markets early also when the resource investment prior to exiting was less significant such as in the case of joint equity ventures. Firms operating via wholly owned subsidiaries are therefore less susceptible to competitive pressures and short-term risks and more focused on recouping previous losses and preparing to set up new subsidiaries in the host market, as indicated by the tendency of firms to re-enter markets in the same manner in which they operated prior to exit. Since favourable host institutions favour early re-entries, re-entrants evaluate the level of business and political risk in host markets, making the locational features of re-entered markets particularly important for firms considering re-entry. This is more so the case when markets re-entered are central to their foreign expansion. For instance, Aviva's (UK) decision to re-enter Singapore came in 2010 when other Western insurers (e.g., Prudential Financial) re-entered the market and represented a platform to further their Asia strategy.

Following the empirical results, host institutions are the key enablers for re-entry, in that both developed and emerging market re-entrants are shaped by institutional pressures for legitimacy and institutional changes in terms of their strategic decisions such as when and how to re-enter. From a practitioner's perspective perhaps rather than worrying about local partners and other choices, the key determinant of re-entry (particularly for firms wishing to gain a competitive advantage over their competitors) should be the quality of host institutions (to decrease to risks of exit) and or when favourable institutional changes occur (to favour re-entry). Examples include highly experienced, global US technology companies Google and Yahoo that clashed with the Chinese government over issues such as censorship, leading to exit and difficulties in re-entering. As with *de novo* entry, *re*-entry may depend on firms' relationships with host institutions.

In other recent cases of re-entry, companies that perhaps do not want or have not planned to re-enter may be forced to do so by factors such as home market saturation, competitive pressures as well as pressures for growth and expansion. Peugeot Citroën's plans to re-enter the US market come at a time when no French car manufacturers have been able to penetrate the market since the 1990s and is posited to be part of the company's financial and strategic restructuring. This example illustrates the hurdles of being late to the market when all other automotive companies already have established dealers in the US or even manufacturing subsidiaries. Partnerships have not worked in the US market for companies such as Groupe Renault (France), which places further constraints on the re-entry commitment mode as a long time has passed since their exit (the 1970s for Citroën and 1990s for Peugeot) and unsurprisingly, no dealers of Citroën or Peugeot still exist in the US. There may be significant consequences of not having learned or not being able to transform prior knowledge and experience into organisational learning and routines, and subsequently leveraging the lessons learned when making foreign market re-entry decisions. These examples further emphasise the importance of not waiting too long before re-entering a previously exited market, particularly in competitive industries where opportunities may be lost and changes in competition (in developed markets) and institutions (in emerging markets) may make previous experience not applicable. Thus, waiting too long between exiting and re-entering a foreign market matters for re-entrants.

Table 7.1: Summary of findings Chapter 4

Hypotheses	Findings	Other comments
Hypothesis 1: <i>Ceteris paribus, prior experience will not influence the likelihood of commitment escalation over no changes in commitment or the likelihood of commitment de-escalation over no changes in commitment.</i>	Supported	Table 4.4, Model 2, page 100
Hypothesis 2a: <i>Ceteris paribus, favourable institutional changes occurring in the host market during the time-out period will positively influence the likelihood of commitment escalation over no changes in commitment.</i>	Supported	Table 4.4, Model 3, page 100
Hypothesis 2b: <i>Ceteris paribus, favourable institutional changes occurring in the host market during the time-out period will negatively influence the likelihood of commitment de-escalation over no changes in commitment.</i>	Not supported	No significant effect, Table 4.4, Model 3, page 100
Hypothesis 3: <i>The more experience re-entrants have, the less likely they are to escalate or de-escalate commitment in response to host institutional changes that have occurred during the time-out period and the more likely they are to return via the same mode.</i>	Partially supported	Supported for experience diversity on commitment de-escalation, Table 4.4, Model 4, page 100
Hypothesis 4: <i>Strategic exit will not have observable effects on the likelihood of commitment escalation or commitment de-escalation over re-entering via the same mode.</i>	Supported	Table 4.4, Model 5, page 100
Hypothesis 5: <i>Voluntary exit - poor market performance, poor performance with previous commitment mode - will increase the likelihood of commitment escalation and the likelihood of commitment de-escalation over re-entering via the same mode compared to involuntary exit, and this relationship is likely to be stronger for exit due to poor performance with previous mode.</i>	Partially supported	Supported for the effect of poor performance with entry mode for both escalation and de-escalation, Table 4.4, Model 5, page 100
Hypothesis 6: <i>Voluntary exit (poor market performance, poor performance with previous mode) will moderate the effect of experience on re-entry commitment, such that the more experience re-entrants have the more likely they are to escalate and de-escalate commitment than re-entering via the same mode, as compared to those which have experienced involuntary market exits.</i>	Supported	Table 4.5, Models 6, 7, page 101
Hypothesis 7: <i>Strategic exit will not have observable effects on the likelihood of commitment escalation or commitment de-escalation over returning via the same mode, irrespective of the degree of experience of re-entrants.</i>	Not supported	Table 4.5, Model 8, page 101
Hypothesis 8: <i>Ceteris paribus, firms are more likely to re-enter a foreign market in the same commitment mode in which they were operating prior to exit, and this relationship is stronger for non-equity commitment.</i>	Supported	Table 4.5, Model 9, page 101

Table 7.2: Summary of findings Chapter 5

Hypotheses	Findings	Other comments
Hypothesis 1: <i>The more experience re-entrants possessed at the time of market exit, the more likely re-entrants are to re-enter relatively soon after exiting (i.e. between 1 to 5 years).</i>	Not supported	A negative effect of host experiential knowledge and experience diversity on early re-entry, Table 5.3, Model 2, page 130
Hypothesis 2: <i>The better the quality of host institutions at the time of exit, the more likely re-entrants are to re-enter relatively early (i.e. between 1 to 5 years).</i>	Supported	Table 5.3, Model 3, page 130
Hypothesis 3: <i>The more attractive the host market at the time of exit, the more likely re-entrants are to re-enter relatively early (i.e. between 1 to 5 years).</i>	Supported	Table 5.3, Model 4, page 130
Hypothesis 4: <i>A re-entrant's prior experience moderate the positive effects of host institutional development on early re-entries (i.e. between 1 to 5 years).</i>	Supported	Supported for experience intensity, Table 5.3, Model 5, page 130
Hypothesis 5: <i>A re-entrant's prior experience moderate the positive effects of host market attractiveness on early re-entries (i.e. between 1 to 5 years).</i>	Not supported	No significant effects found, Table 5.3, Model 6, page 130
Hypothesis 6: <i>Firms that were previously operating via non-equity modes are more likely to re-enter relatively early (i.e. between 1 to 5 years).</i>	Not supported	No significant effects found, Table 5.3, Model 7, page 130
Hypothesis 7: <i>Firms that were previously operating via joint equity modes are more likely to re-enter relatively early (i.e. between 1 to 5 years).</i>	Supported	Table 5.3, Model 8, page 130
Hypothesis 8: <i>Firms that were previously operating via wholly owned modes are less likely to re-enter relatively early (i.e. between 1 to 5 years).</i>	Supported	Table 5.3, Model 9, page 130
Hypothesis 9: <i>Where market exit is voluntary - strategic exit, poor market performance, poor mode performance – firms are more likely to re-enter relatively early (i.e. between 1 to 5 years) compared to when the market exit is involuntary.</i>	Supported	Table 5.4, Models 10-12, page 131
Hypothesis 10: <i>Where there is strategic intent, firms will be more likely to re-enter relatively early (i.e. between 1 to 5 years).</i>	Supported	Table 5.4, Model 13, page 131

Table 7.3: Summary of findings Chapter 6

Hypotheses	Findings	Other comments
Hypothesis 1a: <i>The more prior experience re-entrants possess, the more (less) likely they are to be DMMs re-entering emerging (developed) host markets.</i>	Supported	Supported for general experience intensity and diversity, Table 6.3, Model 2, page 162
Hypothesis 1b: <i>The more prior experience re-entrants possess, the more (less) likely they are to be EMMs re-entering emerging (developed) host markets.</i>	Supported	EMMs experience is host region related, Table 6.4, Model 10, page 163
Hypothesis 2a: <i>Changes in commitment (escalation and de-escalation) are more (less) likely to occur when DMMs re-enter emerging (developed) host markets.</i>	Not supported	Table 6.3., Model 3, page 162
Hypothesis 2b: <i>Changes in commitment (escalation and de-escalation) are more (less) likely to occur when EMMs re-enter emerging (developed) host markets.</i>	Supported	Supported for commitment escalation, Table 6.4, Model 11, page 163
Hypothesis 3a: <i>DMMs are likely to re-enter developed markets earlier and be later re-entrants into emerging markets.</i>	Supported	Table 6.3, Model 4, page 162, see also Figure 6.2, page 158
Hypothesis 3b: <i>EMMs are likely to re-enter developed markets earlier and be later re-entrants into emerging markets.</i>	Supported	Table 6.4, Model 12, page 163, see also Figure 6.2, page 158
Hypothesis 4a: <i>DMMs are more likely to re-enter emerging markets that have undergone favourable institutional changes.</i>	Supported	Table 6.3, Model 5, page 162
Hypothesis 4b: <i>EMMs are more likely to re-enter emerging markets that have undergone favourable institutional changes.</i>	Supported	Table 6.4, Model 13, page 163
Hypothesis 5a: <i>DMMs are more likely to re-enter emerging (developed) markets characterised by high market attractiveness.</i>	Partially supported	There is a positive relationship between market attractiveness and re-entry into developed host markets, Table 6.3, Model 6, page 162
Hypothesis 5b: <i>There will be no observable effect of host market attractiveness on EMMs' re-entries, irrespective of the host markets re-entered.</i>	Supported	Table 6.4, Model 14, page 163
Hypothesis 6: <i>Motivations to re-enter may vary between DMMs and EMMs irrespective of host markets re-entered.</i>	Partially supported	Table 6.3-6.4, Models 7 and 15, pages 162-163

The theoretical implications and contribution of re-entry research in relation to what we already know about the foreign market entry literature are summarised in *Table 7.4* below.

Table 7.4: Contributions to the literature: *Re-entry* versus “de novo” entry

“De novo” foreign market entry literature assumptions	Foreign market re-entry findings
<i>Foreign market entry is an irreversible, win or lose process whereby market exit tends to be viewed as permanent</i>	Foreign market exit is not always permanent as firms re-enter previously exited foreign markets after a period of time out.
<i>Prior knowledge and experience provide a reference point to understand the foreign market entry decisions of firms</i>	There were no significant effects of experience on re-entry decisions
<i>Knowledge and experience accumulated in the past generally have a positive effect on organisational learning</i>	For re-entrants, it is not just the experience accumulated in the past but how market exit is interpreted. Firms learn more from their failures than their successes meaning that the relationships between knowledge, experience, learning and re-entry choices are not as straightforward.
<i>Experiential knowledge is the most effective source of organisational learning</i>	Firms may place more emphasis on the characteristics of the knowledge acquired such as its recency (i.e. duration of time-out) or proximity to the organisational decision rather than general knowledge about the market.
<i>Knowledge and experience accumulated in the past make firms more confident in their ability to perform in the foreign market leading to increased resource commitment over time</i>	Firms tend to lean more on paradigms of interpretation of the exit experience rather than learning from experience. This suggests that prior learning is not necessarily transferable to new decisions.
<i>Firms tend to reduce the uncertainty associated with foreign markets by repeating the same entry mode commitment decisions leading to “learning inertia”</i>	Indeed, some re-entrants tend to re-enter via the same commitment mode in which they were operating prior to exit unless that mode underperformed in the initial foray.
<i>Knowledge and experience accumulated in the past reduce host market uncertainty increasing the likelihood of firms becoming early entrants</i>	Host market knowledge has a negative effect on early re-entries meaning that not all experiences become routines and lead to learning. Organisational unlearning can occur after a time-out period either voluntarily or involuntarily.
<i>Institutional environments are stable over time and thus the knowledge and experience accumulated in the past can be exploited in future decisions</i>	The past is not always a good predictor of the future, particularly when the experience accumulated in the past is not in line with changes in institutions. Favourable institutional change tend to create legitimacy opportunities for re-entrants.
<i>Firms repeat organisational practices that have gained them legitimacy in the past</i>	Firms may repeat the same strategies that were in place prior to exit (e.g., commitment modes) unless those practices were, in themselves, a motivation to exit the market.
<i>Highly restrictive host institutional environments motivate investors to operate via co-operation modes to facilitate local market adaptation</i>	Indeed, unfavourable host institutional changes decrease the likelihood of commitment escalation upon re-entry.
<i>Possessing learning and experience makes firms less sensitive to institutional idiosyncrasies</i>	Re-entrants pay attention to cues in their host institutions irrespective of prior experience
<i>Organisations sharing the same environment tend to be isomorphic with one another</i>	Imitative behaviour tends to influence the re-entry timing choices of DMMs but not of EMMs.
<i>EMMs and DMMs are different in their foreign market entry motivations and strategic decisions.</i>	There are more similarities than differences between EMM and DMM re-entrants concerning why, when and how they re-enter.
<i>EMMs do not have the necessary resources and capabilities to compete with DMMs</i>	General experience may not be a prerequisite for re-entry as EMMs re-enter both developed and emerging markets.
<i>The acquisition of superior resources such as knowledge is the reason why EMMs engage in commitment modes such as M&As</i>	EMMs re-enter via different forms of commitment including greenfield, M&As as well as co-operative and non-equity commitment modes.
<i>EMMs are not sensitive to institutional idiosyncrasies of other emerging host markets</i>	EMMs re-enter emerging markets generally when those markets have undergone favourable institutional changes thus reacting to host market institutional cues.

Methodological limitations

The main limitations relate to the availability of data. In a nutshell, business press articles published in databases such as Factiva and LexisNexis generally cover news about large, predominantly multinational firms, whereas very few articles are written on smaller organisations re-entering foreign markets. This is perhaps due to the “celebrity” status of larger multinationals as well as the potentially greater impact associated with relatively larger firms re-entering a foreign market after having abandoned their operations there. Indeed, we also know that small exporters tend to exit and re-enter foreign markets on a regular basis as part of their international business model, however, this is not reflected in the data, as over 85 percent of re-entrants are large firms. This said, my review of studies on market entry related topics reflects similar constraints, and the study of larger, public firms is preferred precisely because more firm level as well as re-entry specific data is more likely to be accessible for large organisations.

It should also be highlighted that due to the heterogeneity of the sample (several home and host markets, various industries and different exit and re-entry points in time), there is some degree of researcher discretion in the choice of variables to match the availability of data. Most relevantly, the measures of organisational learning comprise how firms learn from direct experience. Other sources of learning are not captured in this study. Hence, it would be interesting to replicate this study by also examining whether firms learn from the experience of others via business and or institutional networks, or how learning from operating in one market may be transferred into a different market to develop an even better understanding of *how* specifically organisations develop paradigms to learn from different types of experience. It may be that internal and or external (other than institutional) changes have occurred in the time-out period that have not been captured which, in turn, may positively as well as negatively affect the ability of re-entrant firms to benefit from, and exploit prior knowledge and experience (e.g., this may include more specific and minute changes in the regulations and practices of different industries not captured by the institutional measures used).

Aside from the variables used in the empirical analysis (i.e. changes in host institutions, changes in market attractiveness, changes in management and so on) I have not been able to gather even more specific further information about re-entrants' strategic decisions following the market exit - such as whether some firms are exiting one market and re-entering another, shutting down all international operations, re-entering markets similar to the one exited therefore, potentially acquiring more up-to-date experience and so on – which could have served as explanatory variables to further distinguish between foreign market re-entries and re-entrants. In particular, none of the variables captures what modes of commitment re-entrant firms have used in other international forays and whether there is a pattern that can be identified in their decisions, thus leading to re-entry via the same commitment modes. Having said this, re-entrants in the database originate primarily from industries where various entry/re-entry commitment modes are traditionally used such as in retail and automotive sectors (it should be mentioned here that, for

firms operating in industries such as the fast food industry, where franchises are the most frequently utilised commitment mode strategies, additional robustness checks were conducted).

Finally, similar to most studies, this study focuses on formal institutions. Hart (2001) argued that it is difficult to “incorporate informal norms into the theory of organizations... although there has been some interesting recent work on this topic, this work has not to date greatly changed our views about the determinants of organizational forms.” (p. 15); partly explaining why the literature on the effects of institutional pressures for legitimacy focuses on formal institutions. In turn, this study coded for “motives for exit” and “motives for re-entry” in order to capture the potential effect of informal institutions, i.e. the unwritten ‘rules of the game’ in driving re-entrants out of the market and or potentially preventing their timely re-entry into previously exited markets. Furthermore, every effort was made to ensure that various sets of measures were used reflecting host institutional pressures for legitimacy and *changes* in the formal institutions of host markets.

Directions for future research

This section covers five broad directions for future research for scholars interested in re-entry. First, in the hypotheses and empirical tests, this study refers broadly to the effect of an increase in firm experience on re-entry commitment, without investigating the different thresholds of experience that may affect re-entry commitment differently. At a given level on the experience curve, knowledge absorption could be optimal allowing the firm to learn and capitalise on its prior experience. After a given level of experience, re-entrants may become inert and overconfident in their knowledge base and perhaps less able to embrace, and adapt to, changes in their environments. Future research could examine in detail at what levels of experience firms decide to change their commitment upon foreign market re-entry. Given the importance that prior knowledge and experience have received in market entry literature, it would be useful to better understand whether re-entrants tend to accumulate a certain level of experience before venturing back into a previously exited foreign market and the effect of this decision on the type of re-entry commitment chosen. Although the empirical evidence thus far indicates that re-entry decisions are not influenced by experience accumulated over time, the link between prior experience, learning and re-entry decisions may not be as simple as this, since this is merely preliminary research on the re-entry phenomenon. Thus, it would be interesting to assess which types of experience matter and when. Prior experience accumulated over time may be more relevant when paired with learning from business networks and home and or host institutional relationships. Here, one might also consider whether, in the context of uncertain decisions such as that of foreign market re-entry, institutional ties have the potential to replace the need for other firm level resources such as prior knowledge and experience. By introducing resource based and organisational learning rationales to extant theorisations, scholars could contribute to the limited literature on the characteristics of firms that can leverage their resources beyond initial market entry (i.e. re-entrants) and whether and how investment location matters.

Second, at present, the data does not capture firms which have exited foreign markets and have, to date, not renewed their operations there. In fact, following more recent notable examples of companies such as Peugeot (in the US), Google (in China), Virgin Media and Nokia (in India) and so on, there is a gap between showing interest in previously exited markets and firms actually re-entering. Future research could consider more fully *why* some firms re-enter foreign markets and whether the motivation to renew operations is related to the re-entry commitment decision or the decision to wait longer prior to re-entering. Furthermore, it would be interesting to compare and investigate in more detail whether the re-entry motivations of firms differ not only amongst developed versus emerging market re-entrants but also amongst re-entrants from different emerging home markets. For this, primary case study research could provide insight into the uncertainty and cognitive boundaries surrounding re-entry, by delving deeper into how and why firms make strategic decisions such as re-entry. In particular, one might expect this would also show the extent to which other factors may be at play when firms make re-entry commitment decisions that influence their direction of involvement in the foreign market. This may be of particular relevance since we now know that commitment escalation and de-escalation are driven by dissimilar factors. It would be interesting to further address the issue of why some re-entrants align themselves with institutional environments and others appear not to respond in a timely manner to institutional changes, thus delaying their decision to re-enter the market.

Third, this study has focused on understanding the foreign market re-entry phenomenon by explaining and interpreting the antecedents of re-entrants' behaviour and key strategic re-entry decisions. Consequently, an important question that I have not been able to answer here concerns the consequences of foreign market re-entry decisions, particularly to provide more concrete recommendations as to what re-entrant firms *should* do and which strategy is most profitable. Therefore, a fruitful area for future research would be to examine the performance implications of foreign market re-entry decisions. For instance, early (re)entry is expected to provide firms with competitive advantages in foreign markets, whilst later (re)entrants are expected to potentially benefit from the experience and strategic decisions of their more impatient counterparts. Hence, there may be merit in investigating the following question, "*Do early re-entrants truly perform better than later re-entrants*"? Furthermore, equity modes of commitment have been associated with better performance outcomes (e.g., Chen and Hu, 2002; Ripolles and Blesa, 2012), which begs the question "*Does re-entering via equity commitment modes also lead to better performance for re-entrants as it does for de novo entrants*"? Also, all else considered, a topical question at present would be: "*How do EMMs perform compared to their developed market counterparts and does this vary with the host markets re-entered*"? A growing number of studies generalise concerning the failed internationalisation attempts of some firms from emerging markets; yet, the experience of serial re-entrants such as *Tata Motors Ltd.*, *Aptech Ltd.*, *Claris Lifesciences Ltd.*, *Life Insurance Corporation of India (India)*, *Chery Automobile Ltd.*, *TCL Group*, *Haier Group*, *Lenovo Group Ltd. (China)*, *SABMiller PLC.*, *Foschini Group*, *Old Mutual PLC. (South Africa)*, *Proton Holdings Bhd. (Malaysia)* reflect otherwise.

Also concerning the performance implications of re-entry decisions, a further avenue for exploration is to investigate whether firms that have exited and re-entered a foreign host market ultimately perform better than those which have initially entered and remained there. Again, using the example of the French automaker *Peugeot*, whilst the company abandoned its US operations in the early 1990s, other automakers such as *BMW* and *Volvo* (which operate in the US at present) remained and endured the weak auto sales and operating losses around that recession period. These are particularly important questions because, in the case of imminent failure, it is important for firms to understand how to reverse their entry course into key host markets as well as understand which strategies have proved more successful for other foreign market re-entrants. Overall, discussions on the implications of initial market entry or market exit should also incorporate discussions about foreign market *re-entry* as they are often inter-linked.

Fourth, the study has not examined the network level of analysis in the context of foreign market re-entry. Perhaps some re-entrants rely on home and or host network-based resources, that have the potential to facilitate as well as constrain their progress in different (developed versus emerging) host markets. We know little about what network relationships are most valuable and whether network resources, such as founders' social capital, are more beneficial when re-entering developed host markets, than for instance, home government ties. Thus far, networks have been studied in a static manner, generally by testing the effect of factors such as the number of executive social ties (Zhao and Hsu, 2007) or linkages with various domestic government and financial institutions (Bianchi, 2009), whilst the effects of the different networks may not be independent of each other. A better understanding of network dynamics would be a topical area of research at present and may also help researchers recognise whether and how firms adapt their re-entry strategies such as commitment modes, to potentially reinstate their roles in their host market networks following the period of time spent out of that host market.

The fifth and final point is that it may prove useful for future re-entry research to consider whether the international decisions and performance of private sector both DMMs and EMM re-entrants may be more linked to individual factors such as managerial characteristics and abilities than institutions (Bianchi, 2009; Bonaglia et al., 2007). Scholars could examine and compare the role of decision makers in shaping both DMMs' and EMMs' re-entry commitment and timing, thereby assisting them to derive value from their re-entry decisions. In emerging markets, where the "rules of the game" are highly informal, a contribution could be made by investigating not only the role of formal institutional actors (e.g., governments) but also the micro-foundations of management research because individuals and their interactions may matter significantly to the usefulness and application of prior learning as well as to how re-entrants interpret the initial entry and exit process and subsequently re-create and re-capture value internationally. This thesis concludes that key questions about the foreign market re-entry strategies of firms are yet to be answered, which in turn provides opportunities for researchers interested in the area of *re-entry*.

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APPENDIX 1: Systematic review methodology

Chapter 1 adopted a systematic review approach to capture an extensive and diverse body of the market entry literature and minimise researcher bias (Transfield, Denyer and Smart, 2003). This review is part of a paper published in IBR - Surdu, I. & Mellahi, K. (2016). "Theoretical foundations of equity based foreign market entry decisions: A review of the literature and recommendations for future research". *International Business Review*, 25(5): 1169-1184. In line with the review scope, I excluded studies where the unit of analysis was business groups and macro country, industry, or subsidiary level studies and excluded studies focusing on activities related to post-market entry such as subsidiary knowledge transfer.

Literature search

The literature search followed the standard approach used to review international business (IB) studies (e.g., Jormanainen and Koveshnikov, 2012). This limited the 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)*. Only journals that were indexed in the ISI Web of Knowledge database were included. The inclusion of broad and specialist journals helps ensure a representative coverage of the foreign market (re)entry literature which transcends IB.

The sample

The next step was to identify the articles to be reviewed. Whereas some authors (e.g., Jormanainen and Koveshnikov, 2012) use keyword searches to identify the articles in their reviews, I decided to manually search all issues of selected journals published between 1970 and 2013. The initial piloting using keywords suggested that a number of papers do not use foreign market entry in the title, abstract and/or keywords. Then, I chose to include articles published since the 1970s in order to provide a comprehensive review as possible, but also because early studies still inform current foreign market (re)entry research. In the initial stage of the sampling selection, I read all abstracts and identified all articles whose title and abstract referred to, and or focused exclusively, on foreign market entry and or re-entry decisions. While identifying the papers, the focus was on judging from the title and/or abstract the paper examined exclusively market entry/re-entry decisions. 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, I read carefully the introductory and methodology sections to ensure that they were relevant and correctly classified and coded. 257 articles were eliminated. 1,055 academic articles were included in my analysis of the foreign market entry/re-entry literature.

In the final step of the sampling process, I read the 1,055 articles to extract relevant information using a standard protocol which includes the focus of the paper on a specific market entry decision, theoretical perspective(s) used, author citations, and key findings. Given the long time span, and similar to other reviews (e.g., Xu and Meyer, 2013), I categorised articles into “episodic” periods and used ten-year time frames to facilitate the analysis. Then, I classified the articles according to the theoretical lens(es) adopted. The theories can be grouped into two broad categories: “traditional” IB/foreign market entry 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 foreign market entry field around the 1990s and have become increasingly popular in the 2000s. The latter group includes primarily resource-based perspectives¹³, institution-based views, network theory and real options theory¹⁴.

Publication patterns, types of articles, and general citation structure

The current outpouring of foreign market entry 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 1.3* illustrates the pattern of publications over time. The table reveals the space devoted to foreign market entry research relative to other management topics published in mainstream journals. The publication pattern reveals that, despite the apparent growth in the number of papers, foreign market entry studies continue to represent a small proportion of the total number of studies published in management journals, from one percent in the 1990s to still fewer than two percent in the 2000s. In turn, foreign market entry studies are published predominantly in core IB journals (82 percent, 862 articles). Specifically, between 2000 and 2013, around 18 percent of studies published in IB journals were on foreign market entry. Most of the studies during the latter period deal with foreign market entry decisions in emerging markets. Overall, JIBS published the highest number of foreign market entry papers (25 percent, 267 studies), followed by IBR (182), MIR (175) and JWB (162).

As shown in *Table 1.3*, foreign market entry studies represent just one percent of the total number of studies published in generic management journals since the 1970s; in part, as per the discussion in *Chapter 1*, due to the prevalence of studies drawing on traditional theories such as internalisation/TCE theory. This said, of the 193 foreign market entry articles published in generic management journals, nearly 60 percent were published in the 2000s (133 studies) which suggests that the foreign market entry literature may be starting to gain some relevance within the broader management community. As explained in the main body of this thesis, this increase observed in the number of foreign market entry papers published in management journals in the

¹³ I included not only Barney's (1991) resource based view, - but classified organisational (dynamic) capabilities, and organisational learning theories under resource based theories (see Meyer and Peng, 2005). Furthermore, the knowledge based view was also added 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 (see Phelan and Lewin, 2000, for a more detailed discussion).

¹⁴ Real options theory has not been discussed in an individual section in light of the (still) small number of studies.

1990s and more so in the 2000s corresponds with foreign market entry scholars borrowing theories and concepts that are popular in management, such as resource and institution based theories. The foreign market entry literature is dominated by empirical studies representing around 80 percent (838 studies), with conceptual studies (including 26 reviews) representing 14 percent (149 studies), followed by perspectives and commentaries (five percent, 54 studies) and meta-analyses (one percent, 14 studies). Amongst empirical studies, there is a strong propensity towards quantitative methodologies (88 percent, 740 studies), typically using regression analysis of survey data. These findings reflect the fact that leading IB journals in the field have traditionally been dominated by quantitative methodologies. *Table 1.4* classifies empirical and conceptual studies according to each major strand of theoretical perspectives. As it can be observed in *Table 1.4*, there is a small proportion of conceptual studies, potentially signalling that fewer efforts are directed towards developing foreign market entry (or re-entry) specific theories, or towards tailoring and refining existing perspectives.

The citations analysis for foreign market entry papers in our sample is provided in *Table 1.5*. A majority of market entry papers (74 percent) have received less than five citations per year, of which eight percent 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 initial market entry studies have become truly influential in the academic community.

Furthermore, as mentioned in Chapter 1, the analysis revealed that some of the theories are more influential and cited more than others. *Table 1.2a* and *Table 1.2b* (Chapter 1, pages 31-32) illustrated the most impactful studies drawing on each major theoretical strand. Traditional foreign market entry 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 non-traditional theories, i.e. resource-based and institution perspectives, foreign market entry 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). In *Table 1.2a* and *Table 1.2b*, special attention is paid to the degree to which ideas incorporated in market entry theories have received empirical support, for which reason, the analysis of the literature examines systematically whether some of these 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”).

Table 1.3: Publication patterns of foreign market entry studies in top journals (1970-2013)

Period	Generic management journals ^a									IB journals ^b						Overall no. of foreign market entry studies/year	Overall no. of studies /year		
	Number of foreign market entry studies									Number of foreign market entry studies									
	SMJ 1980	JMS 1964	AMJ 1958-	OS 1990	OSS 1980	AMR 1976	MS 1955	JM 1975	Foreign market entry /Total studies	%	JIBS 1970-	MIR 1960-	IBR 1993-	JWB 1965-	JIM 1998-	Foreign market entry /total studies	%		
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 foreign market entry 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

^aSMJ = 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; ^bJIBS = Journal of International Business Studies; MIR = Management International Review; IBR = International Business Review; JWB = Journal of World Business; JIM = Journal of International Management.

Table 1.4: Distribution of broad types of foreign market entry 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 1.5: General citation structure in foreign market entry 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%
<i>of which</i> "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

APPENDIX 2: Most influential multi-theoretical studies

Table 1.6: Most influential multi-theoretical studies, empirical findings and contributions (2000-2013)

	Theory	J	TC	Author(s)	Y	TC/Y
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
2	TCE/Internalisation theory, RBV, Organisational learning theory	AMJ	676	Hitt, M. A.; Hoskisson, R. E.; Kim, H.	1997	37.56
3	RBV, Institutional theory	SMJ	224	Meyer, K. E.; Estrin, S.; Bhaumik, S. K.; Peng, M. W.	2009	37.33
4	TCE/Internalisation theory, Institutional theory, Cultural distance theory	JIBS	273	Brouthers, K. D.	2002	21.00
5	Organisational economics theories, RBV, Institutional theory	JIBS	195	Meyer, K. E.; Peng, M. W.	2005	19.50
6	TCE/Internalisation theory, Organisational capabilities theory	SMJ	304	Madhok, A.	1997	16.89
7	TCE/Internalisation theory, Cultural theory, Knowledge-based view	SMJ	196	Chang, S.-J.; Rosenzweig, P. M.	2001	14.00
8	TCE/Internalisation theory, Organisational learning theory	AMJ	81	Li, D. A. N.; Eden, L.; Hitt, M. A.; Ireland, R. D.	2008b	11.57
9	TCE/Internalisation theory, Knowledge-based view	JIBS	134	Martin, X.; Salomon, R.	2003	11.17
10	Organisational economics theories (Hymer; Caves), Institutional theory, RBV	AMJ	150	Isobe, T.; Makino, S.; Montgomery, D. B.	2000	10.00
11	TCE/Internalisation theory, Institutional theory	JIBS	138	Lu, J. W.	2002	10.62
12	Institutional theory, Organisational learning theory	JM	84	Gaur, A. S.; Lu, J. W.	2007	10.50
13	RBV, Institutional theory	JM	70	Brouthers, K. D.; Brouthers, L. E.; Werner, S.	2008a	10.00

Note: Studies included 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

APPENDIX 3: Robustness checks for Chapter 5 on re-entry timing

Table 5.5. Results of the binomial regression – Base model and EXPERIENCE effects^{a,b,c}
(***p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 1				Model 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-0.99***	0.00	-1.42***	-2.28***	-1.08**	0.12	-1.03**	-2.68***
Host experiential knowledge					-0.01	-0.01	0.00	0.01
Host experience intensity					0.08	0.08	0.14	-0.26*
Host experience diversity					-0.08	-0.14	0.08	0.11
<i>Controls</i>								
Firm age	-0.01***	-0.01**	0.00	0.01***	-0.01*	-0.01**	0.00	0.01***
Firm size ^b	0.01	-0.12***	0.04	0.09**	0.02	-0.10***	0.00	0.09**
Already present in the market	0.14	0.53**	-0.23	-0.43*	0.07	0.61**	-0.21	-0.47*
Regionalisation	0.05	0.33*	-0.44**	0.09	0.09	0.25	-0.40*	0.10
Automotive	0.12	-0.34	-0.24	0.40†	0.18	-0.20	-0.34	0.35
Retail	0.67**	-0.24	-0.39	-0.09	0.39	-0.17	-0.29	0.06
Financial	0.13	0.36	-0.29	-0.34	-0.06	0.38	-0.23	-0.24
Consumer electronics	0.14	-0.55	0.54†	-0.62†	0.31	-0.53	0.61†	-0.63
<i>Model indices</i>								
-2 Log likelihood	1040.2	1009.3	1054.1	985.4	919.2	911.5	940.2	881.2
Chi-square	30.905***	53.022***	23.474**	72.424***	23.375*	50.838***	22.191*	65.799***
N	949	949	949	949	848	848	848	848

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.6. Results of the binomial regression – Effects of HOST INSTITUTIONAL DEVELOPMENT and FDI inflows^{a,b,c} (**p<0.001; *p<0.01; †p<0.05; ‡p<0.10)

Variables	Model 3				Model 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-2.64***	-2.17***	-1.40**	1.47**	-1.19***	-0.16	-1.36***	-2.28***
Host institutional quality	0.23***	0.28***	0.01	-0.56***				
FDI inflows^b					0.36*	0.26	-0.52**	-0.22
<i>Controls</i>								
Firm age	-0.00*	-0.00	0.00*	0.00	-0.01**	-0.00	0.00†	0.01**
Firm size ^b	0.01	-0.10***	0.03	0.08**	0.01	-0.10***	0.02	0.10**
Already present in the market	-0.07	0.31	-0.31	0.15	0.09	0.52**	-0.30	-0.33
Regionalisation	0.03	0.34*	-0.43**	0.11	0.04	0.30†	-0.35*	0.06
Automotive	0.15	-0.25	-0.24	0.35	0.17	-0.31	-0.15	0.22
Retail	0.53*	-0.33	-0.47	0.36	0.60*	-0.30	-0.39	0.06
Financial	0.20	0.42	-0.22	-0.66*	0.23	0.49†	-0.10	-0.89**
Consumer electronics	0.45	-0.41	0.52†	-0.88*	0.37	-0.51	0.45	-0.53
<i>Model indices</i>								
<i>-2 Log likelihood</i>	989.3	941.0	994.4	786.2	914.9	952.1	840.2	644.7
<i>Chi-square</i>	35.314***	54.571***	24.234**	118.411***	25.062**	33.572***	24.082**	41.172***
<i>N</i>	878	878	878	878	882	882	882	882

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.7. Results of the binomial regression – Moderating effects on EXPERIENCE^{a,b,c} (***p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 3				Model 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-2.89***	-2.31**	-1.04	1.74*	-1.46***	-0.08	-0.78*	-2.78***
Host institutional quality	0.27**	0.34**	0.01	-0.74***				
Host FDI inflows ^b					0.23	0.16	-0.81**	0.49
Host experiential knowledge	-0.00	0.02	-0.00	-0.04	-0.01	-0.00	-0.00	0.01†
Experience intensity	-0.73	-0.76	0.25	1.03*	-0.05	-0.05	0.21	-0.19
Experience diversity	-0.04	-0.04	-0.24	-0.21	-0.12	-0.02	0.14	-0.03
Host experiential knowledge x Host institutional quality	-0.00	-0.01	0.00	0.01*				
Experience intensity x Host institutional quality	0.12	0.12	-0.02	-0.24**				
Experience diversity x Host institutional quality	0.01	-0.00	0.05	-0.04				
Host experiential knowledge x Host FDI inflows					0.01	-0.00	0.02	-0.04**
Experience intensity x Host FDI inflows					-0.00	0.16	-0.11	0.01
Experience diversity x Host FDI inflows					0.20	-0.22	-0.07	0.23
<i>Controls</i>								
Firm age	-0.00	-0.00	0.00	0.01*	-0.00	-0.00	0.00	0.01*
Firm size ^b	0.02	-0.01**	-0.00	0.10**	0.05	-0.08**	-0.00	0.08†
Already present in the market	-0.22	0.34	-0.32	0.27	-0.03	0.42*	-0.33	-0.10
Regionalisation	0.06	0.26	-0.42*	0.16	-0.10	0.18	-0.31	0.26
Automotive	0.18	-0.18	-0.38	0.53†	0.36	-0.17	-0.30	0.12
Retail	0.29	-0.27	-0.38	0.46	0.30	-0.25	-0.25	0.19
Financial	0.06	0.43	-0.15	-0.78*	0.11	0.54†	-0.01	-1.25**
Consumer electronics	0.42	-0.39	0.58†	-1.01*	0.51	-0.38	0.40	-0.94†
<i>Model indices</i>								
-2 Log likelihood	869.2	852.7	888.0	684.8	804.1	808.5	754.7	568.4
Chi-square	32.951**	53.589***	24.423†	120.286***	24.933†	30.995*	26.696†	40.318***
N	779	779	779	779	688	688	688	688

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.8. Results of the binomial regression – Effects of HOST MARKET SIZE^{a,b,c} (**p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 1			
	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-2.04**	-1.65*	-0.67	0.32
Host GDP per capita^b	0.11	0.16*	-0.08	-0.29**
<i>Controls</i>				
Firm age	-0.01*	-0.00	0.00*	0.00
Firm size ^b	0.02	-0.10***	0.05†	0.07*
Already present in the market	-0.04	0.43*	-0.32	-0.05
Regionalisation	0.02	0.29†	-0.47*	0.19
Automotive	0.30	-0.22	-0.17	0.02
Retail	0.60*	-0.25	-0.62*	0.23
Financial	0.28	0.56*	-0.20	-1.30**
Consumer electronics	0.46	-0.46	0.43	0.87†
<i>Model indices</i>				
-2 Log likelihood	958.4	912.1	936.3	628.5
Chi-square	20.784*	42.555***	30.251***	47.552***
N	810	810	810	810

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.9. Results of the binomial regression – Effects of PRIOR MODE^{a,b,c} (**p<0.001; *p<0.01; *p<0.05; †p<0.10)

Variables	Model 6				Model 7				Model 8			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-0.86**	0.11	-1.82***	-2.18***	-1.10***	-0.05	-1.51***	-2.10***	-0.97***	0.07	-1.62***	-2.21***
Non-equity	-0.15	-0.04	0.26[†]	-0.06								
Joint equity venture					0.42**	0.42*	-0.44*	-0.51**				
Wholly owned subsidiary									-0.27	-0.45*	0.09	0.58**
<i>Controls</i>												
Firm age	-0.01***	-0.00*	0.00*	0.01***	-0.01**	-0.00*	0.00*	0.01***	-0.01***	-0.00 [†]	0.00*	0.01***
Firm size ^b	0.01	-0.12***	0.05 [†]	0.08**	0.01	-0.12***	0.05 [†]	0.08**	0.01	-0.11***	0.04	0.07**
Already present in the market	0.13	0.54**	-0.30	-0.36 [†]	0.14	0.56**	-0.32	-0.39*	0.11	0.53**	-0.28	-0.37 [†]
Regionalisation	0.04	0.25	-0.40*	0.13	0.05	0.26	-0.42**	0.14	0.07	0.30 [†]	-0.42**	0.09
Automotive	0.11	-0.37	-0.21	0.40 [†]	0.12	-0.35	-0.21	0.39 [†]	0.09	-0.39	-0.18	0.43 [†]
Retail	0.64**	-0.27	-0.32	-0.10	0.71**	-0.21	-0.37	-0.17	0.68**	-0.22	-0.33	-0.20
Financial	0.14	0.38	-0.28	-0.39	0.18	0.39	-0.34	-0.37	0.24	0.50 [†]	-0.36	-0.52 [†]
Consumer electronics	0.44	-0.61 [†]	0.66*	-0.75 [†]	0.46	-0.58 [†]	0.65*	-0.77*	0.43	-0.61 [†]	0.67*	-0.75 [†]
<i>Model indices</i>												
-2 Log likelihood	1004.3	976.3	993.0	931.6	999.7	971.2	990.4	925.1	1003.2	971.6	995.4	922.7
Chi-square	32.528***	49.759***	28.685**	72.157***	37.098***	54.940***	31.356***	78.630***	33.599***	54.518***	26.283**	81.001***
N	909	909	909	909	909	909	909	909	909	909	909	909

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.10. Results of the binomial regression – Effects of EXIT MOTIVES^{a,b,c} (**p<0.001; **p<0.01; *p<0.05; †p<0.10)

Variables	Model 9				Model 10				Model 11				Model 12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-0.86**	0.09	1.44***	-2.60***	1.77***	-0.08	1.38***	-1.68***	1.35***	0.08	1.36***	2.11***	0.99***	-0.02	-0.02	1.41***
Involuntary exit	-1.06***	-0.50**	0.12	1.18***												
Poor market performance					0.93***	0.10	-0.05	-0.91***								
Poor performance with commitment mode									1.29***	-0.33	-0.27	1.11***				
Strategic exit													-0.20	0.74**	0.74**	-0.19
<i>Controls</i>																
Firm age	-0.01**	-0.00†	0.00	0.01***	-0.01**	-0.00†	0.00	0.01***	-0.01**	-0.00*	0.00	0.01***	-0.01***	-0.00*	-0.00*	0.00
Firm size ^b	0.02	-0.11***	0.04	0.08**	0.02	-0.12***	0.04	0.09**	0.00	-0.12***	0.04	0.09***	0.01	-0.12***	-0.12***	0.04
Already present in the market	-0.03	0.45*	-0.20	-0.17	0.03	0.52**	-0.22	-0.28	0.24	0.51**	-0.24	-0.49**	0.15	0.50**	0.50**	-0.22
Regionalisation	-0.03	0.30†	-0.43**	0.19	0.03	0.33*	-0.44**	0.12	0.13	0.32*	-0.45**	0.04	0.06	0.29†	0.29†	-0.44*
Automotive	0.03	-0.40	-0.23	0.52*	0.02	-0.36	-0.23	0.52*	-0.05	-0.32	-0.22	0.53*	0.12	-0.33	-0.33	-0.24
Retail	0.50†	-0.34	-0.37	0.20	0.54*	-0.26	-0.38	0.09	0.57*	-0.22	-0.37	0.00	0.68**	-0.27	-0.27	-0.39
Financial	0.20	0.40	-0.30	-0.48†	0.22	0.37	-0.30	-0.47†	0.26	0.34	-0.31	-0.39	0.13	0.35	0.35	-0.28
Consumer electronics	0.36	-0.59†	0.55†	-0.62	0.38	-0.55†	0.54†	-0.63†	0.48	-0.56†	0.53†	-0.67†	0.41	-0.36†	-0.56†	0.55†
<i>Model indices</i>																
<i>-2 Log likelihood</i>	1012.2	1002.3	1053.6	941.0	1012.1	1008.9	1054.0	955.9	991.6	1006.8	1052.4	962.2	1039.7	1000.6	1053.6	982.5
<i>Chi-square</i>	58.865 ***	59.941 ***	23.953 ***	116.804 ***	58.992 ***	53.373 ***	23.581 **	101.907 ***	79.537 ***	55.472 ***	25.189 **	95.659 ***	31.426 ***	61.697 ***	23.956 ***	75.334 ***
<i>N</i>	949	949	949	949	949	949	949	949	949	949	949	949	949	949	949	949

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

Table 5.11. Results of the binomial regression – Effects of STRATEGIC INTENT^{a,b,c}
 (**p<0.001; *p<0.01; †p<0.05; ‡p<0.10)

Variables	Model 13			
	Q1	Q2	Q3	Q4
	1-2 yrs	3-5 yrs	6-10 yrs	>11 yrs
<i>Constant</i>	-1.23***	-0.00	-1.40***	-2.10***
Strategic intent	0.65***	0.02	-0.08	-0.72***
<i>Controls</i>				
Firm age	-0.01**	-0.00*	0.00	0.01***
Firm size ^b	0.01	-0.12***	0.04	0.09**
Already present in the market	0.06	0.53**	-0.22	-0.35†
Regionalisation	0.02	0.33*	-0.44**	0.10
Automotive	0.06	-0.35	-0.23	0.46*
Retail	0.54*	-0.25	-0.38	0.08
Financial	0.21	0.36	-0.30	-0.43†
Consumer electronics	0.32	-0.55	0.55†	-0.56
<i>Model indices</i>				
-2 Log likelihood	1023.2	1009.3	1053.9	968.8
Chi-square	47.865***	53.033***	23.699**	89.033***
N	949	949	949	949

^aNation and annual fixed effects included in all models, but not reported.

^bVariable is a logarithm.

^cQuartile 1 (1-2 years), Quartile 2 (3-5 years), Quartile 3 (6-10 years), Quartile 4 (over 11 years).

APPENDIX 4: Robustness checks for Chapter 6 on the re-entries of DMMs and EMMs

Table 6.5: Results of the logistic binomial regression model for antecedents and re-entry decisions of DMMs compared to EMMs

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<i>Constant</i>	0.42	0.05	0.62	0.45	0.87	0.72	0.99	0.61
Host experiential knowledge		-0.01						-0.01
General experience intensity		-0.00						-0.00
Host experience intensity		0.01						0.01
General experience diversity		0.02***						0.02***
Host experience diversity		-0.03						-0.02
Commitment escalation vs. no change			-0.03					0.03
Commitment de-escalation vs. no change			0.79 [†]					1.23*
Time-out				-0.00				-0.01
Host institutional changes					-0.25			-0.23
Market attractiveness						0.00		-0.00
Motives for re-entry: More resources							0.12	0.03
Motives for re-entry: Changes in strategy							-0.03	-0.01
Motives for re-entry: Strategic intent							0.16	0.09
Motives for re-entry: Institutional pull							-0.47	-0.73*
<i>Controls</i>								
Firm age	0.01***	0.01**	0.01***	0.01***	0.01***	0.01***	0.01**	0.01*
Firm size	0.11***	0.08*	0.10**	0.11**	0.10**	0.11**	0.11**	0.08*
Changes in management	0.06	0.04	0.03	0.08	0.03	0.03	0.03	0.02
Already present in the market	0.03	-0.37	0.06	0.06	-0.04	0.01	-0.10	-0.55*
Automotive sector	0.23	-0.43	0.23	0.23	0.33	0.31	0.31	-0.32
Retail sector	1.18**	1.07**	1.12**	1.17**	1.09**	1.19**	1.05**	0.84*
Financial sector	2.30**	2.49***	2.06**	2.29**	2.13**	2.32**	2.09**	2.06**
Consumer electronics	-0.04	-0.14	0.04	0.02	-0.05	-0.01	-0.08	0.05
Host market growth	-0.78	-0.62	-0.98	-0.78	-1.06 [†]	0.18	-1.21*	-0.94
Host market developed	0.25	0.40 [†]	0.19	0.23	0.13	-1.11 [†]	0.11	0.25
<i>Model indices</i>								
-2 Log likelihood	579.9	495.0	563.8	577.9	556.2	570.8	551.8	561.8
Chi-square	85.790***	102.048***	85.985***	83.908***	81.420***	89.786***	85.820***	110.048***
N	811	728	783	810	790	806	790	728

Note: The re-entry decision is modelled as a comparison of the re-entry antecedents and decisions made by DMMs compared to EMMs. The estimated coefficients as shown in the tables should be interpreted as the amount of increase (or decrease, if the sign of the coefficient is negative) in the predicted log odds of the dependent variable that would be predicted by a 1 unit increase (or decrease) in the predictor variable. For instance, a positive coefficient means that the predictor variable increases the likelihood of the firm being a DMM over an EMM; i.e. broadly, DMMs are more likely to de-escalate commitment than return via the same mode compared to EMMs (Model 3).

APPENDIX 5: Foreign market re-entrants' regionalisation patterns

Table 6.6: Regionalisation patterns of re-entrants: Distribution of home and host regions re-entered¹⁵

Home/Host	Europe	North America	South America	Asia (emerging)	Asia (Japan)	Australia and New Zealand	Africa	Total
Europe	134 events	36 events	32 events	157 events	8 events	18 events	30 events	415 events
North America	63 events	6 events	31 events	140 events	22 events	12 events	61 events	335 events
South America	1 event	3 events	2 events	1 event	0 events	0 events	1 event	8 events
Asia (emerging)	19 events	15 events	5 events	70 events	12 events	8 events	5 events	134 events
Asia (Japan)	8 events	19 events	8 events	54 events	0 events	4 events	4 events	87 events
Australia and New Zealand	2 events	2 events	0 events	10 events	0 events	4 events	1 event	19 events
Africa	4 events	2 events	2 events	2 events	0 events	2 events	10 events	22 events
Total	231 events	73 events	80 events	434 events	42 events	48 events	112 events	1020 events

¹⁵ APAC was further unpacked here to highlight the relatively strong tendency for regionalisation of re-entrants.