Marketing Dissertations   Department of Marketing

Fall 12-14-2021

Multinational Enterprise Performance in Advanced Economies and Emerging Markets

Kubilay Sabri Levent Ozkan

MULTINATIONAL ENTERPRISE PERFORMANCE IN ADVANCED ECONOMIES AND EMERGING MARKETS

BY

KUBILAY SABRI LEVENT OZKAN

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Doctor of Philosophy

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2021

ACCEPTANCE

This dissertation was prepared under the direction of the *Kubilay Sabri Levent Ozkan's* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

Richard Phillips, Dean

DISSERTATION COMMITTEE

Dr. Leigh Anne Liu (Co-chair)
Dr. S. Tamer Cavusgil (Co-chair)
Dr. Qian Gu
Dr. Naveen Donthu
Dr. Seyda Deligonul (External - St. John Fisher College, Retired)
Dr. Sengun Yeniyurt (External - Rutgers Business School)

ABSTRACT

MULTINATIONAL ENTERPRISE PERFORMANCE IN ADVANCED ECONOMIES AND EMERGING MARKETS

BY

KUBILAY SABRI LEVENT OZKAN

12/10/2021

Committee Co-chair: *Dr. Leigh Anne Liu*
Committee Co-chair: *Dr. S. Tamer Cavusgil*

Major Academic Unit: *Marketing*

The current global economy is best described as a competitive landscape where firms from different parts of the world roam in each other's markets. This dissertation explores the factors influencing the performance of firms in foreign markets.

In the first essay, I explored a fundamental phenomenon for international business: Why can't focal firms survive and withdraw from foreign markets? Drawing from contingency theory, I contend that an international market exit typically stems from a misalignment between strategy and the foreign market risk environment. The qualitative analysis of 62 actual cases suggests that most misalignments are cross-cultural risk-related and stem from failing to understand, misunderstand or underestimate customers and competition. Complementing my findings in the first essay, I aimed at exploring the key customer- and competition-related factors for success in international markets.

All economic actions carry on in a social realm, and, not surprisingly, relationships positively influence business success through mitigating liability of foreignness. The second essay of my dissertation is a theory paper about this phenomenon. We examine social interactions, both organizational and interpersonal, in intercultural settings. We extend social penetration theory into business-to-business context to explain the process of relational development between boundary spanners. We suggest a process model and three propositions to explain the

different stages of developing relationships to shed light on the phenomenon of social penetration to international markets.

  The international business literature, while extensive by now, has given scant attention to the direct comparison of the performance of advanced economy multinational enterprises (AMNE) and emerging market multinational enterprises (EMNEs) in foreign markets. In particular, the question of how well these firms perform in each other's home markets is a peculiar one. The third essay of my dissertation explores this topic by quantitative tools. Drawing from the eclectic paradigm, we contend that EMNEs perform better as they: i) develop non-traditional ownership advantages based on their learnings from AMNEs in home markets, and ii) expand into similar advanced economy markets relying also on non-traditional ownership advantages. Our findings show a declining performance of AMNEs, while EMNEs appear to benefit from increased market share.

Acknowledgements

I would first like to express my deepest appreciation and gratitude to my mentoring advisors Dr. S. Tamer Cavusgil and Dr. Leigh Anne Liu. You touched my life, changed my life, and made my dreams come true.

I am deeply grateful to Dr. S. Tamer Cavusgil for the generosity in giving time for my studies, consistency in encouraging support, and inspirational guidance at every stage of my Ph.D. It has been a great honor for me to be a doctoral student of a visionary leader and benefit from his experience and brilliant insights.

I am further grateful to my co-chair Dr. Leigh Anne Liu for giving time and continuous support for my research studies. Thank you for your valuable insights in guiding my research. I am proud of being your doctoral student and teaching assistant.

I am also thankful to my co-chair Dr. Qian Gu for her guidance and insightful feedbacks during the course of my doctoral study. I am especially thankful to her for being very responsive to my last-minute questions just before my final oral examination.

I would like to express my special thanks to my committee members for their time and effort in reviewing and evaluating this study. I gratefully acknowledge very constructive and helpful comments of Dr. Naveen Donthu. I would like to thank Dr. Sengun Yeniyurt for supporting me in methodological studies and econometric analysis. I am deeply thankful to Dr. Seyda Deligonul for providing training on theory development, sharing his academic experience, reviewing all my papers in detail, and providing generous feedback. I will always remember our studies and discussions in Café Lucia. I am also very glad that I had the opportunity to learn from his deep knowledge about the different types of art, including poetry, photography, and music.

I appreciate my fellow GSU Ph.D. doctoral students for many invaluable discussions which played an important role in my research, serving the purpose of cross-fertilization.

I am extremely grateful to my parents, Nurten Ozkan and Hayati R. Ozkan for their love, prayers and caring throughout my life. I am indebted to you forever for everything that is good in my life.

I am also extremely grateful to my sister Nilay Kuyel for motivating me to do my Ph.D., and for her family Turker Kuyel, Dogancan Kuyel and Deniz Kuyel for keeping me happy and motivated, and for never leaving me alone.

I dedicate this dissertation to my four close family members that I lost in the last six months: Munevver Korur, Muammer Ozcan, Leman Ozcan, and Ahmet Doyran. I wished I could have been with them in their last days. Thank you, Aunt Munevver, for talking to me every other day throughout my Ph.D. and nice stories about Paris.

TABLE OF CONTENTS

INTRODUCTION

Motivation of Research

The firm is at the focal point of trade and investment activities (Cavusgil, Knight, & Riesenberger, 2020). Its success is to create value for its owners and stakeholders by generating cash flow by acting in ethically and socially responsible ways in the marketplace. International firms are no exception. While they operate in multiple domiciles and face unique conditions, their standing may be even more precarious than their domestic counterparts. Specifically, a short time after crossing a national boundary, many typical international firms withdraw from the market by taking a substantial sum of write-offs. This pattern continues to persist regardless of geography, industry, firm experience, and national origin. Accordingly, in the first essay, I explored a fundamental phenomenon for international business: Why can't focal firms survive and withdraw from foreign markets? This question is the starting point of my research trek. Delineating first and then prescribing remedies to this end will help increase the likelihood of survival in target foreign markets.

The first essay is a significant starting point for the withdrawal and performance issue in the admittedly weak stream of research (e.g., Welch & Welch, 2009; Yayla, Yeniyurt, Uslay & Cavusgil, 2018). The studies in the literature display inconsistent arguments and suffer from contradictory findings (Arte & Larimo, 2019; Schmid & Morschett, 2020). In response, this article delineates the misalignment between strategy and foreign market risk environment as the primary cause of failure and proposes an integrated framework. The qualitative analysis suggests that most misalignments are cross-cultural risk-related and stem from failing to understand, misunderstand or underestimate customers and competition. Complementing my findings in the

first essay, I aimed at exploring and analyzing the key customer- and competition-related factors for success in entering and penetrating foreign markets.

All economic actions carry on in a social realm (Granovetter, 1985), and, not surprisingly, relationships positively influence business success (Luo, 2006; Xin and Pearce, 1996). The second essay of my dissertation is a theory paper about this issue. It focuses on the relationship development with business-to-business (B2B) customers to shed light on the phenomenon of social penetration to international markets. The study acknowledges the role of relationships in coordinating commercial activities and explores how to build deeper relationships. The extant literature suggests models at the firm level (Dwyer, Schurr & Oh, 1987 & Wilson, 1995). However, it does not explain how the depth of the relationship between firms develops through their boundary spanners. We extend social penetration theory (Altman & Taylor, 1973) to explain the process of relational development between boundary spanners.

The international business literature, while extensive by now, has given scant attention to the direct comparison of the performance of advanced economy multinational enterprises (AMNEs) and emerging market multinational enterprises (EMNEs) in international markets. In particular, the question of how well these firms perform in each other's home markets is a peculiar one. The third essay of my dissertation explores this topic by quantitative tools. The main issue is the relative performance of AMNEs and EMNEs operating in unfamiliar markets (Hoskisson, Eden, Lau & Wright, 2000; Moeller, Harvey, Griffith & Richey, 2013). Specifically, it addresses the weaknesses in the conventional explanations that primarily arise from dealing with the issue at the macro level. Instead, our article turns the lens on more granular and deeper factors at the firm level. Learning from the experience of AMNEs and EMNEs can be used to shape foreign market entry strategies.

Significance of Essay 1

While international divestment activity increasingly intrigues researchers (Arte & Larimo, 2019), little is known about the reasons for market withdrawals (Arte & Larimo, 2019). More importantly, the arguments provided in the literature are inconsistent, the findings are contradictory, and there is a lack of conceptualization around the international market exit (IME) phenomenon (Arte & Larimo, 2019; Schmid & Morschett, 2020). Responding to this gap, Essay 1 addresses the following research questions: Why do firms exit from the foreign markets they entered with great expectations? Are there common patterns and explanations behind the phenomenon of IME? If so, is it possible to conceptualize the IME phenomenon based on these common patterns?

After analyzing 62 actual cases, this article delineates the misalignment between strategy and foreign market risk environment as the primary cause and suggests an integrated framework. The contribution of this study includes the following. First, I revisit and analyze the IME phenomenon using a new theoretical basis, the contingency theory. Second, I report evidence for the relevance of misalignment between strategy and foreign market risk environment as the principal contributor to IMEs. I develop a conceptual framework and offer propositions based on the contingency theory. Third, I also highlight the criticality of the first step in the strategy-making process, foreign market risk environment scanning. Finally, I employ a new data set, and report the findings of an empirical investigation of 62 actual withdrawal cases that support my conceptualization and propositions.

Significance of Essay 2

The extant studies, often drawing from social exchange theory (SET), shed light on the process of building and maintaining effective long-term relationships between two firms (Dwyer

et al., 1987; Wilson, 1995). In this explanation, the focal point is the rationality of successful relationships, not how the actors build ties with others. In this article, we explore boundary spanners as the critical contributors to interfirm relations through personal bonds. (Kostova & Roth, 2003; Palmatier et al., 2006). This addition to the interpersonal level process model is essential to complement the firm-level explanations. Accordingly, Essay 2 addresses the following research questions: How are social relationships developed with the boundary spanners of host country partners? How do boundary spanners penetrate the social fabric of foreign markets? What are the obligations and social costs in a developing relationship? Thus, our objective is to suggest a process model for building relationships through boundary spanners.

We contribute to the literature in four ways. First, we extend SPT to apply it in an international business context - relationship development between boundary spanners. Second, we offer a model to explain the processes of social penetration and social exchange. We refer to varying stages of a relationship to explain the process of social penetration. Thus, as in SET, firms may evaluate the burdens and obligations associated with the social dimension of relationship rationality. In the meantime, as in SPT, we contribute to process development before and during the engagement. Third, we expand SET and address its uncertainties in the context of relationship development between boundary spanners. Fourth, we complement existing literature providing frameworks to explain the different stages of a buyer-seller relationship at the firm level. We shed light on the process of relationship development at the individual level.

Significance of Essay 3

The extant literature concerning the performance of EMNEs in advanced economies and AMNEs entering emerging markets (Hoskisson, Eden, Lau & Wright, 2000; Moeller, Harvey, Griffith & Richey, 2013) has focused on only one of the two scenarios by examining either

EMNE performance or the AMNE performance. Thus, the phenomenon is explored from only one perspective. Responding to this gap, Essay 3 examines the following research questions. First, how well do MNEs fare in gaining market share against local firms? More specifically, do the results vary between AMNEs and EMNEs when they cross each other's turf? Second, what identifiable patterns can be ascertained regarding the relative performance of AMNEs and EMNEs, measured in long-term market share gains? Are the answers to these questions contingent upon such factors as the foreign market, industry sector, or time window?

This article aims to make several contributions to the present research. First, we include both EMNEs and AMNEs in the same analysis, thus directly comparing the two groups in terms of their performance (i.e., market share gains). Therefore, our study extends the research scope of prior studies and offers valuable insights regarding the dynamic nature of the relative performances of EMNEs and AMNEs while in each other's home markets. Second, we draw from the eclectic paradigm to explain the superiority of the market share performance of EMNEs compared to AMNEs. Third, we argue that the eclectic paradigm, initially developed for AMNEs, can be extended for EMNEs. Fourth, the findings demonstrate how the competition between AMNEs and EMNEs is evolving overtime at a granular level, considering specific country/industry dyads. Finally, we investigate the respective role of country and industry in influencing market share gains by MNEs.

REFERENCES

Altman, I., & Taylor, D. A. (1973). Social penetration: The development of interpersonal relationships. *Oxford, England: Holt, Rinehart & Winston, 212pp*.

Arte, Pratik & Larimo, Jorma (2019). Taking Stock of Foreign Divestment: Insights and Recommendations from Three Decades of Contemporary Literature. International Business Review, 28(6): 1-20.

Cavusgil, S. Tamer, Knight, Gary & Riesenberger, John R. (2020). International Business: The New Realities. Pearson, 5th Ed. 2020.

Dwyer, Robert F., Schurr, Paul H., & Oh, Sejo (1987). Developing Buyer-Seller relationships. *Journal of Marketing*, 51(2): 11-27.

Granovetter, Mark (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91: 481-510.

Hoskisson, Robert E., Eden, Lorraine, Lau, Chung Ming, & Wright, Mike (2000). Strategies in emerging economies. *Academy of Management Journal, 43* (3), 249–267.

Kostova, Tatiana & Roth, Kendall (2003). Social Capital in Multinational Corporations and a Micro-Macro Model of Its Formation. *The Academy of Management Review*, 28(2): 297-317

Luo, Yadong (2006). Opportunism in Inter-firm Exchanges in Emerging Markets. *Management and Organization Review*, 2(1): 121–147.

Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013). The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: An examination of the 'liability-of foreignness. *International Business Review,* 22(1), 89-99.

Palmatier, R. W., Dant, R. P., Grewal, D., & Evans, K. R. (2006). Factors influencing the effectiveness of relationship marketing: A meta-analysis. *Journal of Marketing*, 70(4): 136−153.

Schmid, David & Morschett, Dirk (2020). Decades of Research on Foreign Subsidiary Divestment: What do we Really Know About its Antecedents? *International Business Review*, Available online 29 December 2019, 101653.

Welch, Catherine, L. & Welch Lawrence S. (2009). Re-internationalization: Exploration and Conceptualisation. *International Business Review*, 18: 567-577.

Wilson, David T. (1995). An Integrated Model of Buyer-Seller Relationships. *Journal of the Academy of Marketing Science,* 23(4): 335-345.

Xin, K. R., & Pearce, J. L. (1996). Guanxi: Good connections as substitutes for institutional support. *Academy of Management Journal*, 39: 1641-1658.

Yayla, Serdar, Yeniyurt, Sengun, Uslay, Can & Cavusgil, Erin (2018). The Role of Market Orientation, Relational Capital, and Internationalization Speed in Foreign Market Exit & Re-entry Decisions Under Turbulent Conditions. *International Business Review*, 27: 1105-1115.

ESSAY 1: INTERNATIONAL MARKET EXIT BY FIRMS: MISALIGNMENT OF STRATEGY WITH THE FOREIGN MARKET RISK ENVIRONMENT

Abstract

International market withdrawals continue to persist regardless of geography, industry, firm experience, and national origin. The extant literature argues that a host of factors such as firm characteristics, organizational capabilities, host country environment, international business risks, strategy, and strategic choices are among the likely reasons of firms' premature exits from the markets they have recently entered. Drawing from the contingency theory, I contend that underlying most market exit events is the misalignment of firm strategy with the foreign market risk environment. This incident happens when managers fail to optimize strategy formulation and execution given the foreign market risk environment. Based on an in-depth examination of 62 cases of foreign market exits via pattern coding using NVivo 12, I delineate common patterns accounting for market withdrawals. I then formulate propositions concerning how misalignment between strategy and risk environment interferes with foreign market exits from the lens of the contingency theory. I conclude with a discussion of theoretical implications, managerial recommendations, and suggestions for future research and limitations.

Key Words : International market exit, divestment, de-internationalization, strategy formulation, strategy execution, commercial risk, international business risk, risk readiness.

**ESSAY 1: INTERNATIONAL MARKET EXIT BY FIRMS:
MISALIGNMENT OF STRATEGY WITH THE FOREIGN MARKET RISK
ENVIRONMENT**

INTRODUCTION

It is not unusual for a firm to enter a foreign market only to exit later and, in the process, incur substantial cost and damage to their reputation. This phenomenon persists regardless of geography, industry, firm experience, and national origin. Well-publicized examples of market abandonment, sometimes soon after initial entry, abound. For instance, Peugeot-France left India (1997), McDonald's-U.S., Bolivia (2002), eBay-U.S., Japan (2002), Carrefour-France, South Korea (2006), Aldi-Germany, Greece (2010), Best Buy-U.S., Turkey (2011), New Look-U.K., Russia (2014), UBER-U.S., China (2016), and Suzuki-Japan, China (2018). Often companies do not announce their exits due to reputational concerns (Koc, 2016); thus, the incidence of market withdrawals is typically underestimated. When one considers the smaller firms, which do not necessarily make the news, this phenomenon is even more pervasive than commonly acknowledged. In this context, at least two questions arise: Why do firms with high initial expectations and abundant experience exit prematurely from international markets? Are there some common patterns and explanations behind their egress?

While international divestment activity increasingly intrigues researchers (Arte & Larimo, 2019; Alexander, Quinn & Cairns, 2005), little is known about the reasons for market withdrawals (Arte & Larimo, 2019; Welch & Welch, 2009; Yayla, Yeniyurt, Uslay & Cavusgil, 2018). More importantly, the arguments provided in the literature are inconsistent, the findings are contradictory, and there is a lack of conceptualization around the IME phenomenon (Arte & Larimo, 2019; Schmid & Morschett, 2020). Responding to this gap, the current study addresses the following research questions: Why do firms exit from the foreign markets they entered with

great expectations? Are there common patterns and explanations behind the phenomenon of IME? If so, is it possible to conceptualize the IME phenomenon based on these common patterns? My empirical findings indicate a typical pattern behind the IME phenomenon, and it is possible to formulate a conceptualization with a set of propositions.

Drawing from contingency theory and considering the literature on environmental alignment (Fiol & Lyles, 1985) and organizational adaptation, I contend that an IME typically stems from a misalignment between strategy and the foreign market risk environment. In this context, being the first step in the strategy-making process, environmental scanning plays a key role. Uncertainty in a foreign market increases risk in international business (Miller, 1992; Werner, Brouthers & Brouthers, 1996). Accordingly, firms must identify the distinctive conditions and international business (IB) risks in a foreign market environment through environmental scanning before engagement. Therefore, the effectiveness of environmental scanning is critical for the alignment of strategy with the foreign market risk environment. Otherwise, misalignment between strategy (both strategy formulation and execution) and foreign market risk environment may cause firms to underperform in foreign markets, leading them to abandon the market prematurely.

Risk is becoming increasingly more critical for firms with escalating uncertainty and unexpected changes in international markets (Cavusgil & Cavusgil, 2012; Liesch, Welch & Buckley, 2011). Scholars especially underscore the risk that emanates from operating in an unfamiliar environment (Javalgi, Deligonul, Dixit & Cavusgil, 2011). So-called the shadow of the environment, when it falls on a firm in foreign soil, completely redefines the internal processes. Specifically, it obsoletes many of the home-market solutions or impedes the transfer of relevant ones to the new market. If poorly managed, risks associated with the host country

environment or unexpected changes in this environment may drive the firms to market exit (Yayla et al., 2018).

In this research, I analyze a set of firm exits from various country markets. The current study is critical because the IME puzzle – why so many firms exit the markets they enter prematurely – remains largely unresolved. The extant studies have provided only an incomplete explanation of market withdrawals. Accordingly, this study aims to contribute to knowledge in the following ways. First, I revisit and analyze the IME phenomenon from a new theoretical basis -- the contingency theory. Second, I report evidence for the relevance of misalignment between strategy and foreign market risk environment as the principal contributor to IMEs. Therefore, I delineate the critical role of strategy in divestments and suggest that ineffectiveness in strategy formulation and implementation tends to contribute to the likelihood of IMEs. Third, I develop a conceptual framework and offer propositions based on the contingency theory. Fourth, I also highlight the criticality of the very first step in the strategy-making process, foreign market risk environment scanning, and its potential to influence the effectiveness of all the subsequent efforts. Finally, I employ a new data set and report the findings of an empirical investigation of 62 actual withdrawal cases that support my conceptualization and propositions.

The remainder of this paper is organized as follows: First, I provide an overview of the literature and the contingency theory. Contingency theories argue that firm performance results from the fit between two or more factors, such as strategy and the firm environment (Tosi & Slocum, 1984; Van de Ven & Drazin, 1984). The contingency theory is the ideal conceptual foundation in the present context as I associate IMEs with the misalignment between strategy and the foreign market risk environment. Next, I elaborate on the foreign market risk environment. I provide the main constructs and the definitions connected to the main topic. I

then detail the empirical methodology. In the following, I formulate propositions for the IME phenomenon in light of the contingency theory. Finally, I conclude with the discussion, including the theoretical implications, managerial recommendations, and directions for future research and limitations.

INTERNATIONAL MARKET EXIT PHENOMENON IN THE LITERATURE

Scholars have used different terms to call attention to the exit phenomenon, such as de-internationalization, divestment, withdrawal, failure, closure, disengagement, liquidation, total sales, and sell-off (Burt, Dawson & Sparks, 2003). In defining, de-internationalization term refers to "any voluntary or forced actions that reduce a firm's engagement in or exposure to current cross-border activities (Benito & Welch, 1997, 9). Firms may limit or reduce their operations in a host country or ultimately exit from such markets in this context (Yayla et al., 2018). The present study focuses on complete withdrawal from the foreign market rather than reduced operations. Thus, I use the term 'market exit' and adopt Souza & Tan (2015, 84) definition: "Exit refers to a firm's voluntary decision to liquidate or sell an active operation in a foreign market." In this context, the sale of assets, international store swaps, bankruptcy, and similar processes all lead to an exit or withdrawal (Burt et al., 2003).

Extant studies have linked market withdrawals to a host of internal and external factors. I provide an overview of the contributions in Table 1 and Figure 1. Based on an exhaustive review of the IME literature, I identified past contributions and related constructs. Table 1 summarizes the findings in the selected studies. Using the method of backward-tracing, I checked the references in new publications from 2019 and 2020 so as not to miss any key contributions. I then formulated Figure 1 to depict the constructs in the extant literature and their relationships

with the dependent variable IME. As mentioned, the arguments provided in the literature are frequently inconsistent, and the findings are often mixed.

<div align="center">*** Insert Table 1 and Figure 1 about here ***</div>

In my examination, internal factors are firm-specific and includes firm characteristics, such as age and size (Burt et al., 2003; Mata & Freitas, 2012), organizational capabilities (Boddewyn, 1979; Li, 1995; Wang & Larimo, 2020; Arte & Larimo, 2019), strategic choices and strategy (Boddewyn, 1979; Etgar & Rachman-Moore, 2007; Hennart, Roehl & Zeng, 2002; Jagersma & Van Gorp, 2003; Li, 1995; Li, 2019; Sousa & Tan, 2015; Wang & Larimo, 2020; Yayla et al., 2018) and poor performance (Berry, 2013; Burt, Coe & Davis, 2019; Haynes, Thompson & Wright, 2003; Sousa & Tan, 2015). I consider strategic choices and strategy to be an antecedent of poor performance. It includes poor pre-investment analysis, overoptimistic market forecasts, and ineffectiveness in achieving fit (Hennart et al., 2002).

External factors mainly stem from the adverse environmental conditions associated with the political system, economic conditions, and cultural distance in a host country (Boddewyn, 1979; Hennart et al., 2002; Javalgi et al., 2011; Song, 2014; Wang & Larimo, 2020). Apart from adverse conditions in host countries, favorable conditions in other international markets may also lead to IMEs. Firms may change strategy and withdraw from existing countries with the intend to enter more attractive markets (Berry, 2010; Fisch & Zschoche, 2012).

Even though scholars have studied the IME phenomenon from several different perspectives, there is no consensus, and the phenomenon is unresolved. Thus, the present study aims to address this gap by exploring common patterns and bringing a theoretical explanation.

CONCEPTUAL FOUNDATIONS: CONTINGENCY THEORY

The conceptual framework for my study draws from the contingency theory. Contingency theory suggests that the relationship between two variables (X and Y) depends on a third variable (Z) (Donaldson, 2001). Given the conditioning to exogenous provision, contingency theories argue that firm performance results from the fit between multiple factors, such as strategy, structure, people, technology, culture (Tosi & Slocum, 1984; Van de Ven & Drazin, 1984), and firm environment. Thus, for organizational effectiveness, the characteristics of an organization must conform to the contingencies associated with the situation of this organization (Donaldson, 2001). Environment and organizational strategy are the two crucial contingencies in this context.

The concept of fit (Venkatraman & Camillus, 1984), or congruency, has its roots in the contingency and the population ecology literature and is central to contingency theory (Tosi & Slocum, 1984; Volberda, Van Der Weerdt, Verwaal, Stienstra & Verdu, 2012). It has been an important element to the organization theorists (Drazin & Van de Ven, 1985) and strategic management scholars (Ginsberg & Venkatraman, 1985; Venkatraman, 1989). Firms seek adaptation to changing contingencies to be able to achieve fit.

In the context of this study, contingency theory is the ideal theoretical framework for the following reasons: First, I employ the concept for performance success and argue that international expansion may end up with an exit due to misfit or misalignment with the foreign market risk environment. Second, I identify the two most essential contingencies in developing my theory: strategic positioning and the external environment. To align the strategy with the environment, the firm determines the resource needs and deploys the resources to reduce the adaptation risk (Bourgeois, L. J. III, 1980; Chandler, 1962). Simply put, the fit between the firm

strategy and the firm's external environment is indispensable for success (Miles, Snow, Meyer & Coleman, 1978; Naman & Slevin, 1993; Volberda et al., 2012; White & Hamermesh, 1981).

Consequently, I propose a conceptualization framework under the contingency theory, as illustrated in Figure 2. The perspective in this framework is based on two pillars. First, firms have to align with their uncertain environment to mitigate risks and be competitive for long-term survival and growth (Fiol & Lyles, 1985). Second, strategy making is the sole process that firms analyze, understand, and adapt to their external environment (Wolf, 2017). With this starting point, my approach serves me to argue that an IME fails due to misalignment in the main steps of shaping the strategy. Those are formulation and implementation.

*** Insert Figure 2 about here ***

FOREIGN MARKET RISK ENVIRONMENT AND STRATEGY

International business differs from domestic business in that firms are routinely exposed to international business risks (Cavusgil, Knight & Riesenberger, 2020). The uncertainty in a foreign market increases risk in cross-border business (Miller, 1992; Werner et al., 1996). According to Miller (1992), the risk emanates from two sets of conditions: general environmental uncertainty and industry-related uncertainty. The former includes such ambiguities as political and macroeconomic events, leading to country risk and currency risk, respectively (Cavusgil et al., 2020). The latter risk includes changes in consumer tastes and rivalry among existing competitors and it is associated with cross-cultural disparities (Cavusgil et al., 2020). This ferment is more challenging for international managers for its complexity of uncontrollable factors that are country-specific, currency related and cross-cultural nature.

The strategy aims to align a firm's strategy with its uncertain, unfamiliar, and risky international market (Miller, 1992). Given that the alignment between the strategy and the foreign market risk environment is the key to success, the topic draws special attention in the management literature. Those studies articulate the alignment in a two-stage mechanism: i) strategy formulation, ii) strategy implementation (Boyd & Reuning-Elliot, 1998; Dess, 1987; Hill, Jones & Schilling, 2014; Wheelen, Hunger, Hoffman, and Alan & Bamford, 2018). Any misalignment of a firm's strategy and the environment may emerge from the defects in these stages.

Strategy formulation includes the upstream processes of internal and external environmental scanning and such downstream processes as goal setting and strategy development (Boyd & Reuning-Elliot, 1998; Dess, 1987; Hill et al., 2014; Wheelen et al. 2018). I posit that misalignment emerges as part of ineffectiveness in external environmental scanning and/or strategy incongruence with strategy formulation. Ineffectiveness in external environment scanning refers to any deficiency in understanding, analyzing, assessing, and responding to the uncertainties or risks in a foreign market. Strategy refers to a firm's plan that provides competitive advantage in the foreign market environment to achieve the goals. Strategy incongruence happens, when such a strategy plan does not help to realize the goals. This deficiency may stem from the ineffectiveness and/or underestimation of scanning.

I detail the strategy implementation as i) developing the action plan, ii) allocating the necessary resources, and iii) executing the action plan. Similarly, any incongruence and/or ineffectiveness may account for the occurrence of misalignment. Action plan refers to the planning of the courses of action at the functional, business and corporate levels to accomplish the strategy plan (Clarke & Fuller, 2010; Hill et al., 2014; Wheelen et al., 2018). In the scope of

an action plan, marketing program or mix refers to the policies and procedures related to the product plans, price, place (point of sale) and promotion (4Ps) (Borden, 1964). Action Plan or Marketing Mix Incongruence happens as a result of misalignment with strategy, and therefore with the foreign market environment. Internal Resources refer to all resources, including monetary, humans, and tools that are indispensable to accomplish an action plan. Resource Incongruence happens in case of having insufficient and/or unqualified resources to execute the action plan. Ineffectiveness in Execution refers to the incompatibility of the acts and/or actual results with the action plan.

ANALYSIS OF INTERNATIONAL MARKET EXIT CASES

Method

In the current study, I adopt the case study methodology (Eisenhardt, 1989a; Eisenhardt & Graebner, 2007; Miles, Huberman & Saldana, 2014; Tsang 2013; Welch, Piekkari, Plakoyiannaki & Paavilainen-Mantymaki, 2011; Yin, 2014). The case approach is one of the preferred methods in the divestment stream of research (Burt et al., 2019; Dominguez & Mayrhofer, 2017). My approach is both deductive and inductive (Tsang, 2013; Welch et al., 2011). On the one hand, I use deductive logic to explain and verify the suggested theory. On the other hand, I am exploratory and open to induce a new theory from the data.

Three fundamental conditions exist in my research for the case study methodology (Yin, 2014: 50). First, I aim to explain why firms exit from foreign markets. A case study is an appropriate method to address explanatory "how" and "why" questions, providing the rich, real-world context, as opposed to parsimonious abstraction, for analysis (Eisenhardt & Graebner, 2007). It goes beyond the simple observables and delves into more in-depth reasons behind a

phenomenon (Eisenhardt, 1989a). Second, my research question is about a contemporary phenomenon where manipulation cannot be employed. Our science aspires to conduct experiments. However, for apparent difficulties, experiments have minimal application except in a few contexts. As indicated by Eisenhard and Graebner (2007), multiple case studies come closest to emulating series of related laboratory experiments. As a practical alternative to experimentation, case studies provide many appealing features of repeated probing of real-life complexity (Welch et al., 2011). Third, I have little or no control over the actual behavioral events related to the IME phenomenon (Poliakova, Riddle & Cummings, 2020).

I conducted multiple case analyses for the following reasons. First, I aim to "deepen understanding and explanation" (Miles et al., 2014; Welch et al., 2011). Seeking not only similarities but also differences across cases leads to more robust theories. Second, multiple case studies are as capable as the alternatives in attaining generalizability and transferability of the findings to other contexts. In this approach, my strategy is variable-oriented, which is conceptual and theory-centered (Miles et al., 2014). My focus is to discover the broad patterns across several cases rather than the details in each individual case. Accordingly, I studied 62 cases considering theoretical saturation.

Sample and Data Collection

I use secondary data in the analysis from various sources, providing comments and declarations of individuals, such as CEOs, firm spokesman, and analysts. As well known, firms do not necessarily publicize their unfavorable experiences in foreign markets. Consequently, there is a relatively limited number of publicly available cases of IMEs. In this context, all of the studied cases illustrate the experiences of companies with reasonably good reputation. They are well known and often considered to be leaders in their respective business sectors. Therefore, I

am not biased in choosing such replicating cases, and follow theoretical sampling (Eisenhardt, 1989a; Eisenhardt & Graebner, 2007). All of the cases shed light on relationships between constructs and contribute to theory development. All are from the 1980s on, where globalization started to accelerate. Table 2 provides the breakdown of the firms based on their origin: Europe (31), North America (25), and Asia (6).

*** Insert Table 2 about here ***

In total, I identified 71 market exit cases. Nevertheless, the analysis in this paper is based on 62 cases. I excluded those where I could not clearly delineate the primary causes of market exits or find data sources other than blogs. I collected data in four waves and analyzed it in three steps (Petriglieri, Petriglieri & Wood, 2018) through pattern coding (Eisenhardt, 1989a; Miles et al., 2014) using NVivo 12. Collecting data and coding it in successive waves ensured coding in a controlled manner. First, I grouped data according to the sources of data, such as academic and non-academic, to achieve stronger results (Eisenhardt, 1989a; Eisenhardt, 1989b). My secondary data collection and verification approach followed the triangulation method (Patton, 2002; Yin, 2014). Second, I checked the consistency of primary coding at the end of each wave. Third, I aimed to systematically review the emergent results from pattern coding in between waves. Finally, I considered the principle of theoretical saturation to stop analyzing further cases.

I used publicly available secondary data sources, including academic articles-case studies, classroom teaching case studies, and the narratives: i) articles in the popular press, such as BBC News, France 24, NBC News, NPR, Reuters, ii) information in magazines and newspapers, such as China Daily, Financial Times, Forbes, Fortune, Independent, South China Morning Post, The Guardian, The Japan Times, The Korea Times, The Telegraph, The Wall

Street Journal, iii) information in trade publications, such as Autoweek Magazine and Driving (Postmedia Network Inc.), iv) news in a digital business news site, Business Insider, and v) information on business/consulting firm websites. I entered all as a PDF file in NVivo 12, and carried out the analysis in four waves.

In the first wave, I searched Google Scholar, Web of Science, and Case Centre for Educators for available case studies. I used several keywords, such as "de-internationalization," "international/foreign market exit," "divestment," "withdrawal," "subsidiary survival," "failure," "reentry," "IB risks," and a combination of these keywords. I also employed the method of backward-tracing (Arte & Larimo, 2019; Cooper, 1998). Accordingly, I analyzed the first 20 cases that appeared in my web search. In the second wave, I examined the narratives from popular press, magazines, newspapers, and firm/consultant websites for the 20 cases identified in Wave 1. I reviewed the same story from non-academic sources to discover further details and to check the consistency. Similarly, I searched narratives on Google and identified additional 20 and 22 cases in Waves 3 and 4, respectively. In the fourth and last wave, in addition to the web search findings, I also used 12 cases from the previous longevity research (Koc, 2016): Aldi, Auchan, C&A, Delhaize Group, Dixons, Kingfisher, Louis Vuitton, and Tengelmann.

Data Analysis

Detailed explanations of NVivo 12 coding are provided in Appendix A. I followed three steps in my analysis at the end of each successive data collection wave: Step 1 (Listing IME Cases), Step 2 (Primary Coding), and Step 3 (Pattern Coding). I repeated the analysis several rounds to group "descriptive" and "subgrouping" codes into pattern codes. I compared my analysis with previous waves to be consistent. I considered the concurrent exits by multiple firms or concurrent exits of one firm from numerous markets as a single case of exit, given that the

root cause of such concurrent exits was identical. Thus, my study is incident-based. I have three such cases in my study.

Step 1: I started with filling Table 2 to summarize the raw data for each case. First, I entered the name and the origin of the firm, its industry, the foreign market, and years of exit and entry. I added 'reason for exit' at the end of Step 3. For the subsequent steps, I adopted descriptive coding and subcoding (Miles et al., 2014). I used at least two different data sources for each case to understand and verify the reasons. I could organize the data easily by using NVivo 12.

Step 2 (Primary Coding): I adopted a "pattern coding" methodology (Miles et al., 2014) and followed a similar approach explained in Petriglieri et al. (2018). I started with identifying the "reason(s) for each exit" given in the data. Then, I assigned corresponding "primary codes" based on my preliminary conceptualization and other emergent topics as follows. First, I contend that an IME stems from the misalignment between firm strategy and the foreign market risk environment. Accordingly, where applicable, I labeled the primary cause indicating the "uncertainty or risk factors leading to an exit" and the "ineffective step in strategy-making." For instance, "misreading customers" arises during the external environmental scanning (Scan) step of the "strategy formulation (SF) process." The corresponding primary code is "SF_Scan – Customer_Misread."

Second, I used the IB risk definitions (Cavusgil et al., 2020, p. 12-14). "Country risk refers to the potentially adverse effects on company operations and profitability caused by developments in the political, legal, and economic environment in a foreign country. Currency risk, or financial risk, refers to the risk of adverse fluctuations in exchange rates." I conducted primary coding using the factors given in these definitions, such as "economic environment" and

"exchange rate." Finally, I also used codes, such as "Joint Venture (JV)," where applicable, per the data.

Step 3 (Pattern Coding): At this step, I proceeded with "Pattern Coding" (Miles et al., 2014). I labeled primary codes as "alignment," "country," or "currency," per my preliminary conceptualization and IB risk definitions, where applicable. I labeled the rest as "others."

RESULTS AND INTEGRATIVE FRAMING OF PRINCIPAL CAUSES

First, as illustrated in Figure 3, my analysis reveals that strategy accounts for 79 percent of the IMEs in my sample. Of these, 74 percent relate to the initial strategy, and the remaining five percent are accounted for by the subsequent change in strategy. The related cases point out a misalignment between strategy and the foreign market risk environment, especially the cross-cultural risk environment. This high percentage of occurrence indicates that the premises of contingency theory apply in the context of IME, and the suggested conceptualization in Figure 2 is meaningful. Furthermore, 90 percent of the exits are associated with IB risks in total, of which 11 percent are attributed to country and currency risks only. This finding is plausible because IB differs from domestic business in that firms are routinely exposed to IB risks (Cavusgil et al., 2020). Next, I elaborate on the causes of misalignment in the strategy-making process for the initial strategy-related exits.

Second, for the initial strategy- or misalignment-related exits, strategy formulation is the most critical process that accounts for IMEs with an occurrence of 42 percent individually. Figure 4 illustrates the results of the analysis. Strategy formulation may directly lead to an IME under the preliminary conceptualization in Figure 2. Moreover, some 29 percent out of 42 are attributed to the ineffectiveness of foreign market environment scanning. Some nine percent of

the exits stem from ineffective scanning. Some 20 percent are associated with both inadequate scanning and strategy incongruence. Giving support to the preliminary conceptualization and the premises of contingency theory, this finding also provides additional insight into strategic incongruence argument.

*** Insert Figures 3 and 4 about here ***

Third, apart from the individual contribution of strategy formulation, I find that strategy formulation and implementation lead together to IMEs in 51 percent of the initial strategy-related exit cases. Ineffective foreign market scanning and action plan incongruence mutually account for 30 percent of these exits. Ineffective scanning and other combinations, all together, lead to IME in 12 percent of the cases. Therefore, some 42 percent is associated with scanning. Apart from this, I also infer that action plans have to be aligned with the firm strategy, and they both have to be in line with the foreign market environment at the same time under the contingency theory. This finding also provides additional insight into the role of action planning in IMEs.

When considering the initial strategy- or alignment-related cases, strategy formulation and foreign market environment scanning are attributed to 93 percent and 71 percent of the IMEs, respectively. The critical role of ineffective scanning in IMEs is the very vital point in my study. It is the key to identify the risks during scanning and then align the strategy with the foreign market risk environment. This conclusion provides even greater support for the premises of the contingency theory and the preliminary conceptualization in Figure 2.

Fourth, strategy implementation can also be the primary cause in IMEs. Some seven percent of the initial strategy-related exit cases are related to ineffective action planning. Besides, eight percent is attributed to inadequate execution and combinations. This finding further

provides additional insights into action planning and execution. Even if a firm effectively

implements itself in a foreign environment, it may fail due to ineffective implementation.

Finally, taking the additional insights from the first, second, third, and fourth findings

into consideration, I suggest the final conceptualization for IMEs as illustrated in Figure 5. IB

risks must be identified during environmental scanning to align the strategy with the foreign

market risk environment appropriately. Otherwise, strategy incongruence, action plan

incongruence, and effectiveness in execution may also lead to an IME individually or in

combination, according to the findings in Figure 4. They account for 62 percent of the exits in

combination with ineffective scanning.

*** Insert Figure 5 about here ***

PROPOSITIONS REGARDING THE EXIT PHENOMENON

Contingency theories suggest that firm performance is a result of the fit between two or

more factors. In this context, environmental alignment literature highlights the organizations'

need to align with their environment to be competitive and innovative for long-term survival and

growth (Fiol & Lyles, 1985). Organizational adaptation theory supports this proposition by

bringing environmental factors also into focus. A firm is supposed to consider and analyze its

foreign market environment during strategic planning, which is a systematic approach to strategy

formulation and implementation (Wolf, 2017). A strategic plan is the backbone of the strategic

management (Steiner, 1979), and alignment between strategy and the environment is vital. In this

context, strategy literature proposes a positive relationship between strategic planning and firm

performance (Bowman & Helfat, 2001; Boyd, 1991; Burt, 1978; El-Ansary, 2006; Miller &

Cardinal, 1994; Schwenk & Shrader, 1993). Accordingly, I suggest that there is a negative

relationship between the "effectiveness of strategy formulation and implementation," and "likelihood of IME".

Strategy Formulation

According to the findings illustrated in Figure 4, some 71 percent of the IMEs are associated with ineffective scanning. In parallel, Figure 3 reveals the very high contribution of IB risks. Therefore, effectiveness in foreign market risk environment scanning is critical. The success of the rest of the steps in strategy formulation, and also in implementation depends on the quality of this very first step. It paves the way for achieving fit with the foreign market environment and being successful as implied by the contingency theory. Consequently, collecting reliable and quality information is the key to avoid or mitigate IB risks, and identify critical success factors. Otherwise, misunderstandings, miscalculations or poor choices may lead to loss or failure, and therefore exit in time.

The foreign market risk environment scanning is more critical for multinational firms. They operate in several countries and are exposed to different cultures, laws, and financial conditions. Thus, multinational firms need to understand and adapt to these several countries at the same time, allocate the available and/or possible new resources in the most effective way, and become competitive.

I argue that a firm may be a misfit in a foreign environment in two ways: First, some firms may overlook the critical step of foreign market risk environment scanning. Accordingly, they miss any or all critical information. Second, it is also probable that such firms do not overlook and may carry out scanning. However, they may fail to understand, misunderstand, underestimate or ignore signals from the market. In both the first and the second cases, scanning is not effective. Consequently, a firm may fail to: i) identify and mitigate the IB risks, ii) capture

the critical success factors, iii) carry out strategy development effectively, and iv) align with its risk environment. According to the sample cases, a successful firm may choose to adopt its "proven home market strategies" to enter international markets. However, different tastes and habits in foreign markets or cross-cultural risks may inhibit achieving similar results. Therefore, firms need to carry out an effective scanning to understand the uncertainties or risks about the external factors including customers and competition to be able to achieve alignment between the risk environment and strategy. In summary, I argue that an effective scanning predicts likelihood of IME by the firm.

Proposition 1a. The more effective the scanning of foreign market risk environment, the lower the likelihood of IME.

Figure 4 depicts that strategy incongruence is attributed to 48 percent of IMEs. A firm strategy has to be in line with the foreign market environment. Uncertainties and IB risks in an unfamiliar foreign market, critical success factors (Leidecker & Bruno, 1984), and corresponding threats and opportunities are the key outputs of an effective scanning. An effective strategy neutralizes threats or risks and capitalizes opportunities. If a firm overlooks, misreads or underestimates IB risks, alignment between the strategy and the foreign market risk environment will be inadequate. Thus, failing to meet the contingency theory premises, a firm may withdraw from a foreign market due to misaligned strategy.

Proposition 1b. The more congruent the strategy with the foreign market risk environment, the lower is the likelihood of IME by the firm.

As illustrated in Figure 4, 93 percent of the initial strategy- or misalignment-related IME cases are associated with strategy formulation. Besides, formulation and implementation, together, account for 51 percent of the withdrawals. An ineffective formulation may directly lead

to IME. Alternatively, it may negatively influence the effectiveness of implementation first, and then poor implementation leads to IME. Strategy formulation is a critical process for two reasons: First, firms can only understand and achieve fit with their environment through scanning. It is a crucial process to identify the risks and the key success factors in a foreign market, and to understand the contingencies. Misleading data or assessment will lead to ineffectiveness. In this respect, it has an impact on the whole strategy making process. Second, a strategy is identified taking scanning into account, and action planning is carried out in accordance with strategy. Therefore, strategy implementation is dependent on strategy formulation. It is very likely that ineffective formulation will influence negatively all the remaining steps.

> *Proposition 2a. The more effective the strategy formulation (external environment scanning and strategy congruence), the more effective is the strategy implementation (action plan congruence).*
>
> *Proposition 2b. The more effective the strategy formulation (external environment scanning and strategy congruence), the lower is the likelihood of IME through strategy implementation.*

Strategy Implementation

I contend that formulating the fit between firm strategy and foreign market risk environment is a necessary but not a sufficient condition for success. According to the findings illustrated in Figure 4, action plan incongruence or ineffective strategy implementation may also lead directly to IME. A strategy is meaningful in case it is converted into competitive success (Hambrick & Cannella, 1989), and an action plan is the means for this conversion. Marketing

program is an integral part of an action plan, and includes the choices about product, price, place and promotion. In line with the contingency theory, an action plan with marketing program should be aligned with the identified strategies, and therefore with the foreign market uncertainties and risk environment. Therefore, an effective action plan takes IB risks into consideration. There has to be a causal explanation between strategy and action plans (Woodward, 2005).

I argue that a firm may be a misfit in a foreign market in two ways: First, an action plan is not consistent with the strategy. Then, it may not help mitigating IB risks and threats, capitalizing opportunities, and gaining competitive edge. For instance, the data analysis reveals that making the wrong decision on type and location of stores and pricing leads to poor performance. Even if a strategic decision of entering a foreign market is promising, such mistakes at the tactical level may lead to a withdrawal from a promising market. Second, an action or marketing program can be aligned with the strategy. However, the execution may not be consistent with the plan. Consequently, planned actions will again not serve its purpose of mitigating risks, capitalizing opportunities, meeting market expectations and winning competition.

Proposition 3a. The more congruent the action plan with the foreign market risk environment, the lower the likelihood of IME by the firm.

Proposition 3b. The more effective the execution of an action plan, the lower the likelihood of IME by the firm.

The Moderating Role of Risk Readiness

The primary objective of this study is to explore the underlying causes of IMEs. The results in Figure 4 give support to the impact of misalignment between strategy and the foreign market risk environment on likelihood of IME. Nevertheless, I wished to carry out a moderation analysis as well. Therefore, I introduced the moderating role of risk readiness to suggest a full conceptualization in Figure 5. Risk readiness is defined as the responsiveness to disruptive events, and risk management is the means to achieve risk readiness (Das & Lashkari, 2015; Ponomarov & Holcomb, 2009). Risk management can also improve the results from strategy formulation and implementation. However, I argue that a risk management system can only be effective, and offer risk readiness provided that: i) a proven risk management system has to be built and implemented systematically (Andersen, 2008), ii) one of the Top Managers in headquarters has to be appointed as the Process Owner to keep the implementation of the system under control centrally (Beasley, Clune, & Harmanson, 2005; Kaplan & Mikes, 2012), and iii) its "effectiveness" is achieved and improved in time through learning from failures.

Extant literature suggests that performance improves with learning (Fiol & Lyles, 1985; Minniti & Bygrave, 2001). Organizational learning refers to "the process of improving actions through better knowledge and understanding" (Fiol & Lyles, 1985, 803). Accordingly, firm management may improve strategy formulation and implementation process taking their past experience into account (Minniti & Bygrave, 2001). They may trace the results taken associated with their "main strategic decisions," and "measure" their effectiveness historically. The objective is to understand the primary causes of poor performance, learn from them, make improvements, and maintain each experience in organizational memory. In this context, I suggest that firms may develop a "reliability index" based on the "results of their main strategic

decisions" to improve their effectiveness in time and become risk resilient. This is consistent with the suggestions of scholars to conceptualize and measure external risks, such as the country (Brown, Cavusgil & Lord, 2015) and cultural (Slangen & Tulder, 2009).

>*Proposition 4a.* Risk readiness moderates the negative relationship between effectiveness in strategy formulation and the likelihood of IME.

>*Proposition 4b.* Risk readiness moderates the negative relationship between effectiveness in strategy implementation and the likelihood of IME.

DISCUSSION

This study addresses the factors that contribute to foreign market exits. First, analyzing 62 actual cases, I identify typical patterns leading to IMEs. Second, I am able to delineate misalignment between strategy and foreign market risk environment as the primary cause and suggest an integrated framework. Below, i highlight the key insights gained from the analysis.

Theoretical Implications

The final conceptualization in Figure 5 depicts the IME phenomenon in an integrated theoretical framework. The findings support the necessity of an alignment between firm strategy and the risk environment to decrease the likelihood of IME under the contingency theory. Highlighting the critical role of foreign market risk environment scanning, I argue that misalignment may arise in any step of the strategy making process. Corresponding losses or failures may be so vital that management may decide to withdraw. The present analysis suggests that the majority of misalignments stem from cross-cultural risks, and they are customer-, competition- or marketing mix-related.

First, more than 50 percent of the strategy-related exits can be traced to misunderstanding, misjudgment, or underestimating customers. "Not carrying out detailed market research before market entry," "misreading customer priorities," "paying too little attention to local consumer tastes," "finding the right formula to attract customers," and "failing to sense that trends are changing" are some of the expressions in the data to explain this phenomenon. Regardless of the industry and location, this study reminds that customer orientation is critical for success by mitigating the risks associated with industry-related uncertainties.

Second, competitive rivalry appears as another industry-related uncertainty that gives rise to cross-cultural risks in the foreign market environment. "Incoherent elaboration of the network of retail outlets," "a super-competitive landscape," "small state-owned breweries already existed," "significantly cut its prices to try to compete, and in late 2005 it stopped charging altogether, but it was too late," and "increased competition from online retailers and supermarkets" are some explanations in the data for the exits. As in the case of customers, it is not sufficient to only analyze the competition before entry. It is imperative to follow the changes for not to lose the competitive edge in the mid and long term.

Third, the findings reveal, once again, the critical role of the action plans, and therefore the marketing mix: i) appropriate products with the relevant product features have to be offered to foreign markets; and ii) pricing is also critical. For instance, it may not be possible to "compete in a price sensitive market with high quality products." iii) "Selecting good locations" for the stores is critical. For instance, in one of the cases, the intended concept did not work well as the stores were often adjacent to supermarkets. Shop design and/or size are the other essential factors. iv) Promotional activities need to be consistent with the market environment. "Digital

advertising in a country where small businesses do not use the Internet" will definitely be ineffective. "Early announcement of entry" may result in early competitive attacks and change in market scenarios. Therefore, misalignment between action plans and foreign market risk environment may arise again due to industry-related uncertainty.

Fourth, in the context of understanding the market dynamics, some of the cases remind the criticality of market forecasts. "Overestimation of the market volume," "too high sales expectations and setting unrealistic goals accordingly" can result in favorable feasibility studies. However, actual market conditions may lead to losses and more extended payback periods, which in turn may cause withdrawals. Therefore, uncertainties related to market size may lead to misalignment between strategy and risk environment especially in data-poor markets.

In addition, Figure 3 reveals another important insight. Some 90 percent of the IMEs are associated with IB risks. Thus, the findings give support to the risk framework suggested in the literature (Cavusgil et al., 2020). It is plausible that risk contributes to the IME phenomenon greatly. One of the key risks is misalignment of strategy with the foreign market risk environment. Cavusgil et al. (2020) refer to this type of IB risk as commercial risk (Cavusgil, Deligonul et al., 2020), which is defined as the "firm's potential loss or failure due to poorly developed or executed business strategies." The nature of commercial risk is very different from other types of IB risks. A firm has discretion over its choice in managing commercial risk while it has a limited control over the other risks. Firms can mitigate commercial risk through information gathering, knowledge, expertise, and effective strategy making and implementation. Surprisingly, commercial risk has been relatively overlooked in the literature.

In the current study, I suggest that IB risks account for 90 percent of the IMEs. Some 79 percent are primarily related to cross-cultural risks, and stem form strategy misalignment. The

remaining 11 percent point to political and currency risks. Apart from the IB risks, some 10 percent of the withdrawals are related to: bankruptcy (in other operations), investor request, JV, and labor unrest. I report four exit cases that stemmed from "JV relations." This reminds the importance of partner alignment as highlighted by Arte & Larimo (2019) and Cavusgil & Deligonul (2012). However, it is too simplistic to assume that the premature market withdrawals can only be explained with the factors I delineated. I acknowledge the relevance of other potential primary causes, such as: i) natural disasters, ii) infectious epidemics, iii) terrorism, iv) replacement of a government regime with a hostile one, v) policy changes as a result of acquisitions or mergers, and vi) breakthroughs or disruptive actions by competitors. Such factors can potentially cause misalignment and interrupt business. Therefore, firms have to consider them not only in strategy making but also in business continuity plans (Czinkota et al, 2010).

Managerial Recommendations

Foreign market expansion is an alternative path to growth and profitability. Firms expend considerable amount of resources for this purpose. IME cases provide important insights for the practitioners to achieve their objectives in international markets. First, the findings reveal that "failing to understand customers" is the major factor in market exits. Addressing customer needs and expectations may be more complex with an increase in cultural distance. It is necessary to find ways to understand customers prior to deciding to allocate limited resources of a firm. Foreign market environment scanning, and especially risk environment scanning is vital in this respect.

Second, successful firms may use their processes and structures elsewhere as a model in new projects. Transporting capabilities from one successful implementation to a new implementation looks rational and advised in theory (e.g. resource based view and knowledge

based learning) and practice (e.g. replicating plant layouts). However, the expectation that one successful model will deliver an identical result in most external conditions is not realistic. No single recipe guarantees success. Similarly, the analysis reveals that a successful home market formula may not work in all countries. Successful tactical moves in one country may not work in other settings. Changing internal and external conditions, and context may require adaptation. Thus, managers should not simply rely on past practice in contemplating foreign market entry. Repeated success with existing solutions may not be realized.

Third, considering the cultural distance between advanced and developing economies, I argue that cross-cultural differences may exacerbate uncertainty about a foreign market. Cultural values differ among various markets (Tihanyi, Griffith & Russel, 2005). Coping with cultural differences is a component of the market, customer, and competition analysis. Accordingly, firms should give greater emphasis to foreign market risk environment scanning when the cultural distance is pronounced. Fourth, according to the analysis, some 39 percent of the initial strategy- or misalignment-related exits happened in the first five years, some 24 percent took place in six to ten years, and the rest mainly after 15 or more years. It is possible that some markets may fall in time and some others may rise. Therefore, firms have to be proactive in adapting themselves to changing circumstances. Foreign market environment scanning has to be an ongoing and dynamic process to mitigate risks.

Future Research and Limitations

Though the present investigation shed additional light on the IME phenomenon, future research is warranted for the following reasons. First, data include the declarations of firm representatives and analysts about the primary causes of IMEs. Accordingly, I could delineate the misaligned strategy as the main culprit. However, I do not necessarily explain exactly how

the misalignment between strategy and the foreign market risk environment takes place. Is it misleading information from market research and market intelligence systems? Or do inexperienced or incompetent managers formulate ineffective strategy? Scholars may investigate the primary causes of misalignment. On the other hand, a firm may not assess the potential in a foreign market and may decide to enter just for market testing purposes. Withdrawing from a foreign market at the end of a testing period is neither a failure nor a loss. Collecting detailed information with primary data about the reasons of misalignment will shed light on these uncertainties.

Second, I identified misinterpreting customer tastes and competitive rivalry as the two vital factors that give rise to industry-specific uncertainties, and therefore misaligned strategy. It is interesting and important to explore why firms misread their customers and competition. Does it arise from ineffective firm internal processes, such as market research and market intelligence? Is it because firms prefer to offer their customers a product that they know instead of adapting it? It is crucial to find out the factors that mislead decision makers. In this context, cultural barriers may also impede practitioners to clearly understand their consumers. Polyculturalism is the new stream of research (Morris et al., 2015), addressing the limitations of the traditional paradigm. It introduces the assumption that cultures evolve due to continuous intercultural interactions. Scholars may also explore the impact of the moderating role of polycultural mindset in understanding the market and eliminating the likelihood of IME.

Third, the current study also reveals that the duration of time to exit varies among the cases. While the majority of firms exit in the first five years, others withdraw after 15 years of operation in a host country. Thus, it can be interesting to explore the patterns behind varying duration of time to exit. What are the factors behind varying duration of time to exit? Why do

some firms exit immediately after their entry, while others continue to operate longer, and then exit? Timing of exit can be as important as timing of entry if a firm incurs high costs in an international market.

Fourth, Javalgi et al. (2011) focused on reentry and analyzed the firms that withdrew mainly before 2000. It seems the exits in 1900s are generally associated with country and currency risks (Javalgi et al., 2011, Appendix A). My sample mainly includes the cases after year 2000 where globalization was on the rise. I found misalignment between strategy and risk environment as the primary cause in this era. It is reasonable that strategy becomes highly important in a global trade environment where trade barriers disappear, and firms increasingly target foreign markets. However, according to the recent studies (Lund, Manyika, Woetzel, Bughin, Krishnan, Seong, & Muir, 2019), trade intensity tends to fall giving support to the de-globalization debates. It can be interesting to understand the impact of this changing trade environment on divestment activity.

Fifth, my sample includes firms primarily from advanced economies entering emerging markets (50% of the cases). Exploring the poor performance of developing economy firms in advanced economies may also offer new and interesting insights. Apart from the variation associated with economic development, cultural differences between advanced and emerging economies can also lead to varying performances. Sixth, the moderating role of the origin of foreign market and industry can be further analyzed. For instance, the conditions may be tough in certain industries, or understanding customer expectations can be more crucial and critical in certain world markets. Therefore, firms may need to allocate more resources.

Finally, I contend that strategy making process may lead to IME if any of its steps is not effective to achieve alignment with the foreign market risk environment. Contrary to extant

literature, I find support for the existence of a common pattern behind withdrawals and highlight the critical role of strategy making process. The key is not the individual role of understanding the market, or taking strategic decisions, such as timing of entry and entry mode, but to achieve alignment with the foreign risk environment through strategy making. However, I also argue that the findings are complementary to previous research. For instance, variables, such as firm age, firm size, and organizational capabilities may moderate the negative relationship between "effectiveness in alignment" and "likelihood of international market exit." Future research may explore the impact of such moderating variables.

Several limitations can be identified with respect to the present investigation. First, the sample mainly includes the divestment experiences of traditional firms operating based on traditional business models. For instance, 50 percent of the analyses comprise offline retailing firms. However, we know that disruptive forces have big impact on traditional business models as in the case of online retailing. Firms may not bear similarly huge expenses in digital economy, such as the cost of land, stores, and employees. Therefore, realigning the strategy with the international business risk environment can be less costly for the online retailers. It is plausible that the primary causes of IMEs can be totally different. Second, I analyzed firms operating in business-to-consumer markets. The reasons for exit may again be completely different in business-to-business operations. It is expected that direct communication between buyer and seller dyads is more frequent, and this may eliminate the possibility of misreading market. Third, I used secondary data sources in English. This may be the reason why I primarily reached and analyzed the withdrawal cases of developed economy multinational firms.

REFERENCES

Alexander, Nicholas, Quinn, Barry & Cairns, Patricia (2005). International Retail Divestment Activity. *International Journal of Retail & Distribution Management*, 33(1): 5-22.

Andersen, Torben Juul (2008). The Performance Relationship of Effective Risk Management: Exploring the Firm-Specific Investment Rationale. *Long Range Planning*, 41: 155-176.

Arte, Pratik & Larimo, Jorma (2019). Taking Stock of Foreign Divestment: Insights and Recommendations from Three Decades of Contemporary Literature. International Business Review, 28(6): 1-20.

Bai, T., Jin, Z., & Qi, X. (2013). Chinese firms' OFDI entry mode choice and survival of Foreign Subsidiaries: Contingency Effects of Economic and Cultural Distance. *International Journal of China Marketing*, 4(1): 102–114.

Bane, W. T., & Neubauer, Franz-Friedrich (1981). Diversification and the Failure of New Foreign Activities. *Strategic Management Journal*, 2(3): 219–233.

Beasley, Mark S., Clune, Richard, & Harmanson, Dana R. (2005). Enterprise Risk Management: An Empirical Analysis of Factors Associated with the Extent of Implementation. *The Journal of Accounting and Public Policy*, 24: 521-531.

Belderbos, Rene (2003). Antidumping and foreign divestment: Japanese electronics multinationals in the EU. *Review of World Economics*, 139(1): 131–160.

Belderbos, Rene, & Zou, Jianglei (2006). Foreign Investment, Divestment and Relocation by Japanese Electronics Firms in East Asia. *Asian Economic Journal*, 20(1), 1–27.

Belderbos, Rene, & Zou, Jianglei (2009). Real Options and Foreign Affiliate Divestments: A Portfolio Perspective. *Journal of International Business Studies*, 40(4): 600–620.

Benito, Gabriel R. G. (1997). Divestment of Foreign Production Operations. *Applied Economics*, 29(10): 1365-1378.

Benito, Gabriel R. G. (2005). Divestment and International Business Strategy. *Journal of Economic Geography*, 5(2): 235–251

Benito, Gabriel R. G. & Welch, Lawrence S. (1997). De-internationalization. *Management International Review*, 37:7-25

Berry, Heather (2010). Why do firms divest? *Organization Science*, 21(2): 380–396.

Berry, Heather (2013). When do Firms Divest Foreign Operations? *Organization Science*, 24(1): 246-261.

Boddewyn, Jean J. (1979). Foreign Divestment: Magnitude and Factors. *Journal of International Business Studies*, 10(1): 21-27.

Boddewyn, Jean J. (1983a). Foreign and Domestic Divestment and Investment Decisions: Like or Unlike? *Journal of International Business Studies*, 14(3): 23–35.

Boddewyn, Jean J. (1983b). Foreign Direct Divestment Theory: Is It the Reverse of FDI Theory? *Weltwirtschaftliches Archiv*, 119(2): 346–355.

Borden, Neil H. (1964). The Concept of the Marketing Mix. Journal of Advertising Research, 7-12.

Bourgeois, L. J. III (1980). Strategy and Environment: A Conceptual Integration. *Academy of Management Review*, 5(1): 25-39.

Bowman, Edward H. & Helfat, Constance E. (2001). *Does Corporate Strategy Matter?* Strategic Management Journal, 22:1-23.

Boyd, Brian K. (1991). Strategic Planning and Financial Performance: A Meta-Analytic Review. *Journal of Management Studies*, 28(4): 353-374.

Boyd, Brian K. & Reuning-Elliot, Elke (1998). A Measurement Model of Strategic Planning. Strategic Management Journal, 19, 181-192.

Brown, Christopher L., Cavusgil, S. Tamer & Lord, A. Wayne (2015). Country-risk Measurement and Analysis: A New Conceptualization and Managerial Tool. International Business Review, 24: 246-265.

Burt, David N. (1978). Planning and Performance in Australian Retailing. *Long Range Planning*, 11(3): 62-66)

Burt, Steve, Coe, Neil M. & Davies, Keri (2019). A Tactical Retreat? Conceptualising the Dynamics of European Grocery Retail Divestment from East Asia. *International Business Review*, 28: 177-189.

Burt, Steve, Dawson, John & Sparks, Leigh (2003). Failure in International Retailing: Research Propositions. *International Review of Retail, Distribution and Consumer Research*, 13(4): 355-373.

Cavusgil, Tamer S. & Cavusgil Erin (2012). Reflections on International Marketing: Destructive Regeneration and Multinational Firms. Journal of the Academy of Marketing Science, 40(2): 202-217.

Cavusgil, S. Tamer & Deligonul, Seyda (2012). Exogenous Risk Analysis in Global Supplier Networks: Conceptualization and Field Research Findings. *Information Knowledge Systems Management*, 11: 131-149.

Cavusgil, S. Tamer, Knight, Gary & Riesenberger, John R. (2020). International Business: The New Realities. Pearson, 5th Ed. 2020.

Cavusgil, S. Tamer, Deligonul, Seyda, Ghauri, Pervez, N., Bamiatzi, Vassiliki, Park, Byung Il & Mellahi, Kamel (2020). Risk in International Business and Its Mitigation. Journal of World Business, 55(2): 1-6.

Chandler, Alfred D. (1962). Strategy and Structure: Chapters in the History of the Industrial Enterprise. Boston, MA: MIT Press.

Chung, Chris C., Lee, Seung-Hyun, & Lee, Jeoung-Yul (2013). Dual-option Subsidiaries and Exit Decisions During Times of Economic Crisis. *Management International Review*, 53(4), 555–577.

Clarke & Fuller (2010). Collaborative Strategic Management: Strategy Formulation and Implementation by Multi-Organizational Cross-Sector Social Partnerships. Journal of Business Ethics, 94: 85-101.

Cooper, Harris (1998). Synthesizing Research: A Guide For Literature Reviews. Sage Publications, Third Edition, Thousand Oaks London New Delhi.

Coucke, K., & Sleuwaegen, L. (2008). Offshoring as a Survival Strategy: Evidence From Manufacturing Firms in Belgium. *Journal of International Business Studies*, 39(8): 1261–1277.

Czinkota, Michael R., Knight, Gary, Liesch, Peter W. & Steen, John (2010). Terrorism and International Business: A Research Agenda. *Journal of International Business Studies,* 41, 826-843.

Dai, L., Eden, L., & Beamish, P. W. (2013). Place, Space, and Geographical Exposure: Foreign Subsidiary Survival in Conflict Zones. *Journal of International Business Studies*, 44(6): 554–578.

Das, Kanchan & Lashkari, Reza S. (2015). Risk Readiness and Resiliency Planning For a Supply Chain. International Journal of Production Research, 53(22): 6752-6771.

Delios, Andrew, & Beamish, Paul W. (2001). Survival and Profitability: The Roles of Experience and Intangible Assets in Foreign Subsidiary Performance. *The Academy of Management Journal*, 44(5): 1028–1038.

Delios, Andrew, & Makino, Shige (2003). Timing of Entry and Foreign Subsidiary Survival. *Journal of International Marketing*, 11(3): 83–105.

Delios, Andrew, Xu, Dean, & Beamish, Paul W. (2008). Within-country Product Diversification and Foreign Subsidiary Performance. *Journal of International Business Studies*, 39(4): 706–724.

Demirbag, Mehmet, Apaydin, Marina, & Tatoglu, Ekrem (2011). Survival of Japanese Subsidiaries in the Middle East and North Africa. *Journal of World Business*, 46(4): 411–425.

Dess, Gregory G. (1987). Strategy Formulation and Organizational Performance: Competitors in a Fragmented Industry. *Strategic Management Journal*, 8(3): 259-277.

Dhanaraj, Charles, & Beamish, Paul W. (2009). Institutional Environment and Subsidiary Survival. *Management International Review*, 49(3): 291–312.

Donaldson, Lex (2001). The Contingency Theory of Organizations. United Sates of America, United Kingdom, India: Sage Publications.

Dominguez, Noemie & Mayrhofer, Ulrike (2017). Internationalization Stages of Traditional SMEs: Increasing, Decreasing and Re-increasing Commitment to Foreign Markets. International Business Review, 26: 1051-1063.

Drazin, Robert & Van de Ven, Andrew H. (1985). Alternative Forms of Fit in Contingency Theory. Administrative Science Quarterly, 30(4): 514-539.

Eisenhardt, K. M., (1989a). Building Theories From Case Study Research. Academy of Management Review, 14(4): 532-550.

Eisenhardt, K. M., (1989b). Making Fast Strategic Decisions in High-Velocity Environments. Academy of Management Journal, 32(3): 543-576.

Eisenhardt, K. M. & Graebner, M. E. (2007). Theory Building From Cases: Opportunities and Challenges . Academy of Management Journal, 50(1): 25-32.

El-Ansary, Adel (2006). Marketing Strategy: Taxonomy and Frameworks. *European Business Review*, 18(4): 266-293.

Etgar, Michael & Rachman-Moore, Dalia (2007). Determinant Factors of Failures of International Retailers in Foreign Markets. International Review of Retail, Distribution and Consumer Research, 17(1): 79-100.

Fiol, Marlene C. & Lyles, Marjorie A. (1985). Organizational Learning. Academy of Management Review, 10(4): 803-813.

Fisch, J. H., & Zschoche, M. (2012). The Effect of Operational Flexibility on Decisions to Withdraw from Foreign Production Locations. *International Business Review*, 21(5): 806–816.

Garg, M., & Delios, A. (2007). Survival of the Foreign Subsidiaries of TMNCs: The Influence of Business Group Affiliation. *Journal of International Management*, 13(3): 278–295.

Gaur, Ajai S., & Lu, Jane W. (2007). Ownership Strategies and Survival of Foreign Subsidiaries: Impacts of Institutional Distance and Experience. *Journal of Management*, 33(1): 84-110.

Ginsberg, Ari & Venkatraman N. (1985). Contingency Perspectives of Organizational Strategy: A Critical Review of the Empirical Research. Academy of Management Review, 10(3): 421-434.

Hambrick, Donald C. & Cannella, Albert A. (1989). Strategy Implementation as Substance and Selling. *Academy of Management Perspectives*, 3(4): 278-285.

Hamilton Robert T. & Chow, Yuen Kong (1993). Why Managers Divest—Evidence from New Zealand's Largest Companies

Haynes Michelle, Thompson, Steve & Wright, Mark (2003). The Determinants of Corporate Divestment: Evidence form a Panel of UK Firms. Journal of Economic Behavior & Organization, 52: 147-166.

Hennart, Jean-Francois, Roehl, Thomas & Zeng, Ming (2002). Do Exits Proxy a Liability of Foreignness? The Case of Japanese Exits from the US. *Journal of International Management*, 8(2002): 241-264.

Hill, Charles W. L., Jones, Gareth R. & Schilling, Melissa A. (2014). Strategic Management: Theory: An Integrated Approach. *Cengage Learning*, Stamford CT.

Jagersma, P. K. & Van Gorp, D. M. (2003). International Divestments: An Empirical Perspective. *Journal of General Management*, 29(1): 47-67.

Javalgi, Rajshekhar (Raj) G., Deligonul, Seyda, Dixit, Ashutosh & Cavusgil, Tamer S. (2011). International Market Reentry: A Review and Research Framework. *International Business Review*, 20(2011): 377-393.

Kaplan, Robert S. & Mikes, Anette (2012). Managing Risks: A New Framework. *Harvard Business Review*, June 2012.

Kim, T.-Y., Delios, A., & Xu, D. (2010). Organizational Geography, Experiential Learning and Subsidiary Exit: Japanese Foreign Expansions in China, 1979–2001. *Journal of Economic Geography*, 10(4): 579–597.

Kim, Y.-C., Lu, J. W., & Rhee, M. (2012). Learning From Age Difference: Interorganizational Learning and Survival in Japanese Foreign Subsidiaries. *Journal of International Business Studies*, 43(8): 719–745.

Koc, Tuba O. (2016). *Longevity Of Multinational Retail Enterprises in Foreign Markets: An Empirical Examination*. Unpublished PhD Dissertation, Robinson College of Business, Georgia State University, Atlanta, GA.

Kolev, K. D. (2016). To Divest or Not to Divest: A Meta-analysis of the Antecedents of Corporate Divestitures. *British Journal of Management*, 27(1): 179–196.

Leidecker, Joel K. & Bruno, Albert V. (1984). Identifying and Using Critical Success Factors. *Long Range Planning*, 17(1): 23-32.

Li, Feng (2019). Why All Western Internet Firms (WIFs) Failed in China? A Phenomenon Based Study. *Academy of Management Discoveries*, 5(1): 13-37.

Li, Jiatao (1995). Foreign Entry and Survival: Effects of Strategic Choices on Performance in International Markets. *Strategic Management Journal*, 16(5): 333-351.

Li, Ren, & Liu, Zhenlin (2015). What Causes the Divestment of Multinational Companies in China? A Subsidiary Perspective. *Journal of Business Theory and Practice*, 3(1): 81–89.

Liesch, Peter W., Welch, Lawrence S. & Buckley, Peter J. (2011). Risk and Uncertainty in Internationalisation and International Entrepreneurship Studies Review and Conceptual Development. *Management International Review*, 51:851–873.

Lund, Susan, Manyika, James, Woetzel Jonathan, Bughin, Jacques, Krishnan, Mekala, Seong, Jeongmin & Muir Mac (2019). Globalization in Transition: The Future of Trade and Value Chains. McKinsey Global Institute, https://www.mckinsey.com/featured-insights/innovation-and-growth/globalization-in-transition-the-future-of-trade-and-value-chains. Dated January 16, 2019.

Mata, Jose & Freitas, Ernesto (2012). Foreignness and Exit Over The Life Cycle of Firms. Journal of International Business Studies, 2012(43): 615-630.

Miles, Matthew B., Huberman, Michael, A. & Saldana, Johnny (2014). Qualitative Data Analysis: *A Methods Sourcebook*, Edition 3. Sage Publications, USA.

Miles, Raymond E., Snow, Charles C., Meyer, Alan D. & Coleman, Henry J. Jr. (1978). Organizational Strategy, Structure and Process. *The Academy of Management Review*, 3(3): 546-562.

Miller, Kent D. (1992). A Framework for Integrated Risk Management in International Business. *Journal of International Business Studies*, 23(2): 311-331.

Miller, Chet C. & Cardinal, Laura B. (1994). Strategic Planning and Firm Performance: A Synthesis of More than Two Decades of Research. *The Academy of Management Journal*, 37(6): 1649-1665.

Minniti, Maria & Bygrave, William (2001). A Dynamic Model of Entrepreneurial Learning. *Entrepreneurship Theory and Practice,* 25: 5-16.

Morris, M. W., Chiu, C., & Liu, Z. (2015). Polycultural psychology. *Annual Review of Psychology*, 66, 631–659.

Mudambi, Ram, & Zahra, Shaker A. (2007). The Survival of International New Ventures. *Journal of International Business Studies*, 38(2): 333–352

Naman, John L. & Slevin, Dennis P. (1993). Entrepreneurship and the Concept of Fit: A Model and Empirical Tests. Strategic Management Journal, 14: 137-153.

Norback, P.-J., Tekin-Koru, A., & Waldkirch, A. (2015). Multinational Firms and Plant Divestiture. *Review of International Economics*, 23(5): 811–845.

Ogasavara, M. H., & Hoshino, Y. (2008). The Effects of Entry Strategy and Inter-firm Trust on the Survival of Japanese Manufacturing Subsidiaries in Brazil. *Asian Business & Management*, 7(3): 353–380.

Papyrina, Veronika (2007). When, How, and With What Success? The Joint Effect of Entry Timing and Entry Mode on Survival of Japanese subsidiaries in China. *Journal of International Marketing*, 15(3): 73–95.

Park, H., & Chung, C. C. (2019). The Role of Subsidiary Learning Behavior and Absorptive Capacity in Foreign Subsidiary Expansion. *International Business Review*, 28(4): 685–695.

Pattnaik, Chinmay, & Lee, Jeoung Y. (2014). Distance and Divestment of Korean MNC Affiliates: The Moderating Role of Entry Mode and Experience. Asia Pacific Business Review, 20(1): 174–196.

Patton, Michael, Quinn (2002). Qualitative Research and Evaluation Methods (3rd ed.). Thousand Oaks, CA: Sage.

Petriglieri, Gianpiero, Petriglieri, Jennifer L. & Wood, Jack D. (2018). Fast Tracks and Inner Journeys: Crafting Portable Selves for Contemporary Careers. *Administrative Science Quarterly*, 63(3): 479-525.

Poliakova, Elena, Riddle, Liesle, & Cummings, Michael E. (2020). Diaspora Investment Promotion via Public–Private Partnerships: Case-study Insights and IB Research Implications From the Succeed in Ireland Initiative. *Journal of International Business Policy*, 3(1): 23-37.

Ponomarov, Serhiy Y. & Holcomb, Mary C. (2009). Understanding the Concept of Supply Chain Resilience. International Journal of Logistics Management, 20(1): 124-143.

Schmid, David & Morschett, Dirk (2020). Decades of Research on Foreign Subsidiary Divestment: What do we Really Know About its Antecedents? *International Business Review*, Available online 29 December 2019, 101653.

Schwenk, Charles R. & Shrader, Charles B. (1993). Effects of Formal Strategic Planning on Financial Performance in Small Firms: A Meta-Analysis. *Entrepreneurship: Theory and Practice*, 17(3):53-64

Sharma, Pramodita & Manikutty, S. (2005). Strategic Divestments in Family Firms: Role of Family Structure and Community Culture. *Entrepreneurship Theory and Practice*, 29(3): 293-311.

Shaver, J. M., Mitchell, W., & Yeung, B. (1997). The Effect of Own-firm and Other-firm Experience on Foreign Direct Investment Survival in the United States, 1987-92. *Strategic Management Journal*, 18(10): 811–824

Slangen, Arjen H. L. & Tulder, Rob J. M. Van (2009). Cultural Distance, Political Risk, or Governance Quality? Towards a More Accurate Conceptualization and Measurement of External Uncertainty in Foreign Entry Mode Research. *International Business Review*, 18(3): 276-291.

Song, Sangcheol (2014). Unfavorable Market Conditions, Institutional and Financial Development, and Exits of Foreign Subsidiaries. *Journal of International Management*, 20: 279-289.

Sousa, Carlos M. P. & Tan, Qun (2015). Exit From a Foreign Market: Do Poor Performance, Strategic Fit, Cultural Distance, and International Experience Matter? *Journal of International Marketing*, 23(4): 84-104.

Steiner, George A. (Copyright 1979). Strategic Planning: What Every Manager Must Know. Free Press, New York, London, Toronto, Sydney, Tokyo, Singapore.

Tan, Q., & Sousa, C. M. P. (2019). Why Poor Performance is not Enough for a Foreign Exit: The Importance of Innovation Capability and International Experience. *Management International Review*, 59(3): 465–498.

Tihanyi, Laszlo, Griffith, David, A. & Russel, Craig J. (2005). The Effect of Cultural Distance on Entry Mode Choice, International Diversification, and MNE Performance: A Meta-Analysis. Journal of International Business Studies, 36(3): 270-283.

Tosi, Henry L. Jr. & Slocum, John W. Jr (1984). Contingency Theory: Some Suggested Directions. *Journal of Management*, 10(1): 9-26.

Tsang, Eric W. K. (2013). Case Study Methodology: Causal Explanation, Contextualization, and Theorizing. Journal of International Management, 19(2): 195-202.

Van de Ven, Andrew H & Drazin, Robert & (1984). The Concept of Fit in Contingency Theory. Discussion Paper 19, Strategic Management Research Center, University of Minnesota.

Venkatraman N. (1989). Strategic Orientation of Business Entreprises: The Construct, Dimensionality, and Measurement. *Management Science*, 35(8): 942-962.

Venkatraman N. & Camillus, John C. (1984). Exploring the Concept of "Fit" in Strategic Management. *Academy of Management Review*, 9(3): 513-525.

Volberda, Henk W., Van Der Weerdt, Niels, Verwaal, Ernst, Stienstra, Marten & Verdu, Antonio J. (2012). Contingency Fit, Institutional Fit, and Firm Performance: A Metafit Approach to Organization – Environment Relationships. *Organization Science*, 23(4): 1040-1054.

Wang, Yi & Larimo, Jorma (2020). Survival of Full versus Partial Acquisitions: The Moderating Role of Firm's Internationalization Experience, Cultural Distance, and Host Country Context Characteristics. *International Business Review*, In Press, Corrected Proof.

Welch, Catherine, L. & Welch Lawrence S. (2009). Re-internationalization: Exploration and Conceptualisation. *International Business Review*, 18: 567-577.

Welch, Catherine, Piekkari, R., Plakoyiannaki, E. & Paavilainen-Mantymaki, E. (2011). Theorising From Case Studies: Towards a Pluralist for International Business Research. Journal of *International Business Studies*, 42(5): 740-762.

Werner, Steve, Brouthers, Lance Eliot & Brouthers, Keith D. (1996). International Risk and Perceived Environmental Uncertainty: The Dimensionality and Internal Consistency of Miller's Measure, 27(3): 571- 587

Wheelen, Thomas L., Hunger, David J., Hoffman, Alan N. & Bamford, Charles E. (2018). Strategic Management and Business Policy: Globalization, Innovation, and Sustainability. New York: Pearson Education.

White, Roderick E. & Hamermesh, Richard G. (1981). Toward a Model of Business Unit Performance: An Integrative Approach. *Academy of Management Review*, 6(2): 213-223.

Wolf, Carola (2017). Strategic Planning Research: Toward a Theory-Driven Agenda. *Journal of Management*, 43(6): 1754-1788.

Woodward, James (2005). Making Things Happen: A Theory of Causal Explanation. Oxford University Press, New York.

Xin, K. R., & Pearce, J. L. (1996). Guanxi: Good connections as substitutes for institutional support. *Academy of Management Journal*, 39: 1641-1658.

Yayla, Serdar, Yeniyurt, Sengun, Uslay, Can & Cavusgil, Erin (2018). The Role of Market Orientation, Relational Capital, and Internationalization Speed in Foreign Market Exit & Re-entry Decisions Under Turbulent Conditions. *International Business Review*, 27: 1105-1115.

Yin, Robert. K. (2014). Case Study Research: Design and Methods (5th Edition), Sage Publications.

Figure 1. Theoretical Constructs in Extant Literature

ANTECEDENTS	MODERATORS	CONSEQUENCES

Firm Structural Characteristics
- Firm Age
- Firm/Affiliate Size

Organizational Capabilities
- Experience / Experiential Learning
- Organizational Learning

Moderator: Environmental Change / Subsidiary Geography

Host Country Environment
- Host Country (HC) Growth / Business Group Affiliation
- HC Market Conditions / Adverse Changes
- Political, Social Openness / Cross-national Distance
- Economic Distance/Freedom / Exposure to Threats

Moderators:
- Entry Mode / HC Development Level
- Investment Level / Macroeconomic Uncertainty
- Entry Mode Experience in HC
- / Home Country Peers, Same-parent Subsidiaries

Third Country Environment
- New Market Opportunities
- International Sourcing / Rising Labor Costs

Moderators:
- Firm Diversification
- / Opportunity to Shift Production

Strategy and Strategic Choices
- Understanding the Market
- Timing of Entry
- Entry Mode
- Within-country Product Diversity
- Strategic Fit with Affiliate

Moderators:
- Asset's Possessed
- Economic/Cultural Distance Firm's Competitive Strategy
- Institutional Strength of Host Country

Output
- Performance / Profitability

Moderator: Innovation Capability International Experience

CONSEQUENCES: International Market Exit *

* De-internationalization, divestment, withdrawal, mortality, survival, and failure are some of the other terms used in the literature for international market exit.

Figure 2. Preliminary Conceptualization of the International Market Exit Phenomenon
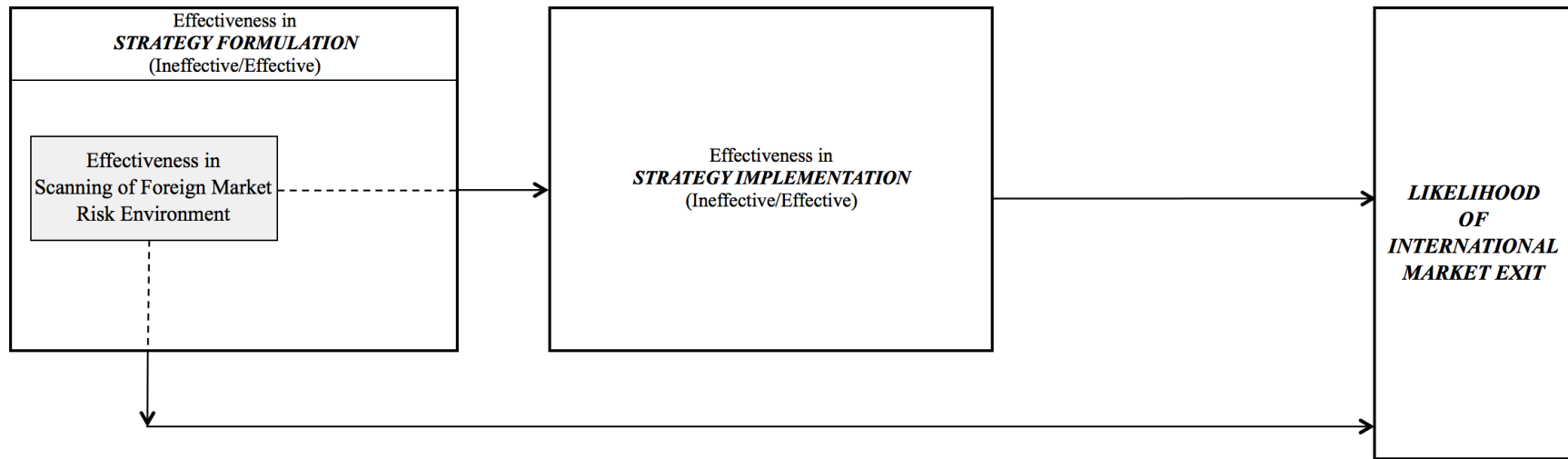
Figure 3. Reasons for International Market Exits
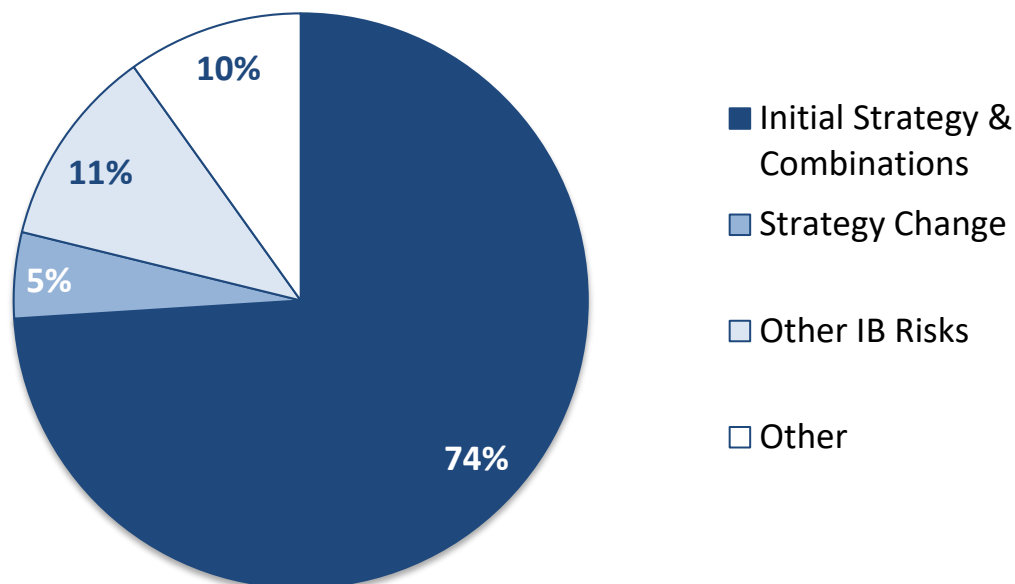
Note 1: Our analysis reveals that 74 percent of the exits are associated with initial strategy and combinations.

Note 2: When "initial strategy (74 percent)" and "strategy change (five percent)" are combined, some 79 percent of the exits are associated with strategy in total.

Note 3: IB risks other than strategy-related account for 11 percent of the IMEs.

Note 4: Therefore, 90 percent of the exits are associated with IB risks.

Figure 4. Initial Strategy Related Exit Cases

Percent of Cases
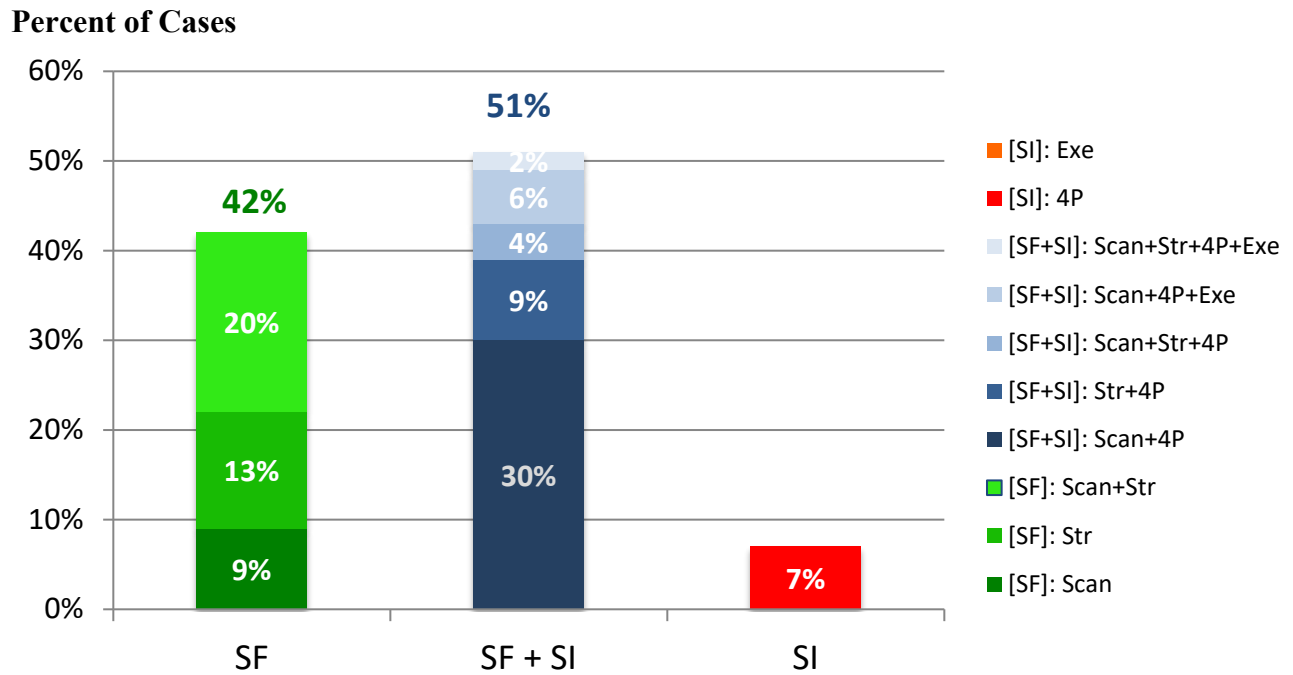
SF: Strategy Formulation:

Scan: Ineffective External Environmental Scanning

Str: Strategy Incongruence

SI: Strategy Implementation:

4P: Action Plan Incongruence due to Marketing Mix (Marketing Mix Incongruence)

Res: Resource Incongruence

Exe: Ineffective Execution

Figure 5. Final Conceptualization of the International Market Exit Phenomenon

Table 1. Selected Studies on International Market Exit (De-internationalization: Divestment, Withdrawal)

No	Study	Literature: DV	Selected Reason(s) For Exit	Methodology
1.1	Burt et al. (2003)	Failure	Suggests ten propositions: p5. Failure is related to the stage of organizational development, normally viewed as the *Age & Size*	-
1.2	Mata & Freitas (2012)	Exit	*Age* leads to an increase in exits of foreign firms, and to decrease in purely domestic firms.	Bureau van Dijk data used on firms operating in **Portugal**
1.3	Norback et al. (2015)	Likeliness of Divestment	**- Size of Affiliate** - Presence of Other Affiliates Nearby; Sales of Affiliates Elsewhere	Detailed confidential survey data of **Swedish** multinationals
1.4	Kolev (2016)	Divestitures / Divestment	**- Firm Size** and Firm Diversification - Prior Divestment Experience - Weak Unit Performance	A meta-analysis based on a sample of 35 studies
2.1	Li (1995)	Likelihood of Exit	**- Organizational Learning** and **Experience** - Diversification Strategy; Entry Strategy	Entry and survival of foreign subsidiaries in the **U.S.** computer and pharmaceutical industries over the 1974-89 period, Using a hazard rate model.
2.2	Kim et al. (2010)	Exit Rate of Subsidiary	**- Experiential Learning**; **Vicarious Learning** Moderator: Subsidiary Organizational Geography	Japanese subsidiaries located in **China**
2.3	Kim et al. (2012)	Survival	**- Experience** of Sister Subsidiaries Moderator: Level of Environmental Change	Empirical analysis of **Japanese** foreign subsidiaries
2.4	Wang & Larimo (2020)	Likelihood of Survival	- Acquisition-specific **Experience** Moderator: Full/Partial Acquisition	Cox Proportional Hazard Model: 1275 acquisitions by **Finnish** firms
2.5	Shaver et al. (1997)	Probability of Survival	**- Foreign Presence in the Target Industry** at the time of investment Moderator: **Firm's Experience** in the Host Country.	Evidence based on the survival to 1992 among 354 **U.S.** investments undertaken by foreign firms in manufacturing industries during 1987
2.6	Park & Chung (2019)	Subsidiary Divestment	- Expansion of Business Operations THROUGH **Competence-creating Learning Behaviors**	A sample of 6040 foreign subsidiaries operating over 14 years

Table 1. Selected Studies on International Market Exit (De-internationalization: Divestment, Withdrawal)

No	Study	Literature: DV	Selected Reason(s) For Exit	Methodology
3.1	Garg & Delios (2007)	Survival of Foreign Venture	- Business Group Affiliation Moderator: **Host Country Development Stage**	Foreign subsidiaries of multinational firms from **India**
3.2	Benito (1997)	Divestment	**- Economic growth in the host country**	Empirical study with 93 **Norwegian** firms
3.3	Song (2014)	Exit Decision	**- Market Conditions in Host Country** (Favorable/Unfavorable) Moderator: Investment Level Institutional/Financial Development of Host Country	Cox proportional hazard rate model with a dataset of **Korean** foreign direct investments
3.4	Yayla et al. (2018)	Propensity to Exit	- Firm's Market Orientation; Firm's Relational Capital Moderator: **Turbulence in a Foreign Market**	Empirical study with 156 **Turkish** firms in Egyptian market.
3.5	Belderbos & Zou (2009)	Probability of Divestment	**- Adverse Environmental Changes** in the Host Country Moderator: **Macroeconomic Uncertainty**	1095 manufacturing affiliates in early 1995 that were wholly/partially controlled by 412 **Japanese** firms in electronics industry in nine Asian countries.
3.6	Demirbag et al. (2011)	Foreign Subsidiary Survival	- Institutional variables: **Economic Distance**, **Economic Freedom Distance** and **Subsidiary Density**.	**Japanese** foreign equity ventures in the Middle East and North Africa (MENA)
3.7	Dhanaraj & Beamish (2009)	Mortality of Subsidiaries	- Institutional Environment: **Political Openness**, **Social Openness** Moderator: Entry Mode, JV	A sample of 12,000+ **Japanese** overseas investments (1986–1997) in 25 countries, with Cox hazard models
3.8	Javalgi et al. (2011)	Exit	**- Government Regulation**; **Financial Crises**, **Unstable Economy**	Provides findings from 45 cases of reentry
3.9	Belderbos (2003)	Closure of Manuf. Plant	- Repeal of EU **Antidumping Measures**	Logit model including 209 subsidiaries **Japanese** Firm's *Divestments* in EU.
3.10	Pattnaik & Lee (2014)	Divestment of Affiliates	**- Cross-national Distance:** Economic, Financial, Political, Cultural Administrative, Demographic, Knowledge & Global Connectedness. Moderator: Entry Mode and Experience in Host Country	A data set of 1697 multinational corporations (MNCs) headquartered in **Korea** and their 2435 affiliates in 67 host countries from 2000 to 2010
3.11	Hennart et al. (2002)	Exit	**- Liability of Foreignness**	Exit reasons for 32 cases
3.12	Sharma & Manikutty (2005)	Actual Divestment	**- Leader's Realization of the Need to Divest a Business Unit** Moderator: Community Culture; Family Structure	-
3.13	Dai et al. (2013)	Likelihood of Foreign Subsidiary Exit	**- Exposure to geographically defined threats** Moderator: Concentration of Home Country Peers Moderator: Dispersion of Same-parent Subsidiaries in H. Country	Dynamic modeling of conflict zones: Street-level analysis of geographic information systems data for 670 **Japanese** MNE subsidiaries in 25 conflict-afflicted host countries over 1987–2006.

Table 1. Selected Studies on International Market Exit (De-internationalization: Divestment, Withdrawal)

No	Study	Literature: Dependent Variables	Selected Reason(s) For Exit	Methodology
4.1	Berry (2010)	Divestment Decision	- **Lower-cost Production Opportunity** - **New Market Opportunities** Moderator: **Diversified** Companies	Panel of **U.S.** manufacturing firms and gathered information: Compustat Database from 1977–2000, Sample size of 190 firms.
4.2	Coucke & Sleuwaegen (2008)	Exit Behavior	Globalization: - **International Sourcing** - Local market developments and local competition. Moderator: Domestic Firms / MNE Subsidiaries	**Belgian** firms that offshore activities to non-European Union countries
4.3	Fisch & Zschoche (2012)	Closure of Individual Subsidiaries	- Rising and Uncertain **Labor Costs** Moderator: Ease of Dismissing Workers Opportunity to Shift Production	596 production locations of 189 **German** manufacturing firms

61

Table 1. Selected Studies on International Market Exit (De-internationalization: Divestment, Withdrawal)

No	Study	Literature: Dependent Variables	Selected Reason(s) For Exit	Methodology
5.1	Li (2019)	Failure	Emic Perspective: Ineffectiveness in **_understanding Chinese market_**, Etic Perspective: **_Competitors_**, **_failure to be embedded_** in China.	Empirical evidence based on two rounds of interviewing.
5.2	Delios & Makino (2003)	Subsidiary Survival	**- Timing of Entry** Moderator: Asset's Possessed	
5.3	Bai et al. (2013)	Subsidiary Survival	**- Entry Mode** Moderator: Economic/Cultural Distance	**Chinese** Firms (01/1996 – 12/2004) Sample: 489 FDIs in 39 Countries
5.4	Mudambi & Zahra (2007)	Survival of International New Venture	**- Entry Mode** Moderator: Firms' Competitive Strategy	Data from 275 **British** firms
5.5	Ogasavara & Hoshino (2008)	Subsidiary Survival	**- Entry Strategy** and Interfirm Trust	A sample of 224 **Japanese** manufacturing subsidiaries established in Brazil over 1989–2003 provides empirical evidence for this study
5.6	Papyrina (2007)	Likeliness of Subsidiary Survival	**- Entry Mode:** JV vs. Wholly Owned Subsidiaries Moderator: Joints established during the early/late stage of institutional reforms	The sample included 1733 subsidiaries of 564 **Japanese** firms in China drawn from _Kaigai Shishutsu Kigyou Souran, Kuni- Betsu_ [_Japanese Overseas Investments, by Country_]
5.7	Gaur & Le (2007)	Subsidiary Survival	**- Ownership Strategy** Moderator: Institutional Distance and Host Country Experience	Exploring a sample of **Japanese** foreign subsidiaries.

5.8	Delios et al. (2008)	Subsidiary Performance	- Within-country **Product Diversity**
			   Moderator: Institutional Strength of Host Country,
			     Firm's Corporate Level Product Diversity
				Sample of 12,992 foreign subsidiaries of **Japanese** multinational firms

5.9	Bane & Neubauer (1981)	Failure (Liquidation)	**- Diversification** of product range	69 continental **European** multinationals with 1942 entries and 175 liquidations (exits) so that the overall probability of exit in the 25 years from 1945 to 1970
5.10	Benito (2005)	Divestment	**Type of Strategy** pursued by the corporation: Subsidiaries established as part of global strategy (-)	-
5.11	Benito & Welch (1997)	De-Internationalization: Withdrawal	**Commitment of Firms to International Operations**	Overview of de-internationalization literature
5.12	Sousa & Tan (2015)	Exit	**Strategic Misfit with Foreign Affiliate**	Questionnaire data from **Chinese** outward foreign direct investment firms

Table 1. Selected Studies on International Market Exit (De-internationalization: Divestment, Withdrawal)

No	Study	Literature: Dependent Variables	Selected Reason(s) For Exit	Methodology
6.1	Berry (2013)	Divestment	**- Poor Performance** Moderator: Geographic Market Differences.	Data from the BEA benchmark and annual surveys of **U.S.** direct investment
6.2	Boddewyn (1979)	Divestment	**- Poor Performance** Integrates the findings of studies in US, Europe & Japan dealing with the magnitude & causal factors of divestment	Integrates literature with several methodologies (Surveys, case studies)
6.3	Li & Liu (2015)	Possibility of Divestment	- Profitability; Market Shares; **MNC Performance**	Data from **Chinese** Industrial Enterprises Database from 1997-2008
6.4	Tan & Sousa (2019)	Exit Decision	**- Performance** Moderator: Innovation Capability International Experience	Secondary and primary data collected from multiple respondents from **Chinese** outward foreign direct investment firms
6.5	Delios & Beamish (2001)	- Subsidiary Survival **- Profitability of JV**	- MNE's Possession of Intangible Assets MNE's Experience in a Host Country - MNE's Experience with JVs Note: **Survival and profitability have different antecedents**.	Sample of 641 **Japanese** firms and 3080 subsidiaries derived from the Analyst's Guide, a directory of information on domestic nonfinancial firms whose stocks are listed on the first section of the Tokyo Stock Exchange
6.6	Chung et al. (2013)	Exit	**- Profitability** Moderator: Subsidiaries with Single/Dual Options	703 **Korean** overseas manufacturing subsidiaries in Asian countries,
6.7	Hamilton & Chow (1993)	Divestment	- Size and **Growth Rate** of Company Motivation: Need to convert unattractive assets into liquid	Chief Executives from **New Zealand's** largest companies were surveyed: Divestment of 208 business units in 1985-1990
7	Belderbos & Zou (2006)	Magnitude and Pattern of Foreign Divestment	Magnitude and **Pattern of Foreign Divestment** and Relocation Across nine East Asian Countries.	Divestment by **Japanese** firms in nine East Asian Countries during 1995-2003
8	Boddewyn (1983a)	Theoretical understanding of **Foreign Divestment Decision**	Differences between *Foreign Divestment* and Domestic Divestment *Decisions*	Theory
9	Boddewyn (1983b)	**Foreign Direct Divestment** Theory	Whether Dunning's eclectic theory of foreign direct investment is applicable in reverse to foreign divestment	Theory

Table 2. The List of IMEs Included in The Analysis

Firm		Industry	Foreign Market	Reason For Exit	Year of Exit	Year of Entry
Aldi	Germany	Retail - Food	Greece	Aln + Con	2010	2008
Auchan	France	Retail - Food	U.S.	Alignment	2003	1988
Best Buy	U.S.	Retail – Consumer Electronics	China	Alignment	2011	2006
Best Buy	U.S.		Turkey	Alignment	2011	2009
Best Buy	U.S.		U.K.	Aln + Con	2012	2010
Boots	U.K.	Retail - Health & Beauty Pharmacy	Japan	Alignment	2001	1998
Borders	U.S.	Retail – Book & Music	U.K.	Alignment	2007	1998
Carlsberg	Denmark	Beverage	China	Alignment	1999	1995 Acquire
C&A	German-Dutch	Retail - Fashion	U.K.	Alignment	2000	1922
Carrefour	France	Retail	Colombia	Alignment	2012	1998
Carrefour	France	Retail	Greece	Country	2012	1991
Carrefour	France	Retail	India	Country	2014	2000
Carrefour	France	Retail	Japan	Alignment	2005	2000
Carrefour	France	Retail	Singapore	Alignment	2012	1997
Carrefour	France	Retail	S. Korea	Alignment	2006	1996
Clorox	U.S.	Consumer Household Prod.	Venezuela	Con + Cur	2014	1990
Daewoo	S. Korea	Automotive	US	Other	2002	1997
Danone	France	Food Processing	China	Other	2009	1996
Dixons	U.K.	Retail – Consumer Electro	Spain	Alignment	2011	2001
eBay	U.S.	Internet	China	Aln + Con	2006	2002
eBay	U.S.	Internet	Japan	Alignment	2002	2000
GM-Chevrolet	U.S.	Automotive	India	Alignment	2017	1996
Google	U.S	Internet, Software	China	Aln + Con	2010	2006
Hailo	U.K.	Taxi Management	U.S.	Aln + Con	2014	2013
Home Depot	U.S.	Retail	China	Alignment	2012	2006
IKEA	Sweden	Retail	Japan	Alignment	1986	1974
Isuzu Light Weight	Japan	Commercial Vehicles Manuf.	US	Other	2009	1992
Kingfisher	U.K.*	Retail – Home Improvement	Portugal Russia Spain	Alignment	2018	- 2006 2003
Louis Vuitton	France**	Fashion	Argentina	Country	2012	2006
M&S	U.K.	Retail	China	Alignment	2017	2008
Mattel	U.S.	Entertainment	China	Alignment	2011	2009

Table 2. The List Of IMEs Included In The Analysis (Continued)

Firm		Industry	Foreign Market	Reason For Exit	Year of Exit	Year of Entry
Mc Donald's	U.S.	Restaurants	Bolivia	Aln + Con	2002	1997
Mc Donald's	U.S.	Restaurants	Iceland	Con + Cur	2009	1993
Mc Donald's	U.S.	Restaurants	Jamaica	Alignment	2005	1995
New Look	U.K.	Fashion Retail	China	Alignment	2018	2014
New Look	U.K.*	Fashion Retail	Russia Ukraine	Country	2014	2009
Nokia	Finland	Telecom	India	Alignment	2014	1994
Office Depot	U.S.	Specialty Retail	Mexico	Other	2013	1994
Peugeot	France	Automotive	India	Aln + Other	1997	1994
Peugeot	France	Automotive	U.S.	Alignment	1991	1958
Philipps	Holland	Mobile Phone	India	Aln + Con	2003	1996
Piaggio (Vespa)	Italy	Motor Vehicle Manufacturing	India	Other	1999	1983
Renault	France	Automotive	India	Alignment	2010	2005
SCA	Sweden	Hygiene Forest Products	India	Alignment	2017	2013
SK Telecom	S. Korea	Telecom	U.S.	Alignment	2008	2005
Starbucks	U.S.	Coffee Shop	Israel	Aln + Con	2003	2001
Sterling	U.K.	Automotive	U.S.	Alignment	1991	1987
Suzuki	Japan	Automotive	China	Alignment	2018	1993
Suzuki	Japan	Automotive	U.S.	Aln + Con + Cur	2012	1985
Taco Bell	U.S.	Fast Food Restaurant	China	Alignment	2008	1999
Taco Bell	U.S.	Fast Food Restaurant	S. Korea	Alignment	early 1990	mid 1980
Target	U.S.	Retail	Canada	Alignment	2015	2011
Tengelmann	Germany	Retail	Russia	Country	2016	2003
Tesco	U.K.	Retail	Japan	Alignment	2011	2003
Tesco	U.K.	Retail	U.S.	Aln + Con	2013	2007
Toshiba	Japan	TV Sets & Home Appliances	Singapore	Alignment	2015	1974
Uber	U.S.	Transportation	China	Aln + Con	2016	2013
Walmart	U.S.	Retail	Germany	Aln + Con	2006	1997
Walmart	U.S.	Retail	Japan	Alignment	2018	2002
Walmart	U.S.	Retail	South Korea	Alignment	2006	1998
Wendy's	U.S.	Fast Food	Japan	Other	2009	1980
Yahoo	U.S.	Web Services Provider	S. Korea	Alignment	2012	1997

Note 1: Aln: Alignment; Con: Country; Cur: Currency
* Left more than one market at a time due to one single reason
** More than one firm left this market at a time due to one single reason

ESSAY 2: USING RELATIONSHIPS TO MITIGATE LIABILITY OF FOREIGNNESS - A SOCIAL PENETRATION PERSPECTIVE

ABSTRACT

Relationship development is one of the key strategies firms use to cope with the liability of foreignness. Extant studies shed light on the process of building and maintaining effective long-term relationships at interfirm level. However, firms develop relationships through their boundary spanners at interpersonal level. In this study, we examine social interactions, both organizational and interpersonal, in intercultural settings. We extend social penetration theory into business-to-business context to explain the process of relational development between boundary spanners. We suggest a process model and three propositions to explain the different stages or depth of developing relationships. We refer to the types of relational ties, the types of relational models, and the content of exchange in our model. We contribute to knowledge by: i) expanding social exchange theory and addressing its uncertainties, iii) extending social penetration theory, iii) complementing relationship development research at interfirm level, and iv) offering practical implications for building relationships and bridging differences among culturally different groups.

ESSAY 2: USING RELATIONSHIPS TO MITIGATE LIABILITY OF FOREIGNNESS – A SOCIAL PENETRATION PERSPECTIVE

INTRODUCTION

It is increasingly essential in a competitive landscape to best position a firm as the firms cross each other in different globalized markets. Specifically, an international firm needs to avoid any precarious position while facing a multiple-way competition between the locals and the foreign rivals. To this end, first, it needs to mitigate the LOF through relationship development (Calhoun, 2002; Chen, Griffith, & Hu, 2006; Klossek, Linke, & Nippa, 2012; Luo et al., 2002). This requisite condition holds both for the advanced economy multinational enterprises (Cavusgil, Ghauri & Liu, 2021; Hoenen & Kostova, 2015) and the emerging market multinational enterprises (EMNEs). For EMNEs, the issue is more current as their influx to advanced economies has been accelerating over the last two decades (Buckley, 2018; De Beule, Elia, & Piscitello, 2014; Li & Fleury, 2020). However, the challenge is not any less for advanced economy multinational enterprises (AMNEs) as they historically have recognized the saliency of market penetration and LOF in driving business success, especially in emerging markets (Corner, Liu & Bird, 2021; Liu, Chiu & Zhang, 2020; Luo, 2006).

In this paper, we focus on the social psychological dimension of the relationship development rather than the economic counterpart (Cao & Lumineau, 2015, 17; Dwyer, Schurr & Oh, 1987, 16). Scholars have studied social interactions from multiple theoretical perspectives as a part of exchange systems (Biggart & Delbridge, 2004). Drawing from social exchange theory (SET), extant studies shed light on the process of building and maintaining an effective long-term relationship between two firms (Anderson & Narus, 1990; Dwyer et al., 1987; Hakansson, 1982; Wilson, 1995; Wilson & Moller, 1988). However, firms build successful

relationships through their boundary spanners using interpersonal relations or personal bonds. (Haytko, 2004; Kostova & Roth, 2003; Lambe, Wittmann & Spekman, 2001; Lee & Dawes, 2005; Luo, 2006; Mavondo & Rodrigo, 2001; Palmatier et al., 2006; Yang et al., 2012). Boundary spanners refer to the firm personnel of buyers and sellers who interact with each other to do business (Kostova & Roth, 2003). Being at the contact point between firms, they represent their organization and play a key role in building interfirm relationships (Kostova & Roth, 2003).

In this context, an interpersonal level process model is critical to complement the firm level explanations for the following reasons: i) Unless we understand the factors and mechanism leading to deeper relations at interpersonal level, it is not possible to bring a complete explanation at the interfirm level. ii) Before engaging in a business relationship, firms evaluate the costs and rewards, and therefore the resulting benefit from a possible relationship (Dwyer et al., 1987). Firm-level explanations do not refer to social costs and interpersonal obligations. Responding to these two gaps, this paper addresses the following research questions to understand the relationship development between the personnel of foreign firms and their partners in host countries: How are social relationships developed with the boundary spanners of host country partners? How do boundary spanners penetrate the social fabric of foreign markets? What are the obligations and social costs in a developing relationship? Thus, our objective is to suggest a process model for the budding relationships between boundary spanners.

I contend that applying social penetration theory (Altman & Taylor, 1973) to the B2B context presents an ideal theoretical framework to help address the research questions. First, social penetration theory (SPT) draws from SET and explains how deeper relations develop and ends between two people. In such mutually beneficial social exchange relationships, reciprocity is considered the most common path to building trust (Maiter, Simich, Jacobson &Wise, 2008;

Pervan, Bove & Johnson, 2009). Second, SPT addresses the uncertainties associated with SET: i) the social exchange relationship in a given setting, ii) the rules and norms of exchange - they may vary depending on the social setting and the stage of a relationship, and iii) the assets and resources exchanged (Cropanzano & Mitchell, 2005). Responding to the ambiguities of SET, we shed light on the obligations and social costs arising in a developing relationship.

We contribute to the literature in four ways. First, we extend SPT to apply it in an international business context - relationship development between boundary spanners. Second, we offer a model to explain the processes of social penetration and social exchange. We refer to relational ties, relational models, and different types of favors exchanged to varying stages of a relationship to explain the process of social penetration. Thus, firms may evaluate the burdens and obligations associated with the social dimension of relationship development before engaging in any. Third, we expand SET and address its uncertainties in the context of relationship development between boundary spanners. Fourth, we complement existing literature providing frameworks to explain the different stages of a buyer-seller relationship at the firm level. We shed light on the process of relationship development between boundary spanners.

The remainder of this paper is organized as follows: First, we summarize the LOF literature and highlight the importance of relationship development. Relationships are critical for social transactions at the interpersonal and firm levels (Hakansson & Snehota, 1995; Haugland, 1999). Second, we provide the theoretical background examining the concept of social exchange. We give an overview of the relationship in extant literature to explain why we extend SPT. We also emphasize the level of analysis. Third, we explain that individual relationships transfer to the firm level. Fourth, we offer a process model at the interpersonal level and three propositions. We conclude with a discussion and the implications for future research.

THEORETICAL BACKGROUND

Liability of Foreignness

The cost of doing business abroad (Hymer, 1976) or the liability of foreignness (Zaheer, 1995) is one of the foundational theories in international business. It refers to the additional costs incurred by a foreign subsidiary compared to that of their domestic counterparts. Scholars suggest multiple liabilities stemming from foreignness (Buckley & Casson, 1976; Hennart, 1982), such as information asymmetries, transaction costs, social costs, physical distance, decision-making customs, local biases, lack of awareness, lack of legitimacy, and home country restrictions (Eden & Miller, 2004; Hymer, 1976; Kindleberger, 1969; Luo & Mezias, 2002; Mezias, 2002; Vernon, 2001; Zaheer, 1995). LOF can be a barrier for an internationalizing firm as it is directly linked to competitiveness and performance (Barkema & Drogendijk, 2007; Buchner et al., 2018; Mata & Freitas, 2012; Nachum, 2003; Sethi & Guisinger, 2002).

Therefore, scholars have explored how firms can mitigate the negative consequences of LOF, as illustrated in Figure 1 and Table 1. The home/host country environment (Bell et al., 2012; Lu & Ma, 2008; Miller & Parkhe, 2002; Newenham-Kahindi & Stevens, 2018), firm size (Hsieh et al., 2015), firm-specific resources (Delios & Beamish, 2001; Gao & Pan, 2010; Liu and Maula, 2016; Meyer & Sinani, 2009; Nachum, 2003; Yu & Cannella, 2007), and firm strategies/actions (Casillas & Moreno-Menéndez, 2014; Mithani, 2017) are all factors that can mitigate LOF. Developing relationships with the new stakeholders and the government in a host country is another common strategy adopted by foreign firms (Calhoun, 2002; Chen et al., 2006; Klossek et al., 2012; Luo et al., 2002).

*** Insert Figure 1 and Table 1 about Here ***

Relationship Development

Relationship development is one of the critical strategies of an internationalizing firm to reduce LOF. Scholars are not consistent in understanding and explaining relationships because of their varying perspectives (Hakansson & Snehota, 1995; Haugland, 1999; Macneil, 1980; Pfeffer & Salancik, 1978, Williamson, 1985; 1991). Depending on the stream of research, the market organization has been conceptualized in relation to economic, social, and cultural viewpoints (Biggart & Delbridge, 2004). Relationships have been associated with different variables, such as interfirm governance and building personal trust. In this study, we consider that economic activity takes place under the influence of cultural contexts and social relations (Granovetter, 1985). We focus on the social dimension of relationship development and consider relationships as a social exchange process.

Table 2 provides selected studies that offer theories and strategies to build and maintain effective long-term relationships between sellers and buyers. For example, Dwyer et al. (1987) acknowledge buyer-seller exchanges as a continuous relationship having economic and social dimensions. They propose a 5-phase model from awareness to dissolution. Building on Dwyer et al. (1987), Wilson (1995) suggests a 5-stage relationship development process. This stream of research generally draws from SET (Cao & Lumineau, 2015; Wilson & Moller, 1988) and explains the process of relationship development at the firm level. However, firms build good relations through their boundary spanners (Huang, Luo, Liu & Yang, 2016; Luo, 2006). In the current study, we focus on the relationship development between boundary spanners of firms at an interpersonal level to complement the extant literature.

*** Insert Table 2 about Here ***

After defining our focus, we will discuss: i) the fundamental theories used in long-term interfirm relationship development, ii) social exchange and other similar constructs, iii) why we extend social penetration theory into business-to-business relationship development context, and iv) the level of analysis. We aim to explain that similar constructs do not shed light on the uncertainties of SET, and we extend SPT accordingly to respond to our research questions.

Relationship in Interorganizational Governance Literature

Social exchange theory, relational exchange theory, and transaction cost economics are the fundamental theories explaining interfirm long-term relationships in the inter-organizational governance literature. Social exchange and relational exchange theories are foundational in relational governance literature, whereas transaction cost economics is related to contractual governance (Cao & Lumineau, 2015).

Social Exchange Theory. Figure 2 illustrates SET following Homans (1958) and Blau (1964): i) Social exchange takes place between at least two people. ii) Individuals seek out beneficial relations and consider both the rewards and the costs associated with a relationship before they engage in it. iii) Reciprocity is the norm in a developing relationship through an exchange of tangible or intangible assets. These assets, or social obligations, are not specific and have no exact price. iv) The norm of reciprocity is the motivator in a developing relationship. One offers an initial favor in "expectation" of a future return. v) The uncertainty associated with this expectation leads to a bond of trust between individuals created through recurring reciprocal exchanges. This bond of trust furthers the advancement of a relationship. Liu, Deligonul, Cavusgil, and Chiou (2018) demonstrate that trust is built through reciprocal exchanges in an interorganizational context. A relationship starts with low-risk exchanges requiring little trust

and gradually develops over time, leading to a growth of mutual trust. vi) A continuous

rewarding relationship motivates both parties to maintain a relationship.

*** Insert Figure 2 about Here ***

The social exchange paradigm has attracted proponents from various disciplines,

including anthropology, social psychology, and sociology. Table 3 provides the three factors that

influence the social exchange process (Blau, 1964): i) The social context, ii) the character and

the stage of a relationship, and iii) the nature of the benefits received. A social exchange that

takes place between people can take various forms, such as favors, assistance, and ideas (Blau,

1964). Under the prevailing reciprocity norm, an individual is obliged to return a benefit after

receiving a reward. The key is the meaning, or the value of such benefits, for the counterparts. If

they are both satisfied with what they receive, they both tend to supply more rewards in return,

motivating the other not to stay indebted and to respond. An example is that the respectful

admiration of a new employee may respond to a senior colleague's inspiring advice.

Cropanzano & Mitchell (2005) drew attention to the conceptual uncertainties that

surround SET, as detailed in Table 3. These uncertainties may lead to misunderstandings about

the constructs and formulation of SET. The ambiguity stems from three key aspects: i) the social

exchange relationship in a given setting, ii) the rules and norms of exchange; the rules may vary

depending on the social context and the stage of a relationship, and iii) the type of

assets/resources exchanged - it is essential to identify the type of assets exchanged to understand

the related costs and rewards. It is important to shed light on these ambiguities to explain

relationship development at the interpersonal level and evaluate the social costs before engaging

in a relationship.

*** Insert Table 3 about Here ***

Relational Exchange Theory: Relational exchange theory refers to the relational norms that help explain interorganizational relationship behaviors. Building personal trust relationships and developing social norms are the concerns of this theory. While it is consistent with SET (Styles, Patterson, & Ahmed, 2008), it does not address the uncertainties that surround it: i) the stages of social relationship development, ii) the rules and norms of exchange in each stage, and iii) the type of assets/resources exchanged.

Transaction Cost Economics: A fundamental theory that is helpful in understanding long-term relationships is 'transaction cost economics' (Haugland, 1999). It clarifies the logic behind market governance and authority-based governance (Williamson, 1985; 1991). As adaptation, performance, evaluation, and safeguarding costs increase and exceed production cost advantages, the internal organization becomes more critical (Rindfleisch & Heide, 1997). The choice between governance types is made from an economic perspective, not social. Hence, as detailed in Table 3, TCE does not address the uncertainties surrounding SET: i) the stages of social relationship development, ii) the rules and norms of exchange in each stage, and iii) the type of assets/resources exchanged.

Social Exchange and Similar Constructs in Extant Literature

Social Capital Theory. Social capital is developed through social exchange relationships (Koopman, Matta, Scott & Conlon, 2015). It builds up as a consequence of endless efforts in lasting relationships, and its volume is associated with the size of personal networks (Bourdieu, 1986; Nahapiet & Ghoshal, 1998). We view social capital as a valuable resource -such as forgiveness, loyalty, sympathy, and trust that others have towards us (Adler & Kwon, 2002). Social capital may appear in different forms in the context of social relations, including obligations stemming from reciprocal favors, information exchanges that facilitate action, and

social norms that favor the interests of a larger group (Coleman, 1988). It plays a crucial role in achieving organizational goals, especially in the absence of strong regulatory institutions (Adler & Kwon, 2002; Henisz and Zelner, 2005; Russo, 2001). However, social capital theory again draws from SET and therefore shares the same uncertainties: i) the stages of social relationship development, ii) the rules and norms of exchange in each stage, and iii) the type of assets/resources exchanged.

Networking. According to Kwon & Adler (2014), social networks give rise to social capital. Individuals in one's network provide resources, such as information, influence, and solidarity, due to their goodwill (Nahapiet and Ghoshal, 1998). Networking serves as a barter system. It enables one to receive help from others as a result of accumulated credits (Dess & Shaw, 2001). Networking also draws from social exchange theory and helps one in accumulating social capital. However, it does not explain the uncertainties of SET, nor does it shed light on relationship development at an interpersonal level: i) the stages of social relationship development, ii) the rules and norms of exchange in each stage, and iii) the type of assets/resources exchanged.

Social Penetration Theory

Social penetration theory refers to the "interpersonal events that occur in a growing relationship" (Altman & Taylor, 1973). Altman & Taylor (1973) state that exchanging information about oneself gradually evolves from the superficial (for instance, hobbies and weather) to more intimate (for instance, weaknesses and past experiences) levels, bringing increasing closeness. Self-disclosure and sharing intimate details lead to a better understanding of a person. People tend to hide aspects of themselves during the first contact and then start sharing personal information regarding rewards and costs. If the reward of an information

exchange is higher than the cost associated with it, the relationship continues to develop. Trust and the advancement of a relationship are achieved through recurring reciprocal exchanges. Otherwise, de-penetration or dissolution starts, and the relationship ends.

We suggest extending SPT into a business-to-business context to explain the relationship development between boundary spanners. It is an ideal framework to explain the phenomenon for several reasons. First, SPT explains how relational closeness (the intimacy of a relationship) develops and ends between two people (Altman & Taylor, 1973). Interfirm relationships also extend through the personal connections of boundary-bridging personnel. Second, SPT is specific about the three key factors that influence the social exchange process in growing interpersonal relationships. Therefore, SPT draws from SET and addresses all its key parameters. Third, SPT also sheds light on the three uncertainties of SET.

SPT is specific about the three key factors that influence the social exchange process, as provided in Table 3. First, SPT defines social context as interpersonal relationships. We extend SPT to explain the relationship development between boundary spanners, which is also an interpersonal setting. Second, SPT explains the stages, or depth, of a relationship through the onion analogy: from superficial to intimate, as illustrated in Figure 3. In this study, we aim to address the different stages in a developing relationship between boundary spanners. Third, SPT identifies "self-disclosure" as the asset exchanged and defines four patterns associated with the nature of rewards and costs (Taylor, Altman & Sorrentino, 1969). Costs refer to "any factors that operate to inhibit or deter the performance of a sequence of behavior" (Altman & Taylor, 1973, 31). Rewards refer to "the pleasures, satisfactions, and gratifications the person enjoys." Accordingly, "positive reinforcement" leads to more open self-disclosures (Taylor & Altman,

1975). While extending social penetration theory, I aim to define the different stages in a developing relationship, and the related assets or favors exchanged.

*** Insert Figure 3 about Here ***

SPT is also explicit and specific about the ambiguities related to SET, as shown in Table 3. First, a social exchange takes place in an interpersonal setting. Second, SPT addresses and clarifies the rules of social exchange between two people. Individuals exchange self-information under the reciprocity norm. We aim to define the rules of exchange and obligations for the boundary spanners operating in different cultural contexts. Are they subject to change with social context? It is critical to understand the prevailing norms in society for effective social exchange. Third, SPT also addresses the assets exchanged. It is "self-disclosure" or information about the self in the context of growing interpersonal relationships. What are the resources exchanged to penetrate the social fabric of foreign markets? While extending social penetration theory to a business-to-business context, we also aim to shed light on such obligations and social costs.

Extending social penetration theory, we respond to our research questions by addressing all the factors influencing the social exchange process and the three uncertainties. As depicted in Figure 4, the social penetration approach: i) provides the theoretical basis to explain the relationship development between boundary spanners in a social setting; we suggest a process model of relationship development by defining the stages, rules of exchange, and the assets exchanged ii) complements the firm-level long-term relationship models by explaining relationship development at an individual level and providing information about the social obligations and costs, iii) is the link between firm level relationship and LOF literature - it explains the process of penetrating the social fabric of foreign markets.

*** Insert Figure 4 about Here ***

Level of Analysis

Identifying the appropriate level of theoretical analysis and the corresponding alignment to the level of statistical analyses is critical in research (Klein, Dansereau & Hall, 1994). In our study, we argue that seller firms build social relationships in foreign markets using their boundary-bridging personnel's connections, charisma, and abilities to connect with their counterparts in the buyer firm. In this context, we investigate the process of relationship development between the boundary spanners of seller and buyer firms. Therefore, the level of analysis is the boundary spanners, in other words, the 'boundary-bridging' employees.

A SOCIAL PENETRATION PROCESS IN B2B FOREIGN MARKETS

Relationship Development Between Firms Through Boundary Spanners

Extant studies reveal that: i) rhythm in organizational activities is achieved through synchronous actions of individuals in an organization (Ancona & Chong, 1999; Bluedorn, 2002; Gevers, Rutte, & van Eerde, 2006), ii) firms adapt to the institutional environment through the people working in them (Kostova & Roth, 2003), and iii) parochialism, an individual-level construct, turns out to be a group-level concept in collectivist societies, where hierarchical superiors influence individuals (Feng, Liu, & Jiang, 2019). Therefore, actions or activities at the individual level lead to group or firm level explanations. Similarly, a relationship between two firms develops through their boundary spanners (Huang et al., 2016; Kostova & Roth, 2003; Luo, 2006; Palmatier et al., 2006).

Boundary spanners are the personnel of buyers and sellers who interact to do business (Kostova & Roth, 2003). They link buyer and seller firms with the principal functions of information processing and external representation (Aldrich & Herker, 1977). Firms first contact

each other through their boundary spanners and develop relations through continuous and consistent exchanges between these individuals. For instance, employees in the sales department of a seller firm and a buyer firm's procurement are both considered boundary spanners. "A buying firm has more trust in a salesperson when there is a positive effect between a salesperson and the buying firm's boundary personnel" (Lee & Dawes, 2005, 36). Firms rely on these personal bonds and trust in their B2B relations and activate the suitable links contextually for business success. Similarly, business relationships may weaken when firms lose their front-line employees (Tsang, 1998). Thus, boundary spanners represent their organizations, and individual level relations between boundary spanners represent firm level relations.

Social Penetration: Baseline

Extending SPT into a business-to-business context, we argue that the two propositions of the SPT apply to relationship development between boundary spanners. According to the first premise, the amount and nature of the benefits derived, and the assessment of costs and rewards determine the advancement of relationships. This premise is consistent and coherent with the premises of SET. Similarly, Dwyer et al. (1987) suggest a 5-phase relationship management model at the firm level. As depicted in Figure 4, this model requires considering "obligations, burdens, and benefits" by the exchange partners, starting from the second phase, which is exploration. It is necessary to carry out this evaluation at every stage of a relationship since the benefits or favors provided may start deteriorating organizational performance at some point (Teagarden & Schotter, 2013). We argue that boundary spanners of foreign firms assess the costs and rewards of social exchange to engage in beneficial relationships with the boundary spanners of a buyer firm in a host country. When costs exceed rewards, relationships move towards dissolution.

The second premise of SPT emphasizes the different stages or levels in an interpersonal relationship, suggesting that a relationship develops gradually through reciprocal exchange of favors, from superficial to integral (Altman & Taylor, 1973, 6). For instance, Dwyer et al. (1987) draw attention to the continuity of increasing benefits obtained by the exchange partners and their increasing interdependence. As the relationship develops with increasing benefits, the buyer and seller grow closer, strengthening their bonds over time. Pearce & Robinson (2000, 34) address the gradual development of relationships as follows:

> *"In general, an executive can demonstrate the good faith that forms the basis for the gradual transition from outsider to insider by bestowing favors in the form of considerate and sensitive gift-giving, hosting dinners in the honor of the Chinese partner, and, most important, giving personal attention."*

According to one of the findings of Tang & Cheng (2012), firms choose beneficial partners. After building "great guanxi," the bond becomes strong enough to provide their "best help" to their partners whenever they need it. Similarly, buyers in Brazil are also relationship-based (Graca, Barry & Doney, 2016). It is essential to develop personal relationships and build trust for business success (Véras & Véras, 2011). Transactional relationships in Brazil may evolve into closer bonds and longer-term relationships over time (Grisi & Ribeiro, 2004; Ribeiro, Brashear, Monteiro & Damazio, 2009). Therefore, as depicted in Figure 5, we argue that relationship development between boundary spanners is a gradual process with stages from Shallow to Deep following the SPT.

<center>*** Insert Figure 5 about Here ***</center>

Deepening Social Penetration

Relationships between boundary spanners deepen gradually with the continuity of increasing benefits. Therefore, there are different stages in such relationships. We argue that the depth of a relationship depends on four variables; i) prevailing interpersonal ties, ii) corresponding types of relational models, iii) favors exchanged, and iv) type of trust that is built. Figure 6 provides the process model of relationship development, with stages from shallow to deep, based on these four variables. First, according to Granovetter (1983), weak ties refer to acquaintances, and strong ties refer to close friends and family members. Granovetter (1973, 1361) suggests that "the strength of a tie is a combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie." Weak ties are more instrumental and goal-oriented, whereas strong ties are more intimate and unique (Kavanaugh, Reese, Carroll & Rosson, 2005; Wellman, 1992). It is critical to explore and understand the social norms before foreign market entry to discover the importance of relationships and their impact on business performance.

*** Insert Figure 6 about Here ***

For instance, in China, three concentric circles symbolize the three levels of relationships, according to the degree of social proximity (Chen, 2001; Gao et al., 2010). First, Jiaren refers to the immediate family and is at the core of a clan-like network structure (Luo, 1997). Core family with blood relations represent the closest possible relationships and the strongest bonds. Second, Shuren refers to extended family and close friends. People from the same town, former classmates, members of the same clubs or societies, or friends of friends belong to this level. Third, Shengren refers to non-family and strangers and corresponds to the outermost ring.

Loyalty and deep distrust are the salient feelings in the in-group and non-member relations, respectively (Luo, 1997). Vanhonacker (2004, 19) highlights the role of ties in business:

> *"Powerful as guanxi is, in China only family relationships and close, family-like bonds warrant true loyalty. Thus, companies should capitalize on the unique loyalty-building quality of kinship-type relationships by fostering them among and between senior managers and frontline people. When Jerry Norskog was running Xian-Janssen Pharmaceutical, the highly successful Johnson & Johnson joint venture, he insisted on jogging with his top people every morning to cement these personal relationships. S.C. Liu, the founder and managing director of Pearl River–Hang Cheong, a successful real estate developer that's based in Hong Kong operating in Guangzhou, builds kinship-like ties by making sure staff members regularly bring their families to visit the company."*

In Brazil, family relations are also vital. People prefer to do business with those that they know and trust. Therefore, it is essential to understand the prominent ties in a targeted foreign market and their impact on business performance to achieve successful market penetration.

Second, we argue that understanding the strength of ties and their impact on business performance is necessary but not sufficient to engage in mutually beneficial relations. It is also essential to consider the prevalent relational models to discover the types of favors exchanged and evaluate the costs associated with stronger relationships. Fiske (1991, 1992) suggests four fundamental relational models: Communal sharing, authority ranking, equality matching, and market pricing. Market pricing is based on proportionality, and its motivation comes from the need for achievement. People identify a "utility metric" considering all the dimensions of a relationship and interact with others based on this metric. "They typically value other people's actions, services, and products according to the rates at which they can be exchanged for other commodities" (Fiske, 1991, 15). Dissimilar commodities can be exchanged for market value, work done, or contributions. However, the balance between what is received and what is paid in

return is the primary concern. In the case of a one-time purchase of gasoline, the buyer focuses on the price per gallon. Typically, market pricing represents the basic relational model in B2B.

Equality matching is associated with the assessment of imbalances among people. An imbalance is evaluated using subtraction and addition. When one person does two favors and receives only one, the other person owes one favor. Contrary to market pricing, similar commodities are exchanged. As business relationships generally start with information exchange and trial purchases, market pricing and equality matching are more salient at the time of market entry. Authority ranking relationships are shaped based on the ranking differences between people. On the other hand, communal sharing is based on needs. People respond to the needs of in-group members without seeking a return (Fiske, 1992). People may also assume authority ranking and communal sharing roles in developing relationships (Fiske, 1991).

Third, considering the prominent models, it is possible to observe the favors exchanged and consider the rewards and costs associated with them. Love, status, information, money, goods, and services are the basic types of assets exchanged (Cropanzano & Mitchell, 2005). Exchange of informational resources prevails in weak ties instead of support and exchange of confidences (Wellman, 1992). Other resources are preferred in strong and expressive ties.

Information disclosure is a crucial factor in buyer-seller relationships (Anderson & Weitz, 1989; Dwyer et al., 1987). For instance, in the context of China, it is difficult to obtain, analyze, and verify environmental information due to a variety of factors, including weaker formal institutions and non-transparent governmental processes (Luo, 2006). Accordingly, it becomes more critical for seller firms to find reliable sources of information. On the other hand, technical competence (Yeung and Tung, 1996) and obtaining reliable information about the products and services are also crucial for Chinese buyers (Lee & Dawes, 2005). Seller employees

are valued according to their knowledge. We argue that information exchange has a distinctive

value for both sides, and a relationship between boundary spanners starts developing through the

exchange of information. Warren, Dunfee & Li (2004, 366) suggest that the exchange of news,

trade secrets, and competitor information is valued among business networks in China.

According to one respondent:

> *"Enterprise A has a good cooperative relationship with Enterprise B. A provides parts (electronic machines) to B and they have long-term contracts. Therefore, their prices and sizes are comparatively set, and other electronic machine-making factories can't easily enter B's market. It is also possible for B to reward A with information about their competitors."*

Such information exchange between boundary spanners and providing competitor

information is perceived as a kind of reward in China. In other countries, information disclosure

sometimes goes beyond the business topics at hand. For instance, business and personal

discussions are intertwined in Brazil, especially at the start of a relationship (O'Keefe &

O'Keefe, 2004). Non-business issues can be a part of business and contribute to relationship

building. Therefore, we argue that the boundary spanners of foreign firms are more likely to

engage in reliable information sharing at the time of market entry to gain trust and improve their

firm's chances of market penetration.

Finally, trust is essential for business success (Liu et al., 2018; Hosmer, 1995; Wicks,

Berman & Jones, 1999). Trust is defined as "the willingness to expose one's vulnerability to the

other party" (Mayer, Davis & Schoorman, 1995; Zhang, Liu & Liu, 2015, 124). Continuity and

consistency in exchanges lead to more vital trust in business (Pervan et al., 2009). Scholars

suggest different categorizations for trust (Lewicki & Bunker, 1996). We adopt the

categorization of McAllister (1995) in the context of professional relationships, which holds that:

i) cognition-based trust refers to the mutual confidence resulting from knowledge-based

reliability and credibility, and ii) the development of affect-based trust requires emotional

attachment between partners and takes more time (Jeffries & Reed, 2000). Therefore, affective

trust grows with feelings beyond regular, transactional business exchanges (Zhang et al., 2015).

While businesspeople in the developed world rely on cognitive trust, cognitive and affective trust

can also be intermingled (Meyer, 2015).

Shallow Social Market Penetration:

Proposition 1a.   *At the time of market entry, boundary spanners of foreign firms are more likely to build instrumental ties*

Proposition 1b. *The instrumental ties evolve on cognitive trust by adopting a relational model based on market pricing and reciprocal exchange of relevant resources/assets.*

Medium Social Market Penetration:

Proposition 2a.   *After initial entry, boundary spanners of foreign firms are more likely to build expressive ties when there is a potential for higher returns through deeper social market penetration into foreign markets.*

Proposition 2b   *The ties evolve on affective trust by adopting the salient relational model and reciprocal exchange of relevant resources/assets*

Most buyers and sellers engage in a market pricing relationship. As their relationship

develops over time, they may assume equality matching and other roles at the same time (Fiske,

1991). Similarly, according to Heide & Wathne (2006), there are two relationship roles in

marketing: i) friend, and ii) businessperson. These two roles are not mutually exclusive, and it is

possible and likely to switch between them. However, firms have to develop these potential roles

first and then activate them according to their needs. It is the actual personal or industry

experience that motivates firms to adopt a certain type of role. Therefore, once B2B firms

develop the most substantial ties, we argue that they have the flexibility to assume appropriate

relational models depending on the context.

Rowley, Behrens & Krackhardt (2000) suggest that firms benefit from weak and strong ties (Hite & Hesterly, 2001; Peng & Zhou, 2005). These ties are helpful in different strategic contexts to achieve different goals. For instance, the degree of government intervention in business and the changes in regulatory infrastructure may trigger the use of some ties. Apart from such contextual conditions, the nature of information exchange may vary in relation to weak and strong ties (Uzzi, 1997). Proprietary and tacit information are topics for strong connections, whereas price and quantity data are relevant for weaker ties. Therefore, firms may activate different ties, depending on the context and the conditions through their boundary spanners.

Deep Social Market Penetration:

Proposition 3a. After the firm is settled in the host market, the boundary spanners of foreign firms ultimately build mixed ties blending instrumental and expressive approaches.

Proposition 3b. After the firm is settled in the host market, the boundary spanners develop context-driven modification on their ties with the counterparties.

DISCUSSION

Relationship development is a crucial strategy to mitigate the liability of foreignness. The social dimension has become far more important as firms from developed and emerging countries increasingly cross each other's markets. Extant studies provide theoretical models for building and maintaining an effective long-term relationship between two firms. However, such models lack interpersonal perspective. An interpersonal level explanation is necessary as firm level relations are developed through individual level relations. Boundary spanners represent their organization, and firms use personal bonds to mitigate the liability of foreignness. In this context, we suggest a process model explain the relationship development between boundary spanners.

Theoretical Implications

We make four contributions to social exchange and social penetration literature. First, we extend a social penetration perspective into B2B context to explain the relationship development process between boundary spanners. Second, the proposed model and related propositions offer insights into the nature and character of social exchange that may change with social context. The "prevailing relational ties," "corresponding relational models," and "types of assets/resources exchanged" determine the stages of relationship development. Consequently, firms may aim to build cognitive or affective trust by the depth of the required relationship. Third, we also address the conceptual uncertainties of SET in the context of relationship development between boundary spanners. Fourth, the proposed framework is complementary to existing B2B buyer-seller relationship models. For instance, Dwyer et al. (1987) acknowledge buyer-seller exchanges as a continuous relationship and propose an extensive 5-phase model: Awareness – Exploration – Expansion – Commitment - Dissolution. Our study addresses all the phases starting from exploration and complements such frameworks by shedding light on the social dimension of relationship development at an interpersonal level. It enables scholars and practitioners to visualize and foresee the costs and benefits at different stages of a relationship or social market penetration: i) Shallow, ii) Medium, and iii) Deep.

Managerial Implications

The relative importance of social relationships and the path to "intimacy" may change with salient norms. Therefore, practitioners have to scan the cultural environment in their target markets to discern the prevailing social norms effectively and determine how dominant they are. Distinctively, we argue that "ties," adopted "relational models," and "types of favors exchanged" determine the path to deeper relationships. However, norms and values are subject to change

over time, especially in today's connected world, and these changes may not be homogeneous even within one country. Firms must consider the regional variation in norms and possible future changes while creating and updating their market scenario.

For instance, China is integrating more and more to the world economy and the world of business legislation. Business practices in developed cities like Beijing, Shanghai, and Shenzhen and Western-educated younger generations approach international standards. Moreover, one can argue that modern Chinese corporations are different from traditional or ethnic Chinese business organizations. Nonetheless, networking is still an important determinant of business performance (Tung, Worm & Fang, 2008). Besides, ethnic Chinese business organizations, with their unique strengths and special knowledge (Weidenbaum, 1996), offer partnership opportunities for Western firms aiming to penetrate the Chinese market. Contrary to their Western counterparts, understanding the true personality of the person or entity they do business with is still a priority for Chinese firms build trust first and then initiate business.

The local personnel of multinational enterprises may help resolve cultural challenges in relationship development. Practitioners need to identify the most efficient ways to socially penetrate their target markets to avoid spending excessive resources in terms of time and money.

Future and Empirical Research

In our arguments, we provide examples from China, which we consider an extreme case. In China, networks are built on personal connections developed through regional collegiality and kinship (Zhao & Hsu, 2007). Social order and harmony have significant importance, and individual, family, and societal ties define a person's proper role and position in society (Hwang, 1987; Luo, 1997). In parallel, buyers from the low-trust Chinese markets seek psychological benefits and are more relationship-oriented than rule-based buyers from developed markets

(Lövblad, Hyder & Lönnstedt, 2012). The relative importance of social institutions necessitates social adaptation and social performance (Rotting, 2016). Formal institutional voids, limited social and geographic mobility, and the salience of reciprocity norms make continuous favor exchange an integral part of business relations (Teagarden & Schotter, 2013). The literature on the impact of good relations (guanxi) in social and business lives has been well established. Future empirical research could test the social penetration framework in extreme cases, such as in China and Brazil, or in weaker cases, such as Germany and the USA, where formal institutions are stronger.

Our suggested theory primarily explains the relationship development process in the context of traditional firms adopting traditional business models. However, firms' presence in digital business keeps growing. Internet becomes a global medium for communication (Deresky & Miller, 2021). Such a communication is not as personal as it is in the case of face-to-face interactions. Therefore, our explanations may need to be extended for the contemporary world of virtual connectivity. Scholars may explore to what extent the suggested arguments are valid.

Boundary Conditions: In this study, we contend that relationship is a critical part of social transactions at both interpersonal and organizational levels. We explain how relationships are developed between boundary spanners, who enable social penetration. Nevertheless, there are conditions that either facilitate or hinder the social penetration process, such as i) cultural tightness-looseness (Gelfand, Nishii & Raver, 2006), ii) misinterpretation of the relationship due to high cultural distance (Liu, Adair & Bello, 2015), and iii) dependence asymmetry (Gulati & Sytch, 2007). Therefore, future research may aim to test the boundary conditions. First, cultural tightness refers to the "strength of social norms and degree of sanctioning within societies" (Gelfand et al., 2006). Accordingly, we argue that the importance of relationships may vary in

different regions or industries within a country. For instance, in China, developed cities like Beijing and Shanghai have adapted to global business practices and tend to be loose. Therefore, social penetration may have a marginal impact relative to tight firms in other regions or industries.

Second, it is much more difficult to understand the relationship dynamics and norms when the cultural distance between buyers and sellers is high. Cultural distance refers to the differences between national cultures (Tihanyi, Griffith & Russel, 2005). For instance, values such as individualism versus collectivism and ethical concerns may make it difficult for a seller to comprehend the relational norms and expectations and act accordingly. Thus, the penetration process may slow down. Third, dependence asymmetry refers to the "difference in actors,' or difference in dependencies between a buyer and seller (Gulati & Sytch, 2007, 32). If the buying firm in a host market is more dependent on the selling company, this dependence asymmetry will provide a power advantage for the seller. Consequently, the selling firm may not need to engage in a social exchange relationship with the buyer to penetrate the market.

REFERENCES

Adler, Paul S. & Kwon, Seok-Woo (2002). Social Capital: Prospects for a New Concept. *The Academy of Management Review*, 27(1): 17-40.

Aldrich, Howard & Herker, Diane (1977). Boundary Spanning Roles and Organization Structure. *The Academy of Management Review*, 2(2): 217-230.

Altman, I., & Taylor, D. A. (1973). Social penetration: The development of interpersonal relationships. *Oxford, England: Holt, Rinehart & Winston, 212pp*.

Ancona, D. G., & Chong, C. (1999). Cycles and synchrony: The temporal role of context in team behavior. *Research on Managing Groups and Teams*, 2: 33-48.

Anderson, James C. & Narus, James A. (1990). A Model of Distributor Firm and Manufacturer Firm Working Partnerships. *Journal of Marketing*, 54(1): 42-58.

Anderson, Erin & Weitz, Barton (1989). Determinants of Continuity in Conventional Industrial Channel Dyads. *Marketing Science*, 8(4): 310-323.

Barkema, H., Drogendijk, R. (2007). Internationalising in small, incremental or larger steps? *Journal of International Business Studies,* 38: 1132–1148.

Bell, R., Filatotchev, I. & Rasheed, A. (2012). The liability of foreignness in capital markets: Sources and remedies. *Journal of International Business Studies*, 43: 107–122.

Biggart, Nicole Woolsey & Delbridge, Rick (2004). Systems of Exchange. *Academy of Management Review*, 29(1): 28-49.

Blau, P. M. (1964). *Exchange and Power in Social Life.* New York: Wiley.

Bluedorn, A. C. (2002). *The human organization of time: Temporal real- ities and experience*. Stanford, CA: Stanford University Press.

Bourdieu, Pierre (1986). The Forms of Capital in J. Richardson (ed.) *Handbook of Theory and Research for the Sociology of Education*, New York: Greenwood Press.

Buchner, Axel, Espenlaub, Susanne, Khurshed, Arif, Mohamed, Abdulkadir *(2018).* Cross-border venture capital investments: The impact of foreignness on returns. *Journal of International Business Studies,* 49: 575–604.

Buckley, Peter J. (2018). Internalisation theory and outward direct investment by emerging market multinationals', *Management International Review*, 58, 195–224.

Buckley, P. J., & Casson, M. (1976). The future of the multinational enterprise. London: Palgrave Macmillan

Calhoun, M.A. (2002). Unpacking liability of foreignness: identifying culturally driven external and internal sources of liability for the foreign subsidiary. *Journal of International Management*, 8: 301-321.

Cao, Mingchun & Alon, Ilan (2020). Overcoming the liability of foreignness – A new perspective on Chinese MNCs. *Journal of Business Research*, ISSN 0148-2963.

Cao, Z. & Lumineau, F. (2015). Revisiting the interplay between contractual and relational governance: a qualitative and meta-analytic investigation. *Journal of Operations Manag*ement, 33–34: 15-42.

Casillas, J., Moreno-Menéndez, A. (2014). Speed of the internationalization process: The role of diversity and depth in experiential learning. *Journal of International Business Studies*, 45: 85–101.

Cavusgil, S. Tamer, Ghauri, Pervez, N., & Liu, Leigh Anne (2021). Doing Business in Emerging Markets. Sage Publications Ltd.

Chen, M-J. (2001). Inside Chinese Business: A Guide for Managers Worldwide. *Harvard Business School Press, 45-65*.

Chen, H. Y., Griffith, D. A., & Hu, M. Y. (2006). The influence of liability of foreignness on market entry strategies. *International Marketing Review*, 23: 636–649.

Coleman, James S. (1988). Social Capital in the Creation of Human Capital. *American Journal of Sociology*, 94: 95-120.

Corner, A.J., Liu, Leigh Anne, Bird, Allan (2021). Intercultural competencies for emerging markets: A contextualized approach, International Business Review, 30, 3.

Cropanzano, Russell & Mitchell, Marie S. (2005). Social Exchange Theory: An Interdisciplinary Review. *Journal of Management*, 31(6): 874-900.

Das, T. K., & Teng, B. -S. (2002). Alliance constellations: A social exchange perspective. *Academy of Management Review*, 27: 445−456.

De Beule, Filip, Elia, Stephano, & Piscitello, Lucia, (2014). Entry and access to competencies abroad: emerging market firms versus advanced market firms. *Journal of International Management*, 20, 137–152.

Delios, A., & Beamish, P. W. (2001). Survival and profitability: The roles of experience and intangible assets in foreign subsidiary performance. *Academy of Management Journal*, 44 (5): 1028–1038.

Deresky, Helen & Miller, Stewart R. (2021). International Management: Managing Across Borders and Cultures, Text and Cases, 10th edition, Pearson.

Dess, Gregory G. & Shaw, Jason D. (2001). Voluntary Turnover, Social Capital, and Organizational Performance. *The Academy of Management Review*, 26(3): 446-456.

Dwyer, Robert F., Schurr, Paul H., & Oh, Sejo (1987). Developing Buyer-Seller relationships. *Journal of Marketing*, 51(2): 11-27.

Eden, L., & Miller, S. (2004). Distance matters: Liability of foreignness, institutional distance and ownership strategy. In M. Hitt & J. Cheng (Eds.), Advances in international management: 187-221. New York: Elsevier. Flier, B., Van den Bosch, F., & Volberda, H. 2003.

Feng, Jing Betty, Liu, Leigh Anne & Jiang, Chunyan (2019). Parochialism and Implications for Chinese Firms' Globalization. *Management and Organization Review*, 15(4): 705-736.

Fiske, Alan Page (1991). Structures of Social Life: The Four Elementary Forms of Human Relations. Communal Sharing, Authority Ranking, Equality Matching, Market Pricing. The Free Press, A Division of Macmillan, Inc. New York.

Fiske, Alan Page (1992). The Four Elementary Forms of Sociality: Framework for a Unified Theory of Social Relations. *Psychological Review*, 99(4): 689-723.

Gao, Hongzhi, Ballantyne, David & Knight, John G. (2010). Paradoxes & Guanxi dilemmas in emerging Chinese-Western intercultural relationships. *Industrial Marketing Management*, 39(2): 264-272.

Gao, G., Pan, Y. (2010). The pace of MNEs' sequential entries: Cumulative entry experience and the dynamic process. *Journal of International Business Studies*, 41: 1572–1580.

Gelfand, Michele J., Nishii, Lisa H., & Raver, Jana L. (2006). On the Nature and Importance of Cultural Tightness-Looseness. *Journal of Applied Psychology, 91*(6): 1225–1244.

Gevers, J.M.P., Rutte, C. G., & van Eerde, W. (2006). Meeting deadlines in work groups: Implicit and explicit mechanisms. *Applied Psychology: An International Review*, 55(1): 52-72.

Goodall, K. & Roberts, J. (2003). Only connected: Teamwork in the multinational. *Journal of World Business*, 38(2): 150-164.

Graça, Sandra S., Barry, James M. & Doney, Patricia M. (2016). B2B Commitment Building in Emerging Markets: The Case of Brazil. *Journal of Personal Selling & Sales Management*, 36(2): 105-125.

Granovetter, Mark S. (1973). The Strength of Weak Ties. *American Journal of Sociology*, 78(6): 1360- 1380.

Granovetter, Mark (1983). The Strength of Weak Ties: A Network Theory Revisited. Sociological Theory, 1: 201-233

Granovetter, Mark (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91: 481-510.

Griffin, E. (1994). A first look at communication-Social Penetration Theory, *2nd Edition: 161-169.*

Griffith, D. & Myers, M (2005). The performance implications of strategic fit of relational norm governance strategies in global supply chain relationships. *J. of Int. Business Studies*, 36: 254–269.

Grisi, Celso Claudio de Hildebrand & Ribeiro, Aurea Helena Puga (2004). Supplier-Manufacturer Relationships in the Brazilian Auto Industry: An Exploration of Distinctive Elements. *The Journal of Business and Industrial Marketing*, 19(6): 415-420.

Gulati, Ranjay & Sytch, Maxim (2007). Dependence Asymmetry and Joint Dependence in Interorganizational Relationships: Effects of Embeddedness on a Manufacturer's Performance in Procurement Relationships. *Administrative Science Quarterly*, 52: 32-69.

Guler, I., & Guillen, M. F. (2010). Home country networks and foreign expansion: Evidence from the venture capital industry. *Academy of Management Journal*, 53(2): 390-410.

Hakansson, Hakan, ed. (1982), International Marketing and Purchasing of Industrial Goods: An Interaction Approach. Chichester, England: John Wiley and Sons, Ltd.

Hakansson, Hakan, and Snehota, Ivan (1995). Developing Relationships in Business Networks, Routledge, London, UK.

Hakansson, Hakan & Wootz, Bjorn (1979). A Framework of Industrial Buying and Selling. *Industrial Marketing Management*, 8: 28-39.

Haugland, Sven A. (1999). Factors influencing the duration of international buyer-seller relationships. *Journal of Business Research, 46: 273-280.*

Haytko, Diana L. (2004). Firm-to-Firm and Interpersonal Relationships: Perspectives from Advertising Agency Account Managers. *Journal of the Academy of Marketing Science*, 32(3): 312-328.

Heide, Jan B., & Wathne, Kenneth H. (2006). Friends, businesspeople, and relationship roles: A conceptual framework and a research agenda. *Journal of Marketing, 70(3): 90-103*.

Henisz, Witold Jerzy & Zelner, Bennet A. (2005). Legitimacy, Interest Group Pressures and Change in Emergent Institutions: The Case of Foreign Investors and Host Country Governments. *Academy of Management Review*, 30(2): 361-382.

Hennart, J.-F. (1982). A theory of multinational enterprise. Ann Arbor, MI: University of Michigan Press.

Hite, Julie M., & Hesterly, William S. (2001). The Evolution of Firm Networks: From Emergence to Early Growth of the Firm. *Strategic Management Journal*, 22: 275–286.

Hoenen, A. & Kostova, T. (2015). Utilizing the broader agency perspective for studying headquarters–subsidiary relations in multinational companies. *Journal of International Business Studies*, **46,** 104–113.

Homans, George C. (1958). Social Behavior in Exchange. *American Journal of Sociology*, 63: 597-606.

Hosmer, Larue Tone (1995). Trust: The Connecting Link between Organizational Theory and Philosophical Ethics. *The Academy of Management Review*, 20(2): 379 – 403.

Hsieh, K.-Y., Tsai, W., & Chen, M.-J. (2015). If they can do it, why not us? Competitors as reference points for justifying escalation of commitment. *Academy of Management Journal*, 58(1): 38–58.

Huang, Ying, Luo, Yadong, Liu, Yi & Yang, Qian (2016). An Investigation of Interpersonal Ties in Interorganizational Exchanges in Emerging Markets: A Boundary-Spanning Perspective. *Journal of Management*, 42(6): 1557-1587.

Hwang, K. (1987). Face and Favor: The Chinese Power Game. *American J. of Sociology*, 92(4): 944-974.

Hymer, S. (1976), The International Operations of National Firms: A Study of Direct Investment, MIT Press, Cambridge, MA.

Jeffries, Frank L. & Reed, Richard (2000). Trust and Adaptation in Relational Contracting. *The Academy of Management Review*, 25(4): 873-882.

Kavanaugh, Andrea L., Reese, Debbie Denise, Carroll, John M. & Rosson, Mary Beth (2005). Weak Ties in Networked Communities. *The Information Society*, 21: 119-131.

Kindleberger, C.P. (1969). American Business Abroad: Six Lectures in Direct Investment. Yale Univ. Press, New Haven, CT.

Klein, Katherine J., Dansereau, Fred & Hall, Rosalie J. (1994). Levels Issues in Theory Development, Data Collection, and Analysis. *The Academy of Management Review*, 19(2): 195-229.

Klossek, A., Linke, B. M., & Nippa, M. (2012). Chinese enterprises in Germany: Establishment modes and strategies to mitigate the liability of foreignness. *Journal of World Business*, 17: 35–44.

Koopman, Joel, Matta, Fadel K., Scott, Brent A. & Conlon, Donald E. (2015). Ingratiation and Popularity as Antecedents of Justice: A Social Exchange and Social Capital Perspective. *Organizational Behavior and Human Decision Processes*, 131: 132-148.

Kostova, Tatiana & Roth, Kendall (2003). Social Capital in Multinational Corporations and a Micro-Macro Model of Its Formation. *The Academy of Management Review*, 28(2): 297-317

Kwon, Seok-Woo & Adler Paul S. (2014). Social Capital: Maturation of a Field of Research. *The Academy of Management Review*, 39(4): 412-422.

Lambe, C. J., Wittmann, C. M. & Spekman, R. E. (2001). Social Exchange Theory and Research on Business-to-Business Relational Exchange. *J. of Business-to-Business Marketing*, 8(3): 1-36

Lee, Don Y., & Dawes, Philip L. (2005). Guanxi, Trust, and Long-Term Orientation in Chinese Business Markets. *Journal of International Marketing, 13(2): 28-56*.

Lewicki, R. J., & Bunker, B. B. (1996). Developing and Maintaining Trust in Work Relationships. *Reprinted from Kramer, R. M. and Tyler, T. R., Trust in Organizations Frontiers of Theory and Research*, 114-139.

Li, J. & Fleury, M.T.L. (2020). Overcoming the liability of outsidership for emerging market MNEs: a capability-building perspective. J. Int. Bus. Stud., 51, 23-37.

Li, J., Zhou, K. & Shao, A. (2014). Competitive position, managerial ties, and profitability of foreign firms in China: an interactive perspective. *J. of International Business Studies* 40: 339–352 (2009).

Liu, Leigh Anne, Adair, Wendi L. & Bello, Daniel C. (2015). Fit, Misfit, and beyond Fit: Relational Metaphors and Semantic Fit in International Joint Ventures. *Journal of International Business Studies*, 46(7): 830-849.

Liu, L.A. , Chiu, C.Y. , & Zhang, Z.-X. (2020). Dynamic transformation of communal and exchange schemata in multicultural relationships. *Cross Cultural & Strategic Management*, 28, 2, 368-383.

Liu, Steven Yen-Hung, Deligonul, Seyda, Cavusgil, Erin & Chiou, Jyh-Shen (2018). Always Trust in Old Friends? Effects of Reciprocity within Bilateral Asset Specificity on Trust in International B2B Partnerships. *Journal of Business Research*, 90: 171-185.

Liu, Yu, and Maula, Markku (2016). Local partnering in foreign ventures: Uncertainty, experiential learning, and syndication in cross-border venture capital investments. *Academy of Management Journal*, 59(4): 1407-1429.

Lövblad, M., Akmal S. H. & Lars, L. (2012). Affective Commitment in Industrial Customer-Supplier Relations: A Psychological Contract Approach. *J. of Business & Industrial Marketing* 27(4): 275–285

Lu, J.W. and Ma, X. (2008). The contingent value of local partners' business group affiliations. *Academy of Management Journal*, 51 (2): 295–314.

Luo, Yadong (1997). Guanxi and Performance of Foreign-invested Enterprises in China: An Empirical Inquiry. *Management International Review*, 37(1): 51-70.

Luo, Yadong (2006). Opportunism in Inter-firm Exchanges in Emerging Markets. *Management and Organization Review*, 2(1): 121–147.

Luo, Y. (2007). An integrated anti-opportunism system in international exchange. *Journal of International Business Studies*, 38: 855-877.

Luo, Y., & Mezias, J. M. (2002). Liabilities of foreignness: Concepts, constructs, and consequences. *Journal of International Management*, 8(3): 217–221.

Luo, Yadong, Shenkar, Oded, & Nyaw, Mee-Kau (2002). Mitigating liabilities of foreignness: Defensive versus offensive approaches. Journal of International Management, 8(3): 283-300

Macneil, Ian R. (1980). *The New Social Contract*: An Inquiry into Modern Contractual Relations. Yale University Press, New Haven, CT. 1980.

Maiter, Sarah, Simich, Laura, Jacobson, Nora & Wise, Julie (2008). Reciprocity: An Ethic for Community-based Participatory Action Research. *Action Research*, 6(3): 305-325

Mata, J., Freitas, E (2012). Foreignness and exit over the life cycle of firms. *J Int Bus Stud* 43: 615–630.

Mavondo, Felix T. & Rodrigo, Elaine M. (2001). The Effect of Relationship Dimensions on Interpersonal and Interorganizational Commitment in Organizations Conducting Business Between Australia and China. *Journal of Business Research*, 52(2): 111-121.

Mayer, Roger C., Davis, James H. & Schoorman F. David (1995). An Integrative Model of Organizational Trust. *The Academy of Management Review*, 20(3): 709-734.

McAllister, Daniel J. (1995). Affect- and Cognition-Based Trust as Foundations for Interpersonal Cooperation in Organizations. 38(1): 24-59.

Meyer, Erin - INSEAD Knowledge (2015). Building Trust Across Cultures. https://knowledge.insead.edu/blog/insead-blog/building-trust-across-cultures-3844, Feb. 13, 2015.

Meyer, K., Sinani, E. (2009). When and where does foreign direct investment generate positive spillovers? A meta-analysis. *Journal of International Business Studies*, 40: 1075–1094.

Mezias, J.M. (2002). Identifying liabilities of foreignness and strategies to minimize their effects: the case of labor lawsuit judgments in the United States. *Strategic Management Journal*, 23(3): 229–244.

Miller, S. R., & Parkhe, A. (2002). Is there a liability of foreignness in global banking? An empirical test of banks' X-efficiency. *Strategic Management Journal*, 23(1): 55–75.

Mithani, M.A (2017). Liability of foreignness, natural disasters, and corporate philanthropy. *J Int Bus Stud* 48: 941–963.

Nachum, L. (2003). Liability of foreignness in global competition? Financial service affiliates in the city of London. *Strategic Management Journal,* 24(12): 1187-1208.

Nahapiet, Janine & Ghoshal, Sumantra (1998). Social Capital, Intellectual Capital, and the Organizational Advantage. *Academy of Management Review*, 23(2): 242-266.
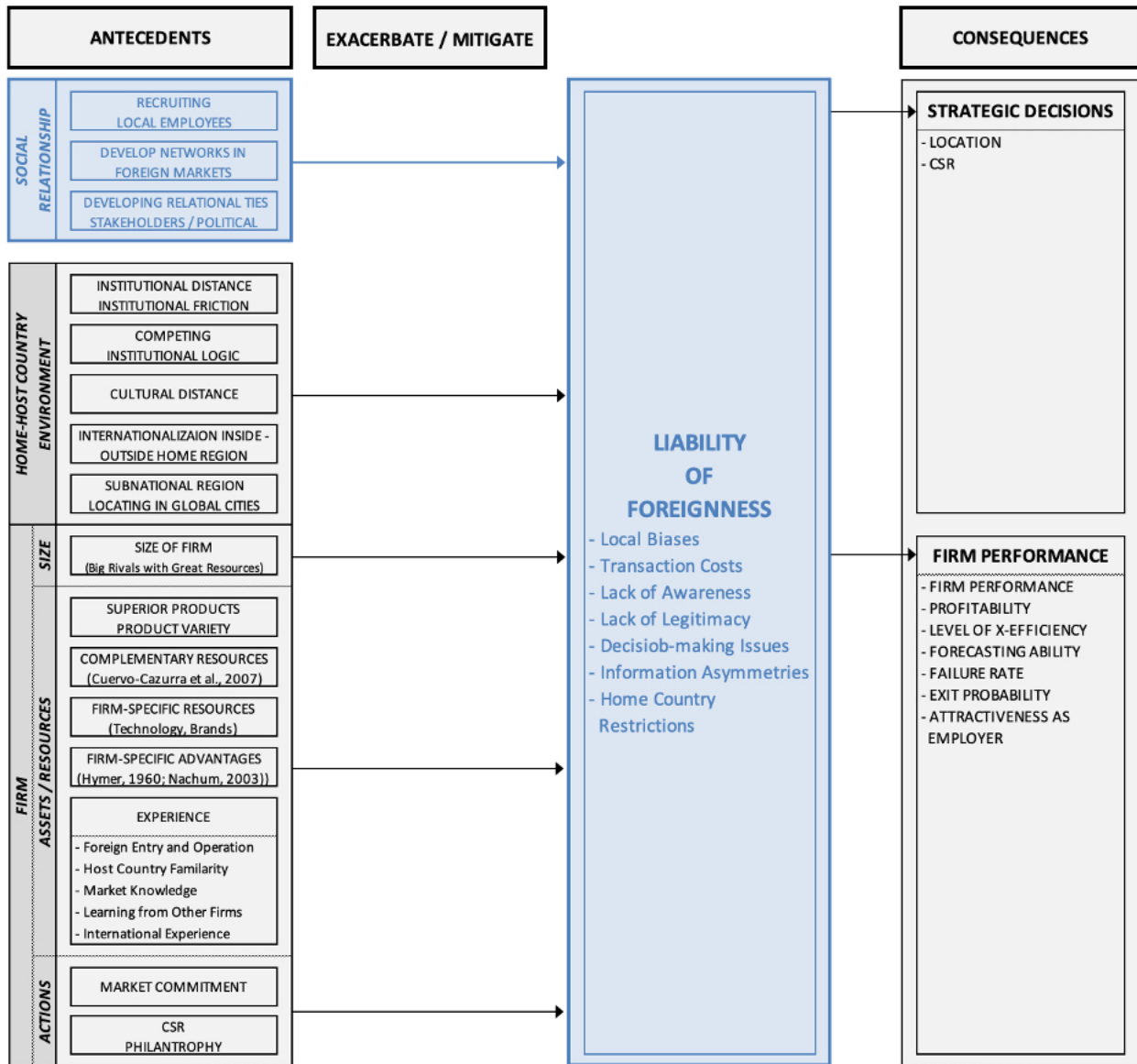
Newenham-Kahindi, A., & Stevens, C. E. (2018). An institutional logics approach to liability of foreignness: the case of mining MNEs in Sub-Saharan Africa. *J. of International Business Studies*.

O'Keefe, Hsu & O'Keefe William M. (2004). Business Behaviors in Brazil and the USA: Understanding the Gaps. International Journal of Social Economics, 31(5/6): 614-622.

Palmatier, R. W., Dant, R. P., Grewal, D., & Evans, K. R. (2006). Factors influencing the effectiveness of relationship marketing: A meta-analysis. *Journal of Marketing*, 70(4): 136−153.

Pearce, John A. & Robinson, Richard B. jr. (2000). Cultivating *Guanxi* as a Foreign Investor Strategy. *Business Horizons*, 43(1): 31-38.

Peng, Mike W., Zhou, Jessie Qi (2005). How Network Strategies and Institutional Transitions Evolve in Asia. *Asia Pacific J Manage,* 22: 321-336.

Pervan, S. J., Bove, L., L., Johnson, L. W. (2009). Reciprocity as a Key Stabilizing Norm of Interpersonal Marketing Relationships: Scale Development and Validation. *Industrial Marketing M.*, 38(1): 60-70.

Pfeffer, J., & Salancik, G. R. (1978). The External Control of Organizations, Harper & Row, NY. 1978.

Ribeiro, Aurea Helena Puga, Brashear, Thomas G., Monteiro, Plinio Rafael Reis & Damazio, Luciana Faluba Damazio (2009). Marketing Relationships in Brazil: Trends in Value Strategies and Capabilities. *Journal of Business and International Marketing*, 24(5/6): 449-459.

Rindfleisch, Aric & Heide, Jan B. (1997). Transaction Cost Analysis: Past, Present, and Future Applications. *Journal of Marketing*, 61(4): 30-54.

Rotting, Daniel (2016). Institutions and Emerging Markets: Effects and Implications for Multinational Corporations. *International Journal of Emerging Markets*, 11(1): 2-17.

Rowley, Tim, Behrens, Dean & Krackhardt, David (2000). Redundant Governance Structures: An Analysis of Structural and Relational Embeddedness in the Steel and Semiconductor Industries. *Strategic Management Journal*, 21: 369–386.

Russo, Michael V. (2001). Institutions, Exchange Relations, and the Emergence of New Fields: Regulatory Policies and Independent Power Production in America, 1978–1992. *Administrative Science Quarterly*, 46(1): 57-86.

Sethi, Deepak, & Guisinger, Stephen (2002). Liability of foreignness to competitive advantage: How multinational enterprises cope with the international business environment. *Journal of International Management*, 8(3): 223-240

Styles, Chris, Patterson, P., & Ahmed, F. (2008). A Relational Model of Export Performance. *Journal of International Business Studies*, 39(3): 880–900.

Tang, Wanyi, & Cheng, Qian (2012). How Business Guanxi Affects a Firm's Performance: A Study on Chinese Small and Medium Sized Construction Companies. Dissertation, Uppsala University.

Taylor, Dalmas A. & Altman, Irwin (1975). Self-Disclosure as a Function of Reward-Cost Outcomes. *Sociometry*, 38(1): 18-31.

Taylor, Dalmas A., Altman, Irwin & Sorrentino, Richard (1969). Interpersonal Exchange as a Function of Rewards and Costs and Situational Factors: Expectancy Confirmation-Disconfirmation. *Journal of Experimental Social Psychology*, 5: 324-339.

Teagarden, Mary B. & Schotter, Andreas (2013). Favor Prevalence in Emerging Markets: A Multi-level Analysis. Asia Pacific Journal of Management, 30: 447-460.

Tihanyi, Laszlo, Griffith, David, A. & Russel, Craig J. (2005). The Effect of Cultural Distance on Entry Mode Choice, International Diversification, and MNE Performance: A Meta-Analysis. *Journal of International Business Studies*, 36(3): 270-283.

Tsang, E. W. K. (1998). Can guanxi be a source of sustained competitive advantage for doing business in China? *The Academy of Management Journal, 12(2): 64-73.*

Tung, Rosalie L., Worm, Verner & Fang, Tony (2008). Sino-Western Business Negotiations Revisited – 30 Years After China's Open Door Policy. *Organizational Dynamics*, 37(1): 60-74.

Uzzi, Brian (1997). Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness. *Administrative Science Quarterly*, 42(1): 35-67.

Vanhonacker, W. R. (2004). When good Guanxi Turns Bad. *Harvard Business Review*, 82(4): 18-19.

Véras, Erika Zoeller & Véras, Daniel Bicudo (2011). Cultural Differences Between Countries: The Brazilian and the Chinese Ways of Doing Business. *J. on Innovation and Sustainability,* 2(2): 77-83.

Vernon, R. (2001). Sovereignty at bay: The multinational spread of U.S. enterprises. NY: Routledge.

Warren, Danielle E., Dunfee, Thomas W. & Li, Naihe (2004). Social Exchange in China: The Double-Edged Sword of Guanxi. *Journal of Business Ethics*, 55(4): 355-372.

Weidenbaum, M. (1996). The Chinese Family Business Enterprise. *California M. Rev.*, 38(4): 141-156.

Wellman, Barry (1992). Which Ties Provide What Kinds of Support? *Advances in Group Processes,* 9: 207-235.

Wicks, Andrew C., Berman, Shawn L. & Jones, Thomas M. (1999). The Structure of Optimal Trust: Moral and Strategic Implications. *The Academy of Management Review*, 24(1): 99 - 116.

Williamson, Oliver E. (1985). *The Economic Institutions of Capitalism*, The Free Press, New York. 1985.

Williamson, Oliver E. (1991). Comparative Economic Organization: The Analysis of Discrete Structural Alternatives. *Adminsitrative Science Quarterly* 36(2): 269-296.

Wilson, David T. (1995). An Integrated Model of Buyer-Seller Relationships. *Journal of the Academy of Marketing Science,* 23(4): 335-345.

Wilson, David T. & Moller, Kristian E. (1988). Buyer-Seller Relationships: Alternative Conceptualization. In *New Perspectives on International Marketing*, Stanley J. Paliwoda, ed. London: Routledge, 87-107.

Yang, Zhilin, Su, Chenting & Fam, Kim-Shyan (2012). Dealing with Institutional Distances in International Marketing Channels: Governance Strategies That Engender Legitimacy and Efficiency. *Journal of Marketing*, 76: 41-55.

Yeung, I. Y. M., & Tung, R. L. (1996). Achieving Business Success in Confucian Societies: The Importance of Guanxi. *Organizational Dynamics, 25(2): 54-65*

Yu, T., & Cannella, A. A. (2007). Rivalry between multinational enterprises: An event history approach. *Academy of Management Journal*, 50: 663-68

Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management J.*, 38(2): 341–363

Zhang, Jian-Dong, Liu, Leigh Anne & Liu, Wu (2015). Trust and Deception in Negotiation: Culturally Divergent Effects. *Management and Organization Review*, 11(01): 123-144.

Zhao, Hongxin & Hsu, Chin-Chun (2007). Social Ties and Foreign Market Entry: An Empirical Inquiry. *Management International Review*, 47: 815-844.

Zhou, L., Wu, Wp., & Luo, X (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies*, 38: 673–690.

Figure 1. Summary of Theoretical Constructs in Extant Literature

| ANTECEDENTS | EXACERBATE / MITIGATE | | CONSEQUENCES |

SOCIAL RELATIONSHIP
- RECRUITING LOCAL EMPLOYEES
- DEVELOP NETWORKS IN FOREIGN MARKETS
- DEVELOPING RELATIONAL TIES STAKEHOLDERS / POLITICAL

HOME-HOST COUNTRY ENVIRONMENT
- INSTITUTIONAL DISTANCE INSTITUTIONAL FRICTION
- COMPETING INSTITUTIONAL LOGIC
- CULTURAL DISTANCE
- INTERNATIONALIZAION INSIDE - OUTSIDE HOME REGION
- SUBNATIONAL REGION LOCATING IN GLOBAL CITIES

SIZE
- SIZE OF FIRM (Big Rivals with Great Resources)

FIRM ASSETS / RESOURCES
- SUPERIOR PRODUCTS PRODUCT VARIETY
- COMPLEMENTARY RESOURCES (Cuervo-Cazurra et al., 2007)
- FIRM-SPECIFIC RESOURCES (Technology, Brands)
- FIRM-SPECIFIC ADVANTAGES (Hymer, 1960; Nachum, 2003))
- EXPERIENCE
  - Foreign Entry and Operation
  - Host Country Familiarity
  - Market Knowledge
  - Learning from Other Firms
  - International Experience

ACTIONS
- MARKET COMMITMENT
- CSR PHILANTROPHY

LIABILITY OF FOREIGNNESS
- Local Biases
- Transaction Costs
- Lack of Awareness
- Lack of Legitimacy
- Decisiob-making Issues
- Information Asymmetries
- Home Country Restrictions

STRATEGIC DECISIONS
- LOCATION
- CSR

FIRM PERFORMANCE
- FIRM PERFORMANCE
- PROFITABILITY
- LEVEL OF X-EFFICIENCY
- FORECASTING ABILITY
- FAILURE RATE
- EXIT PROBABILITY
- ATTRACTIVENESS AS EMPLOYER

Figure 2. Conceptual Framework for Social Exchange Theory
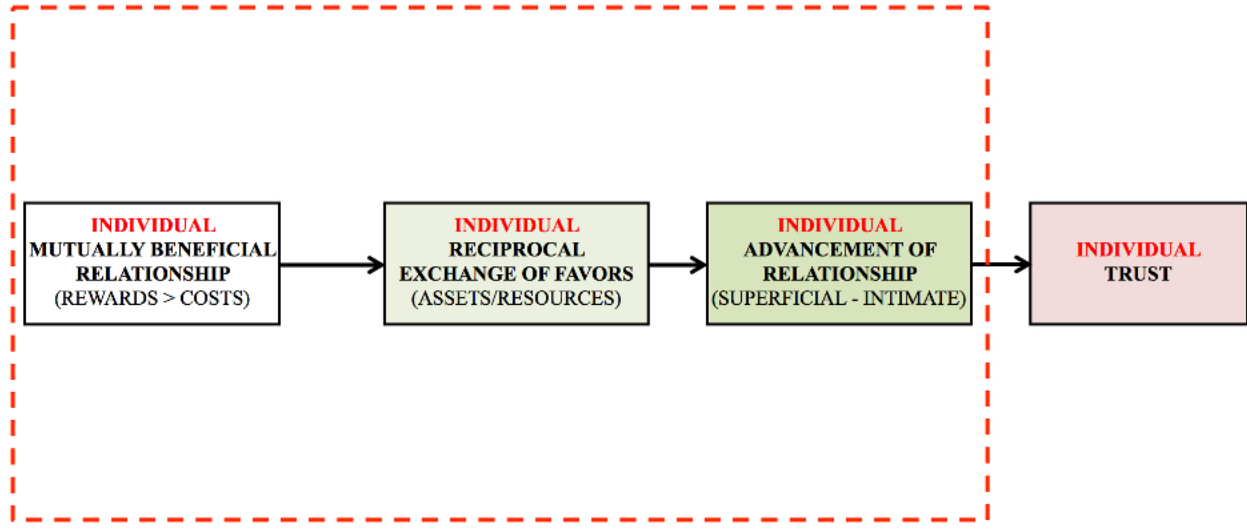
Figure 3. Social Penetration Theory - Onion Analogy
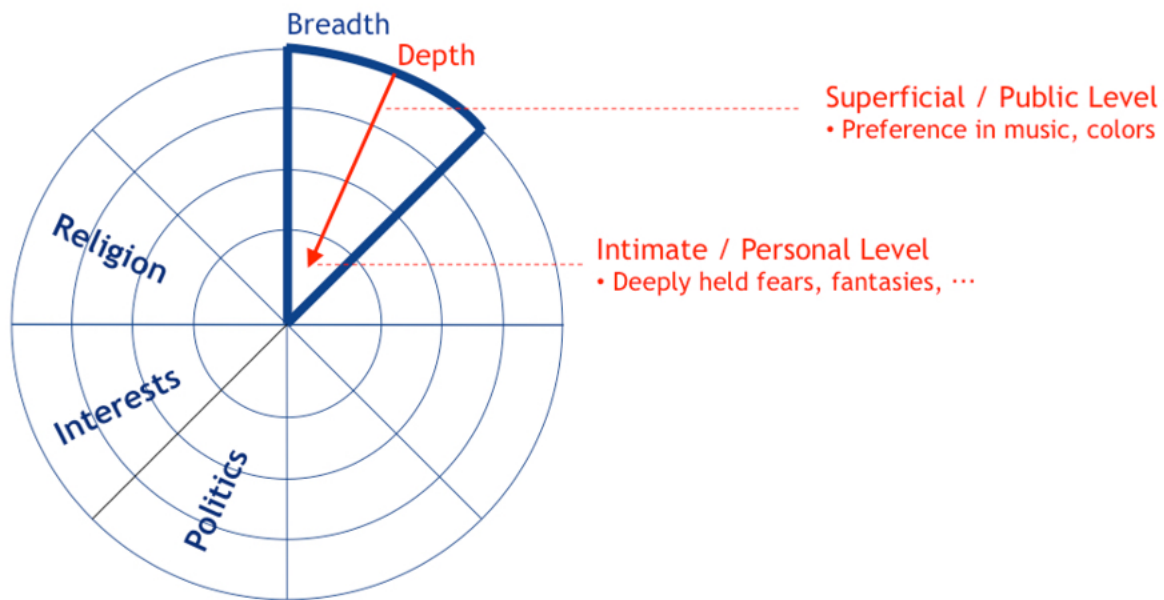
Altman & Taylor (1973) view personality as analogous to a "multilayered" onion (Griffin, 1994). As is illustrated in Figure 4, personality is composed of two dimensions: i) Breadth, and ii) Depth. Each layer closer to the core of the onion corresponds to more intimacy (concept of self). The 'Breadth' refers to the different areas of life, or categories of personality, such as sex. The 'Depth' refers to the different layers of one's personality, varying from "easily observable" to "unique". Personal information, from superficial to intimate, is hidden behind different layers. There is more vulnerable personal information behind each successive layer. SPT suggests that the depth of a relationship may increase over time as people disclose more detailed and vulnerable information about the self. In other words, disclosing central aspects of one's personality is an indication of the closeness of a relationship.

Figure 4. Social Penetration Theory & Extant Literature

No Penetration
Costs > Rewards

Dissolution
Costs > Rewards

Dissolution
Costs > Rewards

FIRM LEVEL B2B LONG-TERM RELATIONSHIP DEVELOPMENT MODEL

Awareness

Exploration
Obligations?
Benefits?
Burdens?

Obligations?
Benefits?
Burdens?

Penetration
Rewards > Costs

Expansion
Continual increase in benefits by exchange partners & their increasing interdependence

Commitment
Implicit or explicit pledge of relational continuity between exchange partners

Rewards > Social Costs

Rewards > Social Costs

Rewards vs. Social Costs

Note:

i) Soacial Penetration Approach is in red.

ii) Dwyer et al. (1987) Firm Level Model is in black.

iii) Consequences in extant literature are in black.

SPT: BOUNDARY SPANNERS LEVEL RELATIONSHIP DEVELOPMENT MODEL

What are the salient *Relational Ties* at different stages of a relationship?
Instrumental Ties ---Expressive Ties

Relational Models prevailing *in salient Relational Ties:*
i) Market Pricing, ii) Equality Matching, iii) Authority Ranking, iv) Communal Sharing

Assets/Resources Exchanged in prevailing Relational Models:
i) Love, ii) Status, iii) Information, iv) Money, v) Goods, and vi) Services

MITIGATE LIABILITY OF FOREIGNNESS

INCREASE FIRM PERFORMANCE

Figure 5. Summary of Propositions

	Propositions	Who?	Stages	Timeline	Types of Ties	Types of Exchange	Content of Exchange	Type of Trust
Deepening Social Penetration	-	Boundary Spanners	Baseline	Relationship Develops Gradually	-	-	The Six Resources	-
	p1	Boundary Spanners	Shallow	Market Entry	Weak / Instrumental	Market Pricing	The Six Resources (Information)	Cognitive
	p2	Boundary Spanners	Medium	Over time	Strong / Expressive	Equality Matching Authority Ranking Communal Sharing	The Six Resources (Information, Goods, Services)	Affective
	p3	Boundary Spanners	Deep	Over time	Mixed (Balance of Ties)	Contextually All	Contextually All	Contextually All

Figure 6. SPT Framework

FACTORS DETERMINING SOCIAL PENETRATION	SOCIAL PENETRATION OVERTIME		
	Shallow	Medium	Deep
SALIENT **TYPES OF TIES** IN B2B RELATIONS	Weak (Instrumental) Strangers Acquaintances	Strong (Expressive) Friends Close Family	Mixed
TYPES OF EXCHANGE PREVAILING IN SALIENT TYPES OF TIES	Market Pricing Equality Matching	Equality Matching Authority Ranking Communal Sharing	Market Pricing Equality Matching Authority Ranking Communal Sharing
CONTENT OF EXCHANGE (FAVORS/RESOURCES) IN TYPES OF EXCHANGE	Information	The Six Resources/Assets	Information Goods Services ...
TYPE OF **TRUST** BUILT	Cognitive	Affective	Cognitive Affective

Table 1. Sample Studies on Liability of Foreignness

NO	STUDY	DV	IV	NOTES
1	Cao & Alon (2020)	-	-	Multinational enterprises **recruit local employees** to be able to mitigate some of the liability of foreignness (Goodall & Roberts, 2003).
2	Guler & Guillen (2010).	The greater its rate of foreign market entry	The greater the **social status** of a venture capital firm in its home country network	Social status in the home country may help reduce the liability of foreignness through signaling trust to the potential exchange partners in host country.
3	Li, Zhou, & Shao (2014).	The profitability of foreign firms in China.	The utilization of **business ties** has a positive effect on	Ties with the local business community help mitigate the LOF through knowledge transfer, shared learning, and resource exchange.
4	Bell, Filatotchev, & Rasheed (2012)	Liability of Foreignness (Capital Market)	- **Institutional Distance** - **Cultural Differences** Moderators: Endorsements	The authors suggest eight propositions about the mechanisms that managers can employ to mitigate liability of foreignness.
5	Hsieh, Tsai, & Chen (2015).	-	-	**Larger rivals** may mitigate the liability of foreignness **through their greater resources** (Hymer, 1976)
6	Gao & Pan (2010).	Speeds up the pace of sequential entries of MNEs in a foreign market.	Cumulative **entry experience**	Firms with foreign market entry experience can mitigate the liability of foreignness. Perceived uncertainty is less for such firms.
7	Meyer & Sinani (2009).	-	-	**Firm-specific resources** typically based on intangible assets, such as brands and technology help overcome the liability of foreignness.
8	Nachum (2003)	Eliminate the LOF	Foreign firms' **firm-specific advantages**	
9	Mithani (2017)	Mitigate LOF	**Philanthropy**	The authors suggest that philanthropy becomes important for an MNE especially in the aftermath of a disaster to mitigate LOF.
10	Barkema & Drogendijk (2007)	- **Reduces Performance** - **Increases the Failure Rate**	Liability of Foreignness	Scholars argued that lack of knowledge of local cultures and institutions reduced performance and increased the failure rate of foreign expansions.

Table 2. Sample Studies on B2B Relationship Development

No	Study		Findings / Remarks
1	Anderson & Narus (1990)	**Working Partnership Model** for a Distributor and a Manufacturer Firm	Building on extant studies using **social exchange theory**, the authors suggest a model for the marketing channel partnerships
2	Dwyer et al. (1987)	**Stages in a Relationship:** Buyer-Seller Relationships Development	Suggests a framework grounded in **social exchange theory**: Awareness → Exploration → Expansion → Commitment → Dissolution
3	Hakansson & Wootz (1979)	**Stages in a Relationship:** A **Framework** of Industrial Buying and Selling	Building on extant studies, describes the interaction process between industrial buyers and sellers. Relationship development steps from positive social outcomes.
4	Wilson (1995)	**Stages in a Relationship:** An Integrated Model of Buyer-Seller Relationships	**Building on Dwyer et al. (1987)**, proposes a five-stage framework integrating the widely used constructs in previous empirical studies. According to the findings, many variables become active at different stages, and act as a latent in others.
5	Wilson & Moller (1988)	**Buyer-Seller Relationships:** Alternative Conceptualizations	Reviews different theoretical models about long term relationships to investigate the theoretical progress in the context of interaction behavior between buyers and sellers, including the 1, 2, 3 above.
6	Das & Teng (2002)	**Social Exchange - Performance** Alliance constellations: A social exchange perspective	Compared with dyadic alliances, which rely on direct reciprocity, **alliance constellations rely on generalized reciprocity** to facilitate cooperation, promoting **constellation performance** through **trust**.
7	Luo (2007)	**Social-Exchange - Performance** An integrated anti-opportunism system in international exchange	Building on economic and **social exchange theories**, **opportunism** is negatively associated with the strength of **personal relationships between boundary spanners**
8	Zhou, Wu, & Luo (2007)	**Social-ties/Networks - Performance** Internationalization and the performance of born-global SMEs: the mediating role of social networks	In China, **detailed contracts** are positively/negatively associated with the **local supplier opportunism** through low/high **relational governance**. - The social network is the network of individuals who are linked through interactions consisting mainly of **social exchanges.**
9	Griffith & Myers (2005)	**Relational Exchange Theory** The performance implications of strategic fit of relational norm governance strategies in global supply chain relationships	US firm performance will be greatest for the relational norm of: - **information exchange** is low in relation to its primary US partner and high in relation to its primary Japanese partner. - **flexibility** is high in relation to its primary US partner and low in relation to its primary Japanese partner. - **solidarity** is low in relation to its primary US partner and high in relation to its primary Japanese partner.

Table 3. Social Exchange versus the Other Constructs

Social Exchange Theory (SET) (Blau, 1964)	Social Capital (Adler & Kwon, 2002)	Transaction Cost Economics (Williamson, 1985; 1991)	Social Penetration Theory (SPT) (Altman & Taylor, 1973)
SET: Reciprocal and continuous exchange of favors is the basis of mutually rewarding or beneficial relationships.	**Draws from SET:** A valuable resource, such as forgiveness, loyalty, and trust that others have toward us.	Explains the logic to make a choice between market governance and authority-based governance	**SPT draws from SET:** Explains <u>how</u> intimacy of a relationship develops and ends in between two people.

Factors Influencing Social Exchange Process (Blau, 1964)
 	
1. The Social Context
 	
2. The Stage & Character of a Relationship
 	
3. Nature of Benefits - Rewards & Costs
	Do not address the factors influencing the social exchange process
	
	-
	
	-
	
	-
			SPT is explicit and specific about the factors influencing social exchange in the context of interpersonal relationship
			
			1. Interpersonal relationship in SPT
			
			2. SPT onion analogy provides the stages
			  - What are the relationship stages for boundary spanners?
			
			3. Assets Exchanged: Self-disclosure
			  - What are the benefits-rewards and costs for boundary spanners?

Uncertainties About SET
(Cropanzano & Mitchell, 2005)
 	
1. What is the social exchange relationship in a given setting?
 	
2. What are the rules/norms of exchange?
 	
3. What are the assets/resources exchanged?
  - What type of resources exchanged?
	Do not address the uncertainties about SET
	
	-
	
	-
	
	-
			SPT sheds light on the uncertainties in the context of interpersonal relationship
			
			1. SPT refers to interpersonal relationship
			  - The focus in this study is relationship development between boundary spanners.
			
			2. SPT refers to the reciprocity norm, and equality matching.
			  - What are the rules in B2B context?
			
			3. SPT refers to self-disclosure. Defines reward and cost.
			  - What resources are exchanged in B2B context? To be scanned prior to entry

ESSAY 3: RACE FOR MARKET SHARE GAINS: HOW EMERGING MARKET AND ADVANCED ECONOMY MNEs PERFORM IN EACH OTHER'S TURF

Abstract

The international business literature, while extensive by now, has given scant attention to the direct comparison of the performance of advanced economy multinational enterprises (AMNEs) and emerging market multinational enterprises (EMNEs) in international markets. In particular, the question of how well these firms perform in each other's home markets is a peculiar one. In this study, we examine "market share gain" performance of AMNEs and EMNEs in each other's countries using a comprehensive, longitudinal dataset from Euromonitor Passport. Drawing from the eclectic paradigm (OLI framework), we contend that EMNEs perform better as they: i) develop non-traditional ownership advantages based on their learnings from AMNEs in home markets, and ii) expand into similar advanced economy markets relying also on non-traditional ownership advantages. Furthermore, our findings show a declining performance of AMNEs operating in emerging markets, while EMNEs appear to benefit from increased market share in advanced economy markets.

ESSAY 3: RACE FOR MARKET SHARE GAINS: HOW EMERGING MARKET AND ADVANCED ECONOMY MNEs PERFORM IN EACH OTHER'S TURF

INTRODUCTION

The current global economy is best described as a competitive landscape where firms from distant parts of the world roam in each other's markets. Multinational enterprises (MNEs), originating historically from advanced economies, have been targeting emerging markets for some time now (Buckley, 2016; Cavusgil, Ghauri & Liu, 2021; Hoenen & Kostova, 2015). More recently, however, EMNEs have been pursuing business opportunities with great success in advanced economy markets (Buckley, 2018; Buckley, Elia, & Kafouros, 2014; Buckley, Munjal, Enderwick, & Forsans, 2016; Cavusgil, 2021; Cavusgil, Deligonul, & Yaprak, 2005; De Beule, Elia, & Piscitello, 2014). While MNE performance is dependent on several factors (Cavusgil et al., 2021; Rangan & Drummond, 2004; Rugman, Oh & Lim, 2012; Zou & Cavusgil, 1996), their interaction with the locals in the competitive landscape is a critical discussion in international business (Ayyagari, Dau & Spencer, 2015; Cuervo-Cazurra & Genc, 2008).

Sheth (2011) highlights the importance of market heterogeneity between advanced economies and emerging markets. When entering foreign markets, MNEs need to recognize these differences and adapt their strategies accordingly. Both AMNEs and EMNEs have their advantages and disadvantages in each foreign market (Awate, Larsen & Mudambi, 2012; Awate, Larsen & Mudambi, 2015; Cano-Kollmann, Cantwell, Hannigan, Mudambi & Song, 2016; Luo & Tung, 2007; Lorenzen & Mudambi, 2013; Marquis and Raynard, 2015; Perri, Scalera & Mudambi, 2017; Ramamurti, 2012; Ramamurti & Williamson, 2019; Schotter, Mudambi, Doz & Gaur, 2017). The former struggles to understand emerging market customers and developing relational strategies, whereas the latter aims to develop firm-specific advantages, such as

accumulated knowledge, managerial, technological, and innovative capabilities, and their brands and reputation (DeBeule et al., 2014; Khan, 2020; Khan, Freeman & Lee, 2020).

The extant literature concerning the performance of EMNEs in advanced economies and AMNEs entering emerging markets (Hoskisson, Eden, Lau & Wright, 2000; Makino, Isobe & Chan, 2004; Moeller, Harvey, Griffith & Richey, 2013) has primarily focused on either EMNE performance or the AMNE performance. Thus, the phenomenon is explored from only a single-lens perspective. The performance of AMNEs and EMNEs in each other's less familiar territories have not been compared side by side.

By responding to this gap, this study is focusing on a neglected issue in the literature. How well do MNEs fare in gaining market share against local firms? More specifically, do the results vary between AMNEs and EMNEs when they cross each other's turf? Second, what identifiable patterns can be ascertained regarding the relative performance of AMNEs and EMNEs, measured in market share gains over time? Are the answers to these questions contingent upon such factors as the foreign market, industry sector, or time period? Drawing from the eclectic paradigm, we contend that EMNEs have greater market share gains than AMNEs as they: i) develop ownership advantages as they learn from AMNEs in home markets (O), and ii) expand into similar (L) advanced economy host markets also relying on ownership advantages.

The performance of an MNE is contingent upon a complex set of factors (Buckley, 2018; Buckley & Tian, 2017; Cavusgil et al., 2021). We also contend that MNE performance in the competitors' markets is time-dependent and varies across particular country markets and industry sectors. Thus, we expect a complex set of idiosyncratic factors in each country-industry scenario to interact and determine the outcome of the rivalry between defenders (local firms) and

challengers (foreign entrants). While it is possible to ascertain some expected patterns regarding AMNE-EMNE performance in each other's markets, it is incumbent upon scholars to delineate the role of country/industry combination and other factors influencing market performance. Our empirical analysis confirms that MNE performance is dependent on industry and country factors. Most importantly, we find strong evidence that, overall, AMNE performance in emerging markets declines over time, while EMNEs in the study record a market share gain in the advanced economy markets during the same period.

The scope of the present study can be illustrated with the scenarios depicted in Figure 1. This exhibit identifies the four scenarios of potential scholarly interest in global rivalry. Quadrant 1 presents the scenario where EMNEs expand into other emerging markets. Quadrants 2, 3, and 4 correspond to the remaining rivalry scenarios between foreign and local firms: EMNEs operating in advanced economies, AMNEs in other advanced economies, and AMNEs entering emerging markets, respectively. We focus only on Scenario 2 and Scenario 4 in this study as they provide the proper context for our investigation. We differentiate between AMNEs and EMNEs and explore their performances at less familiar markets: AMNEs operating in emerging markets and EMNEs operating in advanced economies. Scenarios 1 and 3 are associated with operations in familiar markets due to various similar characteristics. Therefore, we argue that the theoretical explanations will differ in Scenario 1 and Scenario 3, where AMNEs and EMNEs expand to similar markets.

<center>***Insert Figure 1 about here***</center>

We aim to make several contributions to the present research. First, we include both EMNEs and AMNEs in the same analysis, thus directly comparing the two groups in terms of their performances (i.e., market share gains). Second, we draw from an eclectic paradigm to

explain the superiority of the market share performance of EMNEs compared to AMNEs. we argue that the eclectic paradigm, initially developed for AMNEs, can be extended for EMNEs. Third, our study extends the research scope of prior studies and offers valuable insights regarding the dynamic nature of competition between EMNEs and AMNEs while in each other's home markets. Fourth, the findings demonstrate how the competition between AMNEs and EMNEs is evolving over time at a granular level, considering specific country/industry dyads. Finally, we investigate the respective role of country and industry in influencing market share gains by MNEs.

The data is drawn from the Euromonitor Passport, a rich, proprietary database that enables us to carry out our investigation at a granular level. In addition, the longitudinal nature of the data enables us to reveal patterns that reflect long-term trends. Thus, our findings provide a test of generalizability across industry sectors as well as idiosyncratic patterns.

LITERATURE REVIEW

There is a lack of understanding regarding the performance of AMNEs and EMNEs when they enter into each other's home markets. To show, Table 1 provides an integrative overview of the pertinent literature, with a focus on the relative advantages and disadvantages experienced EMNEs and AMNEs.

Insert Table 1 about here

With the emergence and rapid growth of multinational firms from emerging markets as world leaders in specific industries, scholarly interest in understanding EMNEs has regained its momentum in recent years (Cuervo-Cazurra, 2012). As modern theories of MNEs are developed

on experiences of multinational companies from advanced economies, it is natural that the majority of research in this area reflects the applicability of existing theories on EMNEs (Gammeltoft, Filatotchev, & Hobdari, 2012; Hennart, 2012; Li & Oh, 2016; Ramamurti, 2009a; Rugman, 2010a).

The eclectic paradigm, also known as the OLI (ownership, location, internalization) model, is a useful framework in explaining competitive advantages experienced by multinational firms (Dunning, 1979). The ownership advantage refers to a firm's ownership rights of proprietary information, skills, and other internally available resources (e.g., branding, patents, management expertise, and innovation capabilities). This advantage determines what competencies MNEs wish to leverage in the internationalization process. Location advantage refers to the alternative regions or countries with comparative advantage in performing a particular business function. Examples include easy access to, or lower cost of, natural resources, cheap or skilled labor, and geographically strategic locations. Location advantage considerations shed light on MNE's choice of global expansion. Finally, internalization advantage refers to the firm's consideration of whether it is more beneficial to conduct certain business functions in-house or outside contractors. This internalization advantage largely determines the entry mode MNE chooses in entering another country.

Scholars have taken on very different views when EMNEs are compared with AMNEs along these three pillars of advantages. EMNEs have been traditionally viewed as inferior when they are compared with MNEs from advanced economies. It is argued that EMNEs suffer from latecomer disadvantages in areas such as customer base, brand recognition, and technology leadership (Luo & Tung, 2007). Their deficiency directly translates into a lack of firm-specific advantages among EMNEs (Rugman, 2009; Ramamurti, 2009b). Lessard and Lucea (2009)

suggest that EMNEs which solely compete on country specific advantages such as natural resources and cheap labor are not sustainable as natural resources will be depleted and wage differences will eventually narrow. Other than firm specific disadvantages, EMNEs also suffer from domestic institutional voids and political hazards. Such factors include poor intellectual property protection, underdeveloped factor markets, political instability, and government interference, and corruptions in the home country (Luo & Tung, 2007).

Due to these deficiencies, EMNEs are assumed to encounter significant challenges from their advanced economy counterparts in international expansion. Unlike the AMNEs, which primarily need to address the liability of foreignness in their internalization efforts, EMNEs face additional challenges of liability of origin and liability of advantage (Pant & Ramachandran, 2012).

While the liability of foreignness applies to both AMNEs and EMNEs in the host country, the liability of origin amounts to a unique challenge for EMNEs because of common perceptions of emerging markets. Typically, negative attributions to the country images and quality perceptions accompany products originating from emerging markets (Johansson, Ronkainen, & Czinkota, 1994). Such a liability poses significant challenges for EMNEs in gaining cultural-cognitive legitimacy in the advanced economy markets. Pant and Ramachandran (2012) further argue that the competitive advantages possessed by EMNEs are significantly different from those of the AMNEs in nature. With their access to low-cost labor and natural resources in their home markets, EMNEs enjoy the comparative advantage of low-cost production. However, such advantages may be labeled as "cheap" or "bad quality" in the eyes of consumers from advanced economies. Furthermore, low-cost production can also be interpreted

as stemming from adopting exploitative practices in their home countries (Khan, Muir, &

Willmott, 2007).

Despite the disadvantages, EMNEs are making their mark in the global marketplace, and

some have even become global leaders in specific industries. As such, scholars have explored

what resources EMNEs possess that made such success possible and the strategies they adopt to

overcome their inherent constraints and liabilities. The literature has documented that EMNEs,

while not possessing traditional firm-specific advantages as those of AMNEs such as brand

recognition and innovation capability, enjoy a different set of capabilities that enable them to

compete globally. Such advantages include expertise in mass production, low-cost

manufacturing process, and improvisation routines (Pant & Ramchandran, 2012; Mathews, 2006;

Cuervo-Cazurra & Genc, 2008).

In a comparison of traditional AMNEs and newly emerged multinationals, Guillen and

Garcia-Canal (2009) emphasize several advantages experienced by EMNEs. First, EMNEs

demonstrate superior technology adaptation skills in that they can adapt the available technology

to small-scale product markets. When this is combined with cheap labor and imperfect input

markets, it renders EMNEs significant competitive advantage (Ferrantino, 1992; Tolentino,

2010). In addition, even though EMNEs may trail behind AMNEs in pioneering technological

innovation, they seem to be taking on different competencies when it comes to competing in

technology. They are fast adopters and implementers of new technologies developed elsewhere.

This is particularly true when the technology is related to infrastructure such as construction,

electricity, and telecommunications (Guillen, 2005). Furthermore, unlike AMNEs who focus on

breakthrough and radical innovations, EMNEs are more competent in advancing incremental

innovations and designing specialized products for niche market segments (Lall, 1983). Without

the pioneering technology advantage, EMNEs are forced to innovate along cost saving and price reduction techniques which are appealing to both advanced and emerging markets (Cuervo-Cazurra, 2012).

Home country constraints of EMNEs such as less-than-perfect legal systems and bureaucracy can also turn into certain advantages when competing with AMNEs in the global market. Poorly developed institutions in the home country induce firms to develop capabilities in managing high transaction costs and political influences, rendering them more resilient organizations while accommodating environmental instability. As such, they are more successful in other countries with problematic governance. Guillén and Garcia-Canal (2009) argue that the home institutional environment nurtures high organizational adaptability and political know-how of EMNEs which help them outperform their counterparts from advanced economies in other emerging markets. This idea is also supported by Luo and Wang (2012) and Williamson (2015). Finally, other advantages can also arise from networking capabilities as a firm's network relationships can also lead to competitive advantage. This is largely due to cultural traits. Network relationships are viewed to compensate for lack of effective institutional intermediaries, which is characteristic of emerging markets (Pananond, 2007; Tan & Meyer, 2010).

EMNEs also enjoy location specific advantages as they have favorable access to low-cost labor, natural resources, and financing support from governments (Gammeltoft, Bernard, & Madhok, 2010). However, Hennart (2012) states that EMNEs can translate certain locational advantages into firm advantages. The idea is that most locational advantage resources in EMs such as cheap labor and natural resources are not freely available to foreign firms. Such preferential access to resources gives local firms significant market power which enables them to compete with AMNEs. Williamson and Wan (2018) add that EMNEs are far more sensitive

when it comes to new market opportunities. They are keen on seizing such opportunities with far less cost than AMNEs due to their flexible organizational processes that combine vertical hierarchy and horizontal coordination.

Even though scholars have contrasted AMNEs and EMNEs in terms of their competitive advantages and liabilities, scant attention has been given to investigating how such variations translate into performance differentials, particularly in each other's home territory. Thus, the present study aims to address this gap by examining the performance differences between AMNEs and EMNEs in each other's home country.

THEORETICAL DEVELOPMENT AND HYPOTHESIS

Experiential Knowledge and Organizational Learning

Experiential knowledge and organizational learning are strategic tools for MNEs operating in international markets (Cavusgil, 1980; Hsu & Pereira, 2008; Johanson & Vahne, 1977; Kogut & Zander, 1993). Experiential knowledge refers to all types of knowledge that is accumulated through operating in foreign markets and also the ability to search, analyze, and act on international business issues (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004). MNEs learn about foreign markets and operations by accumulating knowledge. Institutionally diverse and dynamic markets contribute to knowledge and capabilities for effective business and firm growth (Argote & Miron-Spektor 2011; Lundan & Li 2019). Cumulative knowledge from internationalization efforts and international operations grows gradually over time (Cyert & March, 1963; Hsu & Pereira, 2008). Thus, growing international knowledge and learning prepare MNEs for successful expansions (Ruigrok & Wagner, 2003).

Behavior-based internationalization literature (Cavusgil, 1980; Johanson & Vahlne, 1977; Johanson & Vahlne, 1990) underscores the key role of organizational learning. Organizational learning refers to the behavioral change firms experience through development of knowledge or insights (Hurley & Hult, 1998; Levitt & March, 1988; Liu, Gao, Lu, & Lioliou, 2016). If firms learn from their experience and previous mistakes, they can adjust their routines in host markets. Accordingly, I argue that both AMNEs and EMNEs can mitigate liability of foreignness, overcome liability of outsidership (Li & Fleury 2020), and deal with challenges in unfamiliar host markets through learning. A recent commentary on learning in international business asserts that if MNEs can sufficiently acquire and implement learning, it can become a source of competitive advantage (Luo 2020). Therefore, we argue that MNEs, whether AMNE or EMNE, have the potential to increase market share in foreign markets.

Eclectic Paradigm

Dunning (1977) formulated his OLI framework during an era when AMNEs were dominant in international expansion efforts. Therefore, the eclectic paradigm underscores firm-specific advantages in explaining the cross-border activities of internationalizing firms (Dunning, 1977; Dunning et al, 2008; Ozcan, Mondragon, & Harindranath (2018); Rugman, 2010b). EMNEs, on the other hand, first appeared in global markets, relying on country-specific advantages (Bhaumik, Driffield, & Zhou, 2016). As detailed in Figure 1 and following Dunning, Kim, and Park (2008) and Rugman (2010a), we argue that existing internationalization theories may be relevant for EMNEs and adopt extended OLI perspective in our study.

Relative Superiority of EMNEs in International Markets

We contend that EMNEs have turned their late-mover status into a net advantage rather than a disadvantage (Ramamurti, 2009b). Furthermore, we suggest that eclectic paradigm still

explains the internationalization of EMNEs. However, EMNEs follow a different path than AMNEs in developing non-traditional ownership advantages (Hennart, 2012; Ramamurti, 2009b; Ramamurti, 2012; Rugman, 2008) by: i) quickly adapting cutting edge technologies that they learned from AMNEs and innovating, ii) converting disadvantages of operating in home markets with underdeveloped institutions into advantages, iii) benefiting from the agility of family-owned firms. Next, we provide the arguments based on these plausible explanations.

EMNEs as Quick Technology Adaptors and Innovators: EMNEs have learned both from the collaboration and competition with AMNEs in their home markets (Hennart, 2012; Pananond 2007; Rugman, 2007) and have developed knowledge-based, firm-specific skills accordingly. For instance, while providing free access to complementary resources in their home markets, they had the opportunity to obtain free technology from AMNEs, as in the case of Lenova, Huawei, and Suzlon (Hennart, 2012). Furthermore, EMNEs adapted AMNEs' technologies to develop new products for customers in advanced economies (e.g. washing machines from Haier washing vegetables). Moreover, they combined their country-specific advantages (e.g. low cost resources) with such firm-specific advantages to offer superior value to customers (Hennart, 2012; James, Sawant, & Bendickson, 2018; Rugman, 2008).

It is now generally agreed that EM firms have enjoyed technological leapfrogging in recent years. Whether it is South Korean firms in electronics or Mexican firms in cement production, world-class MNEs have sprung up from the emerging markets, competing effectively with their counterparts from advanced economies (Domínguez & Mazumdaru, DW, 2016). High demand from the middle-class and government support at home markets facilitated advancements of EMNEs. For instance, the Chinese government clearly subsidized and aided the

international ventures of their indigenous firms through such incentives as tax breaks, access to capital, and foreign policy measures.

EMNEs Converted Disadvantages of Operating in Difficult Markets into Advantages: According to Buckley, Cross et al. (2008), EMNEs possess unique ownership advantages that they accrue due to their experience of operating in difficult home market conditions. Cuervo-Cazurra and Genc (2008) argue that EMNEs can convert the disadvantages of being from countries with underdeveloped institutions into advantages because they are accustomed to dealing with challenging market conditions. They become agile and competitive under relatively harsh market conditions. Building on these skills, they can perform better than AMNEs in other difficult markets. The authors assert that they can convert ownership disadvantages in branding, country of origin, image, etc., in advanced economies into an advantage by obtaining better market knowledge and possessing key distribution channels, and lower overhead costs. These studies hint that EMNEs may gain performance over time in advanced markets.

EMNEs as Family-owned Conglomerates: Family-owned MNEs played an important role in the long-term performance of EMNEs (Cavusgil, Ghauri, & Liu, 2021; Kim, Kandemir, & Cavusgil, 2004). Family-owned MNEs are common and dominant in emerging markets, such as South Korea, Thailand, and Turkey. They are capable of making quick decisions due to the rapidly growing environment in their home markets. They can also make long-term decisions effectively and be persistent in their strategies (Andrade et al., 2001). Table 2 provides that some 33 percent of the EMNEs in our data are family-owned. Therefore, it is plausible to argue that family-owned firms play an important role in developing firm-specific advantages in emerging markets.

Insert Table 2 about here

Armed with these non-traditional firm-specific advantages, EMNEs could successfully compete with AMNEs in advanced economy markets as in the case of Lenovo and Huawei. Choosing similar markets in their internationalization efforts, EMNEs have benefited from location advantages as well. Their focused strategy in selecting industries and country markets may have been most prudent for them. Therefore, we contend that EMNEs perform better in terms of market share gain than AMNEs over time due to both: i) ownership (competitive), and ii) location (comparative) advantages. First, emerging market local firms developed non-traditional firm-specific assets in their home markets learning from AMNEs. Second, they targeted similar markets in their international expansion and benefited from this familiarity as locational advantage. Figures 2 and 3 provide support to this argument.

> **H1:** *Growth trend in EMNE market shares in advanced economies tends to be greater than that of AMNEs in emerging economies for the study period.*

METHODOLOGY

Data

To examine respective market performance of AMNEs and EMNEs operating in each other's markets, we draw data from the *Euromonitor Passport*, a proprietary database which enables us to carry out our investigation at a granular (industry and country specific) level. This database affords us several important advantages. First, the Euromonitor database allows us to examine annual performance with a well-established objective measure – market share data – for each firm that operates in each country. The literature on measurement of performance supports the use of market share as a robust indicator of firm performance (Katsikeas, Morgan, Leonidou, & Hult, 2016; Talay, Townsend, & Yeniyurt, 2015; Guo 2013; Iversen & Hem 2011). It is also

regarded as one of the principal determinants of business profitability (Faria & Wellington, 2005; Farris et al., 2006; Szymanski, Bharadwaj, & Varadarajan, 1993).

Second, the Passport database provides annual market share data for each firm operating in each country-industry combination or dyad. Compared to the extant work that considers performance at the industry or country level, this feature affords us an important advantage – ability to compare the market share performance of the defender and challenger firms. Third, apart from identifying overall trends in firm market share, we can explore the contingent nature of market share performance of a group of MNEs based on numerous country-industry combinations. In addition to including a representative set of advanced economies and emerging markets, we consider a set of consumer industries (retail, ready meal, apparel, soft drink, personal, small home appliances, and electronics), providing robust comparisons. Fourth, the data allows us to examine performance in a dynamic setting with a ten-year time span.

Measurement of Market Performance

Our focus in this study is foreign market performance of MNEs. We operationalize foreign market performance in select country-industry combinations in two ways: i) collective (aggregate) market share gain of leading AMNEs or EMNEs over a ten-year period as a first-step, preliminary analysis; and ii) annual individual market share of each AMNE or EMNE through a multivariate, random effects analysis.

For collective market share gain, we limit the scope of the comparison by examining only those (foreign and local) firms with *leading* market shares: those *above the median value* in 2019, the most recent year for which I have data. We included firms above the median value for the following reasons: i) firms below the median value are very small firms with 0.1 – 0.5% market share, and ii) their market shares do not vary considerably over time, meaning that they

do not influence the collective market share performance of MNEs or local firms. We compare the collective market share gain of foreign and local firms over the study period. More specifically, we evaluate market share performance of foreign firms over a ten-year period comparing the difference between market share gain of leading foreign firms and leading local firms. Thus, a positive value suggests that leading foreign firms have outperformed local firms in market share gains. A negative value, on the other hand, implies that local firms have outperformed foreign firms in the particular country-industry dyad. Responding to our research question, it is our objective to demonstrate whether the market share gain performance vary between AMNEs and EMNEs.

MNE Market Share Gain Performance (%)	=	*Market Share Gain of Leading AMNEs/EMNEs (From 2010 to 2019)*	-	*Market Share Gain of Leading Local Firms (From 2010 to 2019)*

Thus, to summarize, we consider market share data at three levels through preliminary analysis and random effects model: i) individual market shares of AMNEs and EMNEs; ii) collective market share gain (loss) of leading foreign and local firms as a group; and iii) MNE market share performance. Constructing firm performance through three complementary measures allows a more comprehensive understanding of MNE performance over time.

Analysis

We analyzed the data in two steps. First, to gain some preliminary insights on the market share gain performance phenomenon, we examined the overall behavior of market share gain performance of both AMNEs and EMNEs as a group. As a second analysis, we carried out a statistical analysis of market share gain performance for individual AMNEs and EMNEs across industries and country markets, utilizing a panel time series analysis. We adopted a random effects model using generalized least squares.

For these analyses, we selected a sample of advanced economies and emerging markets and a sample of service and manufacturing industry sectors that are available in Euromonitor Passport database. For country selection, we considered the following two criteria: i) We selected a representative set of advanced economies and emerging markets from the Group of Twenty (G20) countries as these are some of the world's major economies with abundant market potential. As a group, G20 countries account for more than 75 percent of the world GDP, 75 percent of the global trade, and 60 percent of the world population (Statisa Research Department, 2020; The G20, 2021). Consequently, the following six advanced economies were included in the preliminary analysis: Canada, France, Germany, Japan, the U.K., and the United States. In a similar manner, we selected six countries that are representative of emerging markets: Brazil, China, India, South Africa, South Korea, and Turkey. Cumulatively, the selected countries account for major proportion in terms of their contribution to GDP. ii) We considered geographic and cultural diversity.

Industry selection is based on accessibility of data as well as generalizability. Industry sectors selected for this analysis are retail, ready meal, apparel, soft drinks, personal care, small home appliance, and electronics. Descriptions of these industries are provided in the Appendix. These are the target consumer markets for the AMNEs more than a decade and they are open to foreign competitions. Thus, a focus on these industries allows for cross-country comparisons. We discuss the results of the preliminary and the random effects analyses next.

FINDINGS

Preliminary Analysis

To derive initial insights into the fundamental question of rivalry in each other's markets, we examined collective market share gains of MNEs over the study period of 2010-2019. As discussed earlier, we calculated market share gains by leading foreign and local firms in specific industry-country dyads.

The results of the analysis for these industry-country dyads are presented in Figure 2 for Scenario 4, and in Figure 3 for Scenario 2. Figure 2 illustrates the performance of AMNEs in select emerging markets, and Figure 3 shows the performance of EMNEs in select advanced economies. Discussion below reveals key patterns and trends in the rivalry between foreign and local firms.

*** Insert Figures 2 and 3 about here ***

Competition for Market Share Gains: Our analysis of the magnitude and direction of market share gains by MNEs and their local rivals suggests an ongoing competition for market share gain. We observe instances of robust ability by local firms to preserve and grow their market shares against foreign rivals. A case in point is the unsuccessful forays of soft drinks AMNEs into emerging markets. Interestingly, AMNEs in the soft drink industry registered negative growth of their market shares during the study period in each emerging market examined. As an example, leading South African (local) soft drink firms grew their market share by 9.8 percent between 2010 and 2019, while foreign entrants experienced a decline of 2.5 percent for the same period. An example of successful market share preservation includes U.S. electronics firms, which grew their market share by 25 percent while the EMNEs registered only a modest gain 3.7 percent. These findings suggest that MNEs strive for market share gains,

which result in favor of either local defenders or foreign entrants. It also attests to the learning capabilities of local firms in emerging markets. Of all the industry categories in the present study, soft drinks may offer the least opportunity for innovation and differentiation along product features other than taste. This allows for a relatively fast learning process for the local firms in emerging markets to push competition to a more cost/price-based basis. Given the host country liability of foreignness, AMNEs find it difficult to maintain their market share. In addition, we also observe remarkable success by local firms in preserving and growing market share (as in the case of Chinese electronics firms growing their market share by 46.3 percent), as well as notable success of foreign entrants over local rivals (e.g., market share gain in ready meals by AMNEs in China).

Industry Choice Patterns: The data points to the possibility that EMNEs tend to be active in select industries only (Cavusgil, Kiyak, & Yeniyurt, 2004). This is evident from the higher number of Scenario 2 cells that are marked "N.A.", indicating an absence of EMNE firms: those above the median value in 2019 operating in these sectors. It appears that EMNEs entering advanced economy markets tend to concentrate in personal care, small home appliance, and electronics industries. In contrast, we find that AMNEs tend to be present across all industry sectors in the emerging markets they have entered.

AMNE vs EMNE Performance: A key finding is that neither AMNEs nor EMNEs dominate in terms of market share gains across *all* industry-country combinations. Thus, we can rule out the assumption that AMNEs are likely to prevail in all or most market sectors when operating in emerging markets, presumably due to their often-accentuated firm and country-specific advantages. What emerges from the empirical analysis is a contingency explanation – it all depends on particular industry-country dyads.

EMNEs appear to have better performance vis-à-vis their local rivals in personal care, small home appliance, and electronics – the sectors they seem to have chosen to compete (Scenario 2). For example, in electronics, EMNEs have outpaced their local rivals in France, Germany, Japan, and U.K. by 12 percent or more between 2010 and 2019.

Examining the performance of AMNE firms in emerging markets (Scenario 4), we find them to be relatively more successful against their local rivals in the apparel and ready meal industries. Yet, their market share differentials are much more modest in terms of cumulative market share gains, typically in single digits. A notable exception is Brazil, where AMNEs achieved market share differential of 46.8 percent over local rivals.

These findings suggest that, for the study period, AMNEs have not been as successful in emerging markets as much as the EMNEs doing business in advanced economy markets. It can also be concluded that local firms in emerging markets demonstrate greater resilience in the face of AMNE entrants, especially in retail, soft drinks, personal care, small home appliances, and electronics. Whether this is due to their rapid learning capabilities, homegrown advantages, or government-imposed market barriers, local firms in such countries as Brazil, China or India display greater effectiveness in preserving their market shares. While some authors have suggested this trend, the present study provides the rare evidence-based finding that local firms in emerging markets exhibit robust resilience in defending their home bases (Cavusgil & Cavusgil, 2012).

Country or Industry Effects: When it comes to AMNE performance in emerging markets, it is interesting to investigate which matters more, country or industry. Figures 4a and 4b illustrate the performance of AMNEs in different emerging markets and different industries, respectively. The data suggests a gradual convergence of market shares by country rather than by

industry. As an example, in 2019, AMNEs market shares in retail, apparel, ready meal, electronics, on one hand, and soft drinks, personal care, small home appliance industries, on the other, vary between 2 to 15 percent and 25 to 60 percent, respectively. This may result from several factors, such as industry-specific market barriers and idiosyncratic competitive factors. Therefore, average AMNEs market shares exhibit greater variance across industries. In contrast, average AMNE market shares tend to converge across countries.

When we examine the performances of AMNEs in different countries as depicted in Figure 4a, we can identify a consistent pattern in that the average AMNE market share appears to suffer a decline in almost all the countries -- sharpest decline was observed from 2010 to 2011. In addition, AMNEs lose market share in most industries, except for retail, ready meal, and apparel as illustrated in Figure 4b.

*** Insert Figures 4a and 4b about here***

The findings are much more complicated when we examine the AMNE market share across different industries. No consistent pattern is found among the industries over time. Instead, each industry tells a different story. AMNEs in the apparel sector have maintained a stable performance over the ten-year period without much change at all. Consumer electronics and ready meals went in two opposite directions where AMNEs in the ready meals industry have enjoyed a steady increase in their market shares over the years while AMNEs in the consumer electronics sector have suffered a steady decline over the years. The soft drinks industry also witnessed a steady decline for the period but at a much more significant magnitude compared with consumer electronics. Thus, these results suggest that industry sector appears to be a more significant driver of market share performance than country effects.

A few plausible explanations can be offered for these results. It is reasonable to expect that emerging markets, as a group, share much in common in terms of market conditions, infrastructure, and political stability. They face similar challenges and enjoy similar opportunities. However, AMNEs competing in different industries may be presented with different opportunities in such markets. For example, what sets the ready meal industry apart from the other three industries is that ready meal is a relatively new concept in most emerging markets. In essence, the AMNEs dominate this industry. Local firms have not yet acquired sufficient business competence in this area. On the other hand, apparel, consumer electronics and soft drinks are relatively mature industries where standardization is high and room for differentiation is limited. It is interesting to speculate how long the AMNEs in the ready meal industry can hold on to the growth trend before emerging market firms catch up.

As illustrated in Figure 5a, average market shares of EMNEs converge and stabilize around 3 percent in all the advanced economies in our sample. On the contrary, there is no specific trend in industries as depicted in Figure 5b. As an example, market share gains of EMNEs for electronics are consistently higher than their local rivals regardless of the advanced economy within which they compete. Similarly, AMNEs prevail in cumulative market share gain in ready meal in Brazil, China, India and South Africa. An exception is the Turkish market where local firms have registered a higher market share gain over the study period.

*** Insert Figures 5a and 5b about here***

Our results reveal that EMNEs operating in advanced economy markets are active in only select industry sectors such as beauty and personal care, small home appliances and electronics. While they maintained relatively modest market shares over the study period, they appear to be

resilient and do not exit these markets. Moreover, starting from 2015, they appear to be more active in certain industries and certain countries, which may be an indication of future performance. An example is their engagement in the ready meal sector in North America.

Random Effects Model

In contrast to the preliminary analysis where we examined the market share gain performance of MNEs as a group, we next engaged in a more definitive analysis by using firm-level, individual MNE market share data for the MNEs under study. The results are discussed in the next section.

Random Effects Model: To provide more definitive insights into the market share performance of AMNEs and EMNEs operating in emerging markets and advanced economies, respectively, we carried out an econometric analysis. We analyzed AMNE and EMNE market shares across industries and country markets utilizing a panel times series approach. The dataset was organized by country-company dyads on a yearly basis, from 2010 to 2019. To investigate AMNE and EMNE market share differences among industries and countries, we estimated the following random effects model using generalized least squares:

$Market\ Share_{ijt} = \beta_0 + \beta_1\ Country_j + \beta_2\ Industry_i + \beta_3\ Age_{it} + \beta_4\ Year_t + \beta_5\ EMNE_i + \beta_6\ Year_t \times EMNE_i + \varepsilon_{ijt}$

Where, i denotes the focal company studied, j denotes the country in which the company is operating, and t denotes the time period. *Market Share* denotes the market share of the focal company in country j in time period t. *Country* denotes the vector of dummies that identifies each particular country, with China and USA being the base cases. *Industry* denotes the vector of dummies that identifies the industry in which company i is operating, with the apparel industry being the base case. *Age* denotes the age of the company i in year t. *Year* is the trend variable and accounts for the calendar year that corresponds to the time period t. *EMNE* is a dummy variable

that takes the value 1 if the focal company studied is an EMNE and the value zero if the focal

company studies is an AMNE. $Year_t \times EMNE_i$ is the interaction term that is utilized to test the

hypothesis regarding differences in market share growth over time between EMNEs and

AMNEs. β denotes the coefficients and ε is the error term.

The descriptive statistics and the correlations matrix for the variables employed in this

model can be seen in Table 3. The generalized least squares estimates can be seen in Table 4.

The model has a satisfactory overall fit, with a statistically significant Wald Chi Squared (p <

.001).

<div align="center">*** Insert Tables 3 & 4 about here***</div>

The results indicate that some differences exist among countries with respect to the

market share performance of AMNEs and EMNEs: i) AMNEs enjoy the highest market shares in

India and South Africa, whereas ii) there are no significant results for the EMNEs across

different markets. When other industries are compared to the base case industry, Apparel, the

results indicate that MNE market shares for Beauty and Personal Care, Consumer Appliances,

and Consumer Electronics tend to be significantly (p < .001) greater. The largest MNE market

shares are in Consumer Appliances, followed by Beauty and Personal Care and Consumer

Electronics industries. Store-based Retailing industry also has greater MNE market shares than

Apparel, yet this difference is not statistically significant at the 0.1 confidence level. MNEs have

the smallest market shares in the Ready Meals and Soft Drinks industries, yet these differences

are also not statistically significant.

Importantly, age has a positive effect on market share while the EMNE dummy has a

negative effect on market share. This implies that older companies have generally enjoy larger

<div align="right">131</div>

market shares while EMNEs generally have smaller market shares than AMNEs. The interaction of our yearly trend variable and the EMNE dummy has a positive and statistically significant effect on market share ($\beta_6 = .092$; $p < .001$), indicating that the upward trend in EMNE market shares in advanced economies is greater than the market share growth of AMNEs in emerging economies. On average, AMNEs lose .029 percentage points of market share every year ($\beta_4 = -.029$). Conversely, EMNEs gain .063 percentage points of market share every year ($\beta_4 + \beta_6 = -.029 + .092 = .063$) throughout the study period of 2010-2019.

DISCUSSION

Overall Trends

A major purpose of this research is to provide empirical evidence for the ongoing debate on the relative performance of AMNEs and EMNEs in the international markets they enter. How well do they perform when they venture into international markets? Our empirical analyses address this puzzle in a relatively robust manner by examining market share gains achieved by these firms in select markets and select industries over a ten-year period, 2010-2019. Statistical analysis is carried out in two steps: first, a preliminary analysis of aggregate market share gains of MNEs, and, second, an econometric analysis of individual MNE market share employing panel time series. Findings are consistent across these two studies.

Which firms fare better in market share performance? Empirical results lead us to the following conclusions. First, most significantly, we find that EMNEs tend to fare much better in their international forays than the AMNEs over the study period. While, on average AMNEs have lost 0.03 percent in market share every year in emerging markets, EMNEs expanded their market share by 0.06 percent every year in the advanced economies they operated. This is a

remarkable finding, lending support to the view that emerging market firms have achieved much success in their international ventures over the past decade.

Contingency Effects of Country and Industry: Apart from the key finding that EMNEs have performed relatively better in their internationalization efforts than the AMNEs, a key finding relates to our contingency theory expectations. We anticipated that market share gains by MNEs would be a function of the industries and markets entered. On this point, as depicted in Figure 6, we find some evidence for the existence of industry and country effects. In particular, for AMNEs operating in emerging markets, we find that country effects are present for India and South Africa. Nevertheless, for EMNEs entering advanced economy markets, country effect appears to be much less pronounced. Industry effects are significant for several industries: beauty and personal care, consumer appliances, and consumer electronics. Thus, it can be concluded that industry variations in market share gain tend to overshadow country variations, as industry-specific drivers of market performance appear to be more potent determinants of competition.

*** Insert Figure 6 about here***

Time Effects / Longitudinal Trends? As illustrated in Figure 5, Scenario 2 data suggest an uptick in market shares of EMNEs in most advanced economies from 2011 on, and then some leveling off, and then some convergence around 3 percent average market share beginning with 2016. I observe three different paths for the EMNEs in North America, Europe, and Japan. EMNEs entering: i) North America increase market share up to 5 percent and then stabilize around 3 percent; ii) Europe maintain a market share of 2-3 percent throughout the period; and iii) Japan gain a modest market share of one percent and then increase their share up to 3. Future

research should investigate if additional analysis is necessary to help explain these country-specific patterns.

Theoretical Implications

As depicted in Figure 7, there is no consensus among the scholars about the use of existing theories for EMNEs. Following the suggestions of Dunning, Kim, and Park (2008) and Rugman (2010a), we argue that the eclectic paradigm is applicable for EMNEs, but need to be extended in accordance with EMNEs' specific path of internationalization (Hennart, 2012; Ramamurti, 2012). Specifically for the eclectic paradigm, we argue that ownership and location advantages are still valid. However, they are subject to variation and embellishment: i) Ownership advantages in a globalizing world render significant benefits over time. We suggest that the ownership advantages changed, and new sources of advantages appeared compared to Dunnings' time. ii) It seems EMNEs are selective in their target markets. They benefit from their experience in home markets by expanding into similar markets in advanced economies.

Our empirical findings reveal that AMNEs lose .03 percent in market share every year, whereas EMNEs gain .06 percent in market share every year. Drawing from eclectic paradigm we provide the following plausible explanations. EMNEs: i) are quick technology adaptors and innovators, ii) converted disadvantages of operating in difficult markets into advantages, and iii) benefit from the agility of family conglomerates.

In exploring the relative performance of AMNEs and EMNEs, there does not appear to be a simple conclusion; more than likely such factors as industry sector, nature and competitiveness of the foreign market and time all impact relative performance of MNEs. These findings suggest also the relevance of a contingency explanation.

Finally, data presented in Figures 4a and 4b may point to another possibility. The data suggest what Vernon (1966, 1979, 1992) observed regarding the source of manufacturing and exports in world markets during earlier phases of globalization. Vernon noted that, while a more advanced economy may initially assume the role of the innovator, manufacturer, and later exporter in a particular industry sector, over time, emerging markets will assume manufacturing and export activities globally. Thus, Vernon's International Product Life Cycle theory identifies four stages: introduction, growth, maturity, and decline. Hence, we may be observing that AMNEs are leaving the production and export of certain products – e.g., standard electronic products, washing machines and other kitchen appliances to their counterparts in emerging markets.

Managerial Implications

Our study provides interesting findings for the practitioners. Organizational learning should be a focus for both the challengers and the defenders. As challenging firms learn and adapt their resources and strategies to local market conditions to take full advantage of the location advantage, defending firms are also keen on learning from the new entrants in terms of their capabilities (Gu & Lu, 2011). Firms also need to develop market sensing capabilities. This is particularly important for firms competing in the emerging markets where rules, laws, and regulations are constantly changing. Firms need to be market oriented to identify opportunities for growth that comes with such changes.

In addition to the country-specific advantages, EMNEs develop firm-specific advantages over time. Being quick technology adapters, they learn from AMNEs by cooperating and competing. Then, they can offer superior products to their customers at home and host countries.

AMNE managers need to understand the capabilities of EMNEs and also changing conditions so that they may recover their losses.

Practitioners may consider the following trends in their market entry scenarios and strategic planning activities; EMNEs: i) are getting stronger in their home markets in certain industries, ii) seem to be resilient in the foreign markets they enter, and iii) tend to be selective in their choice of markets and industries.

Limitations and Future Research

This exploratory study revealed valuable insights on relative success of AMNEs and EMNEs in each other's markets. The results show, unequivocally, a favorable trend on the part of the latter firms, while the former group of firms appear to be suffering from market share losses over the study period. While our findings provide solid evidence for examining relative performance of MNEs originating from emerging markets and advanced economies, there are ample opportunities for future research.

First, the particular choices we made in our empirical study pave the way for future work. Thus, scholars may further this line of research by broadening the scope to include additional industries, countries, and time periods. The choice of industry and country may, for example be traced to presumed comparative advantages of nations. For example, one may explore South Korean semiconductor firms' performance in foreign markets, or German automotive firms' performance in foreign markets. Similarly, scholars may investigate whether bilateral trade relationships may help explain the performance of rivals. For example, would we expect a Mexican baked foods company such as Grupo Bimbo to do better in the NAFTA partners than in Europe?

Second, a natural extension of this study is to explore the other two remaining scenarios not examined in the current study: AMNE firms' performance in other advanced economies, and the performance of EMNE firms entering other emerging markets. Certainly, such an exploration would round out our findings on the rivalry. An interesting research question in this context is whether the competitive advantage of MNEs is symmetrical. More specifically, are the conditions that foster AMNE success the same for both emerging and other advanced economy markets? Similarly, should we expect the same set of factors to explain EMNE success in both emerging and advanced economy markets?

Third, while the present work considered the rivalry for MNEs as an aggregate and also individually, it would be worthwhile to carry out additional examinations of firm-level market share performance of MNEs in international markets. Naturally, such a line of inquiry would reveal the role of firm strategy, enabling us to explore the role of such factors as entry mode, channel type, brand strength, firm reputation, product portfolio (narrow vs. wide), and product launch choices (e.g., simultaneous vs. gradual launch). Fourth, future scholarly work may more deliberately explore antecedents of MNE success in international markets other than strategy. Some antecedents that may be considered are such macro drivers as FDI patterns, trade intensity, openness, middle-class percentage in population, tightness, market size, competitive intensity, and consumption profile. Other drivers may be micro-level considerations, such as firm's international experience, longevity or duration of operations in the host market, and ownership type. Fifth, the foreign market exit phenomenon is still salient, independent of foreign markets, industry, and experience of internationalizing firms. Extant studies suggest that longevity of foreign entrants vary across different cases (Koc, 2016; Ozkan, 2020). Longevity of AMNEs vs. EMNEs in foreign markets is worthwhile of future investigations.

There are also some limitations in the present investigation. First, we operationalize performance of MNEs in foreign markets using market share that is associated with product-market performance (Katsikeas et al. 2016). It may also be interesting and insightful to explore the phenomenon from different perspectives, such as accounting performance (e.g. profit) and financial-market performance (e.g. investor returns). Second, we focus on a particular period (2010 – 2019) based on the availability of data. It may be interesting to study the relative performances of AMNEs and EMNEs for a similar time span before 2010 and to replicate it in the future. There may be unique conditions and explanations for different time periods.

We hope that the present work and our findings inspire future scholarly investigations and serve as the basis for more definitive and comprehensive studies.

REFERENCES

G. Andrade, M. Mitchell, E. Stafford (2001). New evidence and perspectives on mergers? *Journal of Economic Perspectives*, 15, 103-120.

Argote L, Miron-Spektor E. (2011). Organizational learning: from experience to knowledge. *Organization Science* 22: 1123–113

Awate, Snehal, Larsen, Marcus M. & Mudambi, Ram (2012). EMNE Catch-up Strategies in the Wind Turbine Industry: Is there a Trade-off Between Output and Innovation Capabilities? *Global Strategy Journal*, 2(3), 205-223.

Awate, Snehal, Larsen, Marcus M. & Mudambi, Ram (2015). Accessing vs Sourcing Knowledge: A Comparative Study of R&D Internationalization Between Emerging and Advanced Economy Firms. *Journal of International Business Studies*, 46(1): 63-86.

Ayyagari, Meghana, Dau, Luis Alfonso & Spencer, Jennifer (2015). Strategic Responses to FDI in Emerging Markets: Are Core Members More Responsive Than Peripheral Members of Business Groups? *Academy of Management Journal*, 58(6): 1869–1894.

Bernard, Helena. (2010). Overcoming liability of foreignness without strong firm capabilities-the value of market-based resources. *Journal of international Management*, 16,2, 165-176.[16]

Bhaumik, S. K., Driffield, N., & Zhou, Y. (2016). Country specific advantage, firm specific advantage and multinationality–Sources of competitive advantage in emerging markets: Evidence from the electronics industry in China. *International Business Review,* 25(1): 165–176.

Blomstermo, A., Eriksson, K., Lindstrand, A. and Sharma, D.D. (2004). The usefulness of network knowledge in the international firm. *Journal of International Management*, 10(3), 355-73.

Buckley, Peter J. (2016). The contribution of internalisation theory to international business: New realities and unanswered questions. *Journal of World Business*, 51(1), 74-82.

Buckley, Peter J. (2018). Internalisation theory and outward direct investment by emerging market multinationals', *Management International Review*, 58, 195–224.

Buckley, Peter J., Clegg, L. Jeremy, Cross, Adam R., Xin, Liu, Voss, Hinrich, Ping, Zheng (2007). The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies*, 38, 4, 499–518.[8]

Buckley, P., Cross, A. R., Tan, H., Voss, H. and Liu, X. (2008). Historic and emergent trends in Chinese outward direct investment. *Management International Review*, 48, 715–48.

Buckley, Peter J., Elia, Stefano, & Kafouros, Mario, (2014). Acquisitions by emerging market multinationals: Implications for firm performance. *Journal of World Business*, 49(4), 611-632.

Buckley, Peter J., Munjal, Surender, Enderwick, Peter, & Forsans, Nicolas (2016). Do foreign resources assist or impede internationalisation? Evidence from internationalisation of Indian multinational enterprises. *International Business Review*, 25(1): 130-140.

Buckley, Peter J. & Tian, Xiaowen (2017). Internalization Theory and the Performance of Emerging-Market Multinational Enterprises. *International Business Review*, 26 (5), 976-990.

Cano-Kollmann, Marcelo, Cantwell, John, Hannigan, Thomas J., Mudambi, Ram & Song, Jaeyong (2016). Knowledge Connectivity: An Agenda for Innovation Research in International Business. *Journal of International Business Studies*, 47(3), 255-262.

Cavusgil, S. T. (1980). On the internationalization process of firms. *European Research*, 8 (November): 273–281.

Cavusgil, S. Tamer (2021). Advancing knowledge on emerging markets: Past and future research in perspective. *International Business Review*. this issue.

Cavusgil, S. Tamer, Cavusgil, Erin (2012). Reflections on international marketing: destructive regeneration and multinational firms. *J. of the Acad. Mark. Sci.,* **40,** 202–217.

Cavusgil. S. Tamer, Deligonul, Seyda, and Yaprak, Attila (2005). International Marketing as a Field of Study: A Critical Assessment of Earlier Development and a Look Forward. *Journal of International Marketing*, 13 (4), 1–27.

Cavusgil, S. Tamer, Ghauri, Pervez N. & Liu, Leigh Anne (2021). Doing Business in Emerging Markets. Sage, Third Edition, Los Angeles, London, New Delhi, Singapore, Washington DC, Melbourne.

Cavusgil, S. Tamer, Kiyak, T., & Yeniyurt, S. (2004). Complementary approaches to preliminary foreign market opportunity assessment: Country clustering and country ranking. *Industrial Marketing Management*, 33 (7), 607–61.

Child, J., Rodrigues, S.B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organizational Review*, 1, 3, 381–410.[9]

Cuervo-Cazurra, Alvaro (2012). Extending theory by analyzing developing country multinational companies: Solving the Goldilocks debate. *Global Strategy Journal*, 2 (3), 153–167.[1]

Cuervo-Cazurra, Alvaro, & Genc, Mehmet (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies, 39,* 957–979.[17]

Cyert, R. M., & March, J. G. (1963). A behavioral theory of the firm. Englewood Cliffs, NJ: Prentice Hall.

De Beule, Filip, Elia, Stephano, & Piscitello, Lucia, (2014). Entry and access to competencies abroad: emerging market firms versus advanced market firms. *Journal of International Management*, 20, 137–152.

Domínguez, Gabriel & Mazumdaru, Srinivas – DW (2016). Why innovation is king in South Korea? https://www.dw.com/en/why-innovation-is-king-in-south-korea/a-19038625. Published February 10, 2016.

Dunning, John. (1977). Trade, location of economic activity and the MNE: A search for an eclectic theory. In B. Ohlin, ed., The international allocation of economic activity. London: Holmes and Meier.

Dunning, John H. (1979). Explaining changing patterns of international production: In Defence of the Eclectic Theory. *Oxford Bulletin of Economics and Statistics*, 41: 269-296.

Dunning, J.H., Kim, C. and Park, D. (2008). Old wine in new bottles: a comparison of emerging-market TNCs today and developed-country TNCs thirty years ago, in Sauvant, K. (Ed.), The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity? Edward Elgar, Northampton, pp. 158-182. [3]

Faria, A., & Wellington, W. (2005). Validating business gaming: Business conformity with PIMS findings. *Simulation & Gaming: An Interdisciplinary Journal, 36,* 259-273.

Farris, Paul W., Neil T. Bendle, Phillip E. Pfeifer, & David J. Reibstein (2006). Marketing Metrics: 50+ Metrics Every Executive Should Master. Upper Saddle River, NJ: Pearson Education.

Ferrantino, M. (1992) Transaction costs and the expansion of Third-World multinationals, *Economical Letters* 38(4), 451–456.

Gammeltoft, P., Barnard, H. & Madhok, A. (2010). Emerging multinationals, emerging theory: macro and micro-level perspectives. *Journal of International Management*, 16, 95–101.[2]

Gammeltoft, P., Filatotchev, I. & Hobdari, B. (2012). Emerging multinational companies and strategic fit: A contingency framework and future research agenda. *European Management Journal,* **30**(3), 175-188.

Guillén, M. F. (2005). *The rise of Spanish multinationals: European business in the global economy*. Cambridge, England: Cambridge University Press.

Guillén, M. F. & García Canal, E. (2009). The American model of the multinational firm and the "new" multinationals from emerging economies. *Academy of Management Perspectives,* 23(2), 23-35.[13]

Gu, Qian, & Lu, Jane W. (2011). Effects of inward investment on outward investment: The venture capital industry worldwide 1985–2007. *Journal of International Business Studies,* 42**,** 263–284.

Guo, Yi. (2013). An Inter-organizational Perspective on Marketing Channels Governance: The Influence of the Institutional Environment. International Journal of China Marketing, 14(1).

Hennart J-F. (2012). Emerging market multinationals and the theory of the multinational enterprise. *Global Strategy Journal* 2(3), 168–187.[10]

Hoenen, A. & Kostova, T. (2015). Utilizing the broader agency perspective for studying headquarters–subsidiary relations in multinational companies. *Journal of International Business Studies*, **46,** 104–113.

Hoskisson, Robert E., Eden, Lorraine, Lau, Chung Ming, & Wright, Mike (2000). Strategies in emerging economies. *Academy of Management Journal, 43* (3), 249–267.

Hsu, C.-C., & Pereira, A. (2008). Internationalization and performance: The moderating effects of organizational learning. *Omega*, 36 (2): 188–205.

Hurley, R.F. & Hult, G.T.M. (1998). Innovation, market orientation and organizational learning: An integration and empirical examination. *Journal of Marketing*, *62*(4), 42–54.

Iversen, Nina M. & Hem, Leif E. (2011). Reciprocal Transfer Effects for Brand Extensions of Global or Local Origin: Evidence from Norway. *International Marketing Review*, 28 (4), 365–411.

James, B., Sawant, R., & Bendickson, J. (2018). Emerging market multinationals' firm-specific advantages, institutional distance, and foreign acquisition choice. *International Business Review*, 29(5), 1-12.[20]

Johansson, J.K., Ronkainen, I.A., & Czinkota, M.R. (1994). Negative country-of-origin effects: The case of the New Russia. *Journal of International Business Studies*, 25, 157–176.

Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8 (1): 23–32.

Johansson, J. and Vahlne, J.E. (1990). The mechanism of internationalization. *International Marketing Review,* 7(4): 1–24.

Katsikeas, C. S., Morgan, N. A., Leonidou, L. C., & Hult, G. T. M. (2016). Assessing performance outcomes in marketing. *Journal of Marketing*, 80(March), 1–20.

Khan, Huda (2020). Is marketing agility important for emerging market firms in advanced markets? *International Business Review*, 29 (5), 1-10.

Khan, H., Freeman, S., & Lee, R. (2020). New product performance implications of ambidexterity of strategic marketing foci: A case of emerging market firms. *Journal of Business and Industrial Marketing*, Online, 1-10.

Khan, F. R., Muir, A. K. & Willmott, H. (2007). A Dark Side of Institutional Entrepreneurship: Soccer Balls, Child Labour and Postcolonial Impoverishment. *Organization Studies*, 28, 1055-1077.

Khanna, T. & Palepu. P. (2000). The Future of Business Groups in Emerging Markets: Long Run Evidence from Chile. *Academy of Management Journal*, 43(3), 268-285.

Kim, D., Kandemir, D., & Cavusgil, T. (2004). The role of family conglomerates in emerging markets: What Western companies should know? *Thunderbird International Business Review*, 46: 13–38.

Klein S, & Wocke A. (2007). Emerging global contenders: The South African experience. *Journal of International Management*, 13, 319–337.[19]

Koc, Tuba O. (2016). *Longevity Of Multinational Retail Enterprises in Foreign Markets: An Empirical Examination*. Unpublished PhD Dissertation, Robinson College of Business, Georgia State University, Atlanta, GA.

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24: 625-645.

Lall, S. (1983). *The new multinationals*. New York: Wiley.

Lessard D. & Lucea R. (2009). Mexican multinationals: insights from CEMEX. In *Emerging Multinationals from Emerging Markets*, Ramamurti R, Singh JV (eds). Cambridge University Press: Cambridge, U.K.[7]

Levitt, B. and 1. G. March (1988). Organizational learning. *Annual Review of Sociology,* 14, 319-340.

Li, J. & Fleury, M.T.L. (2020). Overcoming the liability of outsidership for emerging market MNEs: a capability-building perspective. J. Int. Bus. Stud., 51, 23-37.

Li, Jing & Oh, Chang Hoon (2016). Research on emerging-market multinational enterprises: Extending Alan Rugman's critical contributions. *International Business Review*, 25(3), 776-784.

Liu, X. , Gao, L. , Lu, J., & Lioliou, E. (2016). Environmental risks, localization and the overseas subsidiary performance of MNEs from an emerging economy. *Journal of World Business*, 51(3), 356-368

Lorenzen, M., Mudambi, R. (2013). Clusters, connectivity, and catch-up: Bollywood and Bangalore in the global economy. *Journal of Economic Geography*, 13, 501–534.

Lundan, S. M., & Li, J. (2019). Adjusting to and learning from institutional diversity: Toward a capability-building perspective. *Journal of International Business Studies,* 50(1): 36–47.

Luo, Y. (2020). Adaptive learning in international business. *Journal of International Business Studie*s, (March), 1-21.

Luo, Yadong & Tung, Rosalie L. (2007). International Expansion of Emerging Market Enterprises: A Springboard Perspective. *Journal of International Business Studies*, 38(4), 481-498.[11]

Luo, Y. & Wang, S. (2012). Foreign direct investment strategies by developing country multinationals: a diagnostic model for home country effects. *Global Strategy Journal* 2(3), 244–261.[12]

Makino, S., Isobe, T., & Chan, C. M. (2004). Does country matter? *Strategic Management Journal*, 25(10), 1027-1043.

Marquis, C. & Raynard, M. (2015). Institutional strategies in emerging markets. *Academy of Management Annals*, 9, 291-335.

Mathews J. A. (2006). Dragon multinationals: new players in 21st century globalization. *Asia Pacific Journal of Management*, 23, 5–27.

Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013). The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: An examination of the 'liability-of foreignness. *International Business Review,* 22(1), 89-99.

Ozcan G.B. , Mondragon, A.E.C. , & Harindranath G. (2018). Strategic entry and operational integration of emerging market firms: the case of Cemex, Beko and Tata Steel in the UK. *J. Bus. Res*., 93, 242-254.

Ozkan, Kubilay S. L. (2020). International market exit by firms: Misalignment of strategy with the foreign market risk environment. *International Business Review*, 29(6).

Pananond P. (2007). The changing dynamics of Thai multinationals after the Asian economic crisis. *Journal of International Management*, 13(3), 356–375.[18]

Pant A. & Ramachandran J. (2012). Legitimacy beyond borders: Indian software services firms in the United States, 1984 to 2004. *Global Strategy Journal* 2(3), 224–243.[21]

Perri, A., Scalera, V.G., Mudambi, R. (2017). What are the most promising conduits for foreign knowledge inflows? Innovation networks in the Chinese pharmaceutical industry. Ind. Corp. Chang., 26(2), 333-355.

Ramamurti, R. (2009a). Why study emerging markets multinationals? In Ramamurti, R. and Singh, J.V. (eds), *Emerging Multinationals in Emerging Markets*. Cambridge: Cambridge University Press, pp. 3–22.

Ramamurti R. (2009b). What have we learned about emerging market MNEs? In *Emerging Multinationals in Emerging Markets*, Ramamurti R, Singh J (eds). Cambridge University Press: Cambridge, U.K.; 399–426.[5]

Ramamurti R. (2012). What is really different about emerging market multinationals? *Global Strategy Journal* **2**(1): 41–47.[6]

Ramamurti, Ravi & Williamson, Peter (2019). Rivalry Between Emerging-market MNEs and Developed-country MNEs: Capability Holes and the Race to the Future. *Business Horizons*, 62(2), 157-169.

Rangan, S. & Drummond, A. (2004). Explaining Outcomes in Competition Among Foreign Multinationals in a Focal Host Market. *Strategic Management Journal,* 25(3): 285–293.

Rugman A, Li J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal* **25**(5): 333–343.[15]

Rugman, A. (2008). In Ravi Ramamurti and Jitendra V. Singh (eds.) *Emerging Multinationals from Emerging Markets*, Chapter 2. Cambridge, UK: Cambridge University Press. (Earlier version of this paper originally presented at the Northeastern University-Wharton School conference, held in Boston, June 2007).

Rugman Alan M. (2009). Theoretical aspects of MNEs from emerging countries. In *Emerging Multinationals in Emerging Markets*, Ramamurti R, Singh J (eds). Cambridge University Press: Cambridge, U.K.: 42–63.

Rugman, A. M. (2010a). Do we need a new theory to explain emerging market multinationals? K.P. Sauvant, W.A. Maschek, G.A. McAllister (Eds.), Foreign Direct Investment from Emerging Markets: The Challenges Ahead, Palgrave McMillan, New York (2010).[4]

Rugman, Alan M. (2010b). The theory and regulation of emerging market multinational enterprises. K.P. Sauvant, G. McAllister (Eds.), Foreign direct investments from the emerging markets, Palgrave Macmillan, Basingstoke (2010), pp. 75-87.

Rugman A, Li J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal* **25**(5): 333–343.

Rugman, Alan M., Oh, Chang Hoon, & Lim, Dominic S. K. (2012). The Regional and Global Competitiveness of Multinational Firms. *Journal of the Academy of the Marketing Science*, 40(2), 218-235.

Ruigrok, W. and Wagner, H. (2003). Internationalization and performance: an organizational learning perspective. *Management International Review*, 43(1): 63–83.

Schotter, Andreas P. J., Mudambi Ram, Doz, Yves L., & Gaur Ajai (2017). Boundary Spanning in Global Organizations. *Journal of Management Studies*, 54(4), 403-421.

Sheth, J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*, (75:4), 166-18.

Statista Research Department (2020). Share of global gross domestic product from G7 and G20 countries in 2019 and projections for 2025. https://www.statista.com/statistics/722962/g20-share-of-global-gdp/. Accessed, December 4, 2020.

Szymanski, David M., Bharadwaj, Sundar G., and Varadarajan, P. Rajan (1993). An Analysis of the Market Share-Profitability Relationship. *Journal of Marketing*, 57, 1-18.

Talay, M. Berk, Janell D. Townsend, & Sengun Yeniyurt (2015). Global Brand Architecture Position and Market- Based Performance: The Moderating Role of Culture. *Journal of International Marketing*, 23(2), 55–72.

Tan D, & Meyer K. E. (2010). Business groups' outward FDI: a managerial resource perspective. *Journal of International Management*, 16, 154–164.

The G20 (2021). Australian Government Department of Foreign Affairs and Trade, https://www.dfat.gov.au/trade/organisations/g20. Accessed, February 2, 2021.

Tolentino, Poz E. (2010). Home country Microeconomics factors and outward FDI of China and India, *Journal of international Management*, 16(2), 102-120.

Vernon, Raymond. (1966). International investment and international trade in the product cycle. *Quarterly Journal of Economics*, 80: 190-207.

Vernon, Raymond. (1979). The product cycle hypothesis in a new international environment. *Oxford Bulletin of Economics and Statistics Special Issue*, 41(4):255-267.

Vernon, Raymond. (1992). International Investment and International Trade in the Product Cycle. In Economic Theory, Econometrics, and Mathematical Economics, International Economic Policies and their Theoretical Foundations (Second Edition), Academic Press, Pages 415-435.

Williamson, P. J. (2015). The competitive advantage of emerging market multinationals: a Re-assessment, *Critical Perspectives on international business*, 11(3), 216-235.([14])

Williamson, P. & Wan, F. (2018), "Emerging market multinationals and the concept of ownership advantages". *International Journal of Emerging Markets*, 13(3), 557-567.

Zou, Shaoming & Cavusgil, S. Tamer (1996). Global Strategy: A Review and an Integrated Conceptual Framework. *European Journal of Marketing*, 30(1), 52-6.

Figure 1. Four Scenarios of Global Rivalry in terms of Market Share Performance

CHALLENGERS	HOST COUNTRIES	
	Emerging Markets	Advanced Economy Markets
Emerging Market Multinational Enterprises (EMNEs)	Scenario 1	**Scenario 2**
Advanced Economy Multinational Enterprises (AMNEs)	**Scenario 4**	Scenario 3

Figure 2. Market Share Gains of Local Firms and AMNEs in EMs from 2010 to 2019

		EMERGING MARKETS					
		Brazil	**India**	**China**	**S. Africa**	**Turkey**	**S. Korea**
AMNEs	**Retail**	1.2 vs. **6.8** %	**N.A.**	**0.4** vs. 0.3 %	(1.5) vs. **3.9** %	**14.6** vs. 0.2 %	**13.3** vs. (2.2) %
	Ready Meal	(45.7) vs. **1.1** % Difference: 46.8 %	6.1 vs. **18.4** %	(10.1) vs **6.7** %	(0.4) vs. **2.3** %	**9.7** vs. 1.5 %	**N.A.**
	Apparel	**5.7** vs. 4.9 %	(0.1) vs. **1.0** %	1.3 vs. **2.9** %	(4.2) vs. **3.7** %	**9.9** vs. 1.1 %	(1.7) vs. **11.9** %
	Soft Drinks	**(0.3)** vs. (6.2) %	**(0.4)** vs (12.1) %	**1.2** vs. (4.8) %	**9.8** vs (2.5) %	(5.7) vs. **6.9** %	**2.1** vs. (7.5) %
	Personal Care	(2.1) vs. **3.0** %	**1.6** vs. (12.8) %	**7.0** vs. (6.6) %	**(0.9)** vs. (10.5) %	**3.8** vs. (2.1) %	(3.9) vs. **(1.7)** %
	Small Home Appliances	**16.7** vs. (1.3) %	**8.0** vs. (4.5) %	(1.9) vs. **(1.4)** %	0.1 vs. **1.2** %	(5.3) vs. **7.4** %	**3.9** vs 3.5 %
	Electronics	**1.6** vs. (27.9) %	**9.4** vs. (37.0) %	**46.3** vs. (17.9) %	**0.4** vs. (24.9) %	**4.9** vs. (32.7) %	**3.4** vs. 2.6 %

1. The first and second figures are the market share gains of EM Local Firms and AMNEs, respectively.
2. Figures are colored in **blue** or **green** to highlight that **AE** or **EM** firms perform better.
3. The figures in parentheses are negative.

Figure 3. Market Share Gains of Local Firms and EMNEs in AEs from 2010 to 2019

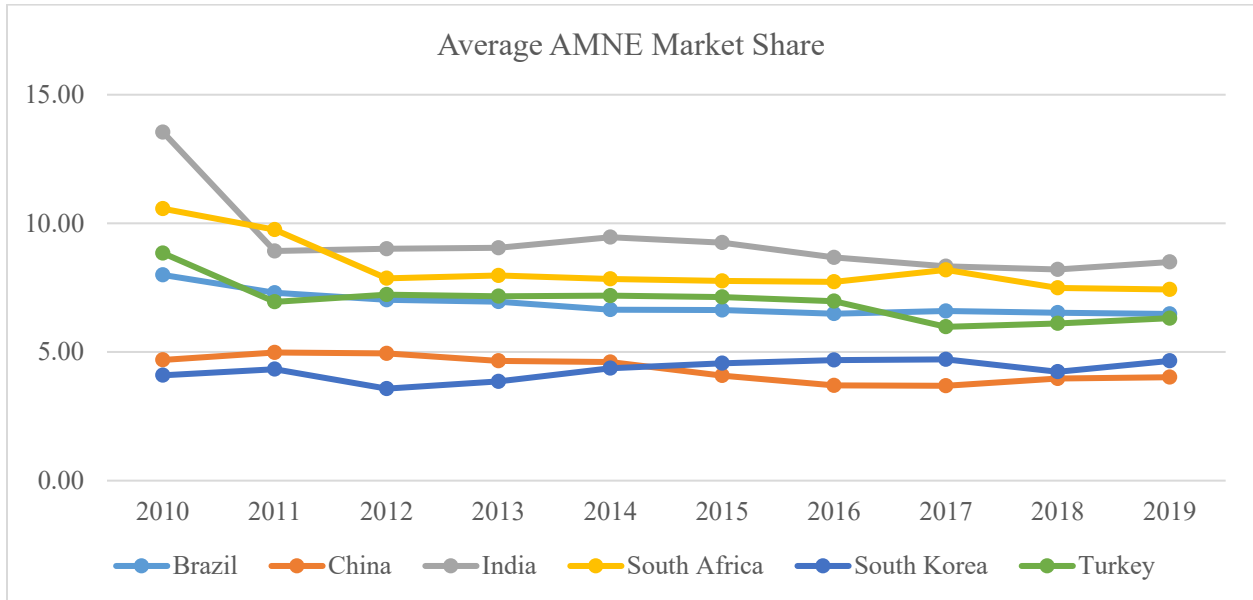|		ADVANCED ECONOMIES					
		Japan	US	France	UK	GER	Canada
EMNEs	Retail	N.A.	N.A.	0.4 vs. 0.6 %	6.0 vs.0.4 %	N.A.	N.A.
	Ready Meal	N.A.	23.4 vs. 2.6 %	N.A.	N.A.	N.A.	(4.9) vs. 6.3 %
	Apparel	5.2 vs. 1.1 %	N.A.	0.9 vs. 1.5 %	N.A.	N.A.	N.A.
	Soft Drinks	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	Personal Care	3.4 vs. 0.7 %	(6.9) vs. 0.4 %	N.A.	0.7 vs. 2.1 %	0.5 vs. 0.8 %	0.4 vs. 1.9 %
	Small Home Appliances	(3.9) vs. 2.4 %	1.7 vs. 0.1 %	(3.0) vs. 0.7 %	(3.0) vs. 1.1 %	(0.2) vs. (0.2) %	(0.1) vs. 0.1 %
	Electronics	(22.1) vs. 19.5 %	25.0 vs. 3.7 %	0.2 vs. 13.1 % Difference: 12.9%	0.2 vs. 15.1 % Difference 14.9%	0.1 vs. 14.2 % Difference: 14.1%	0.0 vs. 2.1 %

1. The first and second figures are the market share gains of AE Local Firms and EMNEs, respectively.
2. Figures are colored in **blue** or **green** to highlight that **AE** or **EM** firms perform better.
3. The figures in parentheses are negative.

Figure 4a. Average AMNE Market Share in Emerging Markets

Figure 4b. Average AMNE Market Share in Emerging Market-Industries

Average AMNE Market Share

Legend: Apparel, Beauty and Personal Care, Consumer Appliances, Consumer Electronics, Ready Meals, Soft Drinks, Store-based Retailing
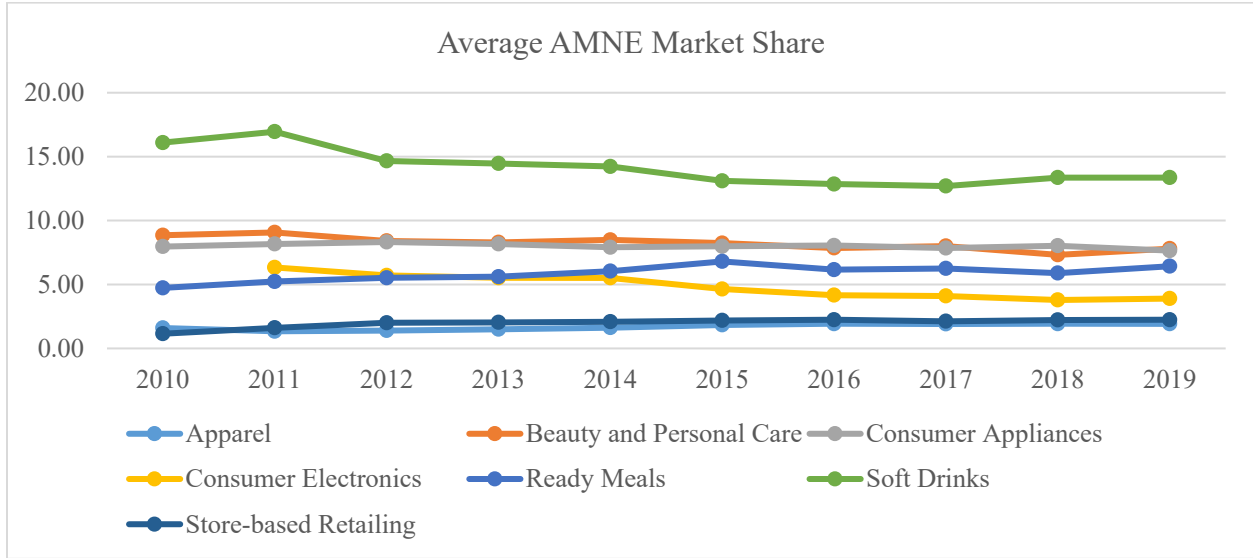
Figure 5a. Average EMNE Market Shares in Advanced Economy Markets
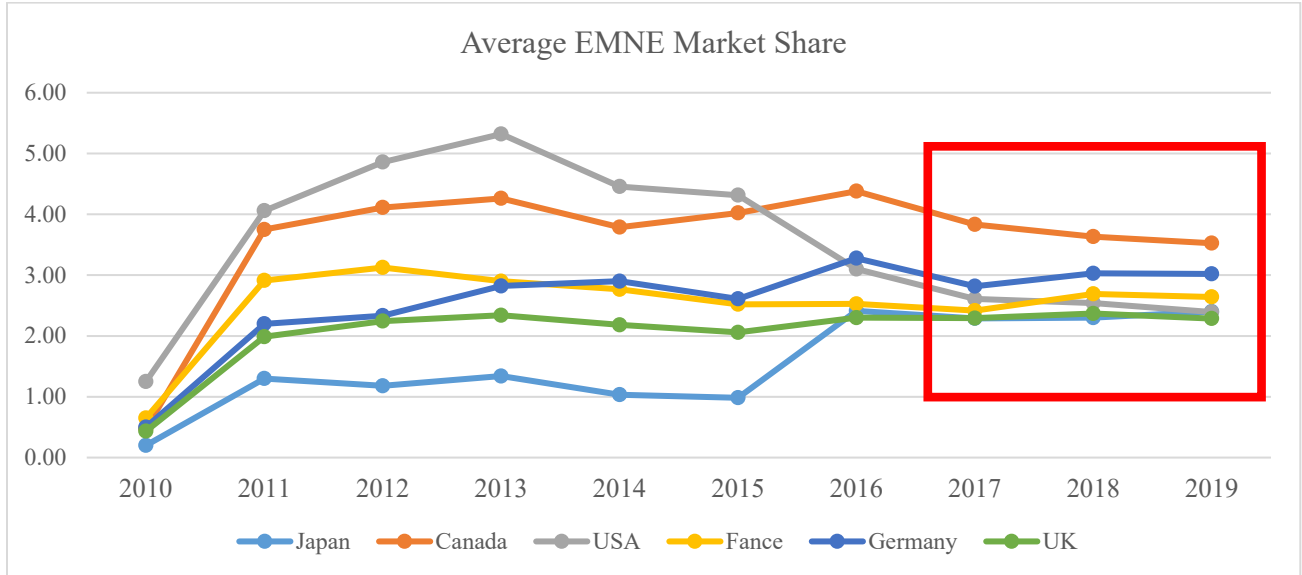
Figure 5b. Average EMNE Market Shares in Advanced Economies -Industries
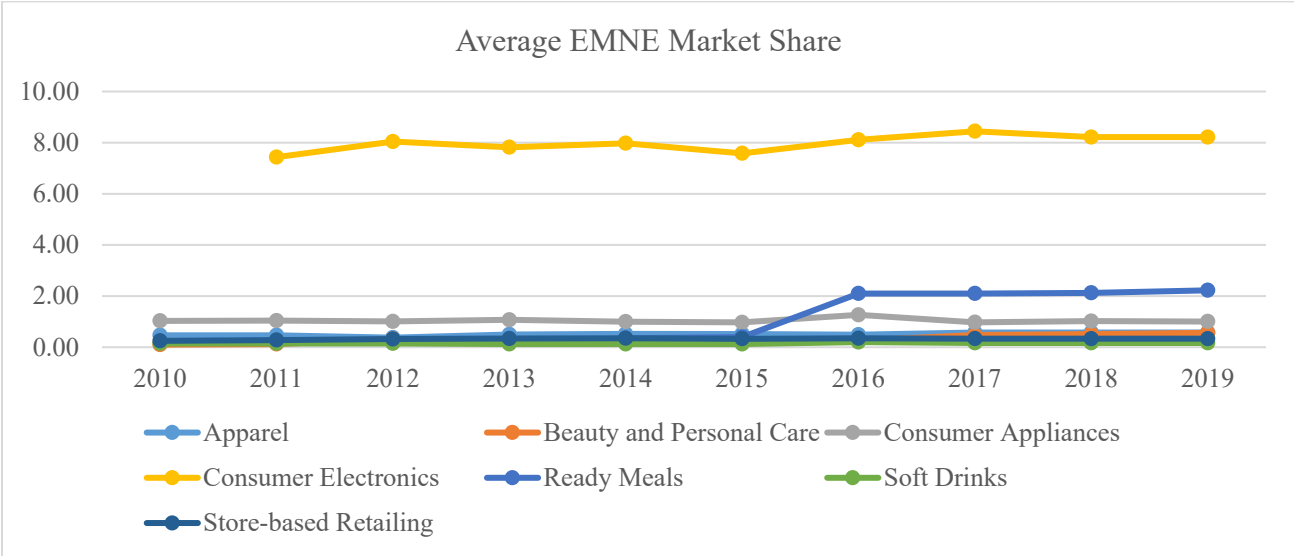
Figure 6. Market Share Gains in Country-Industries Dyads
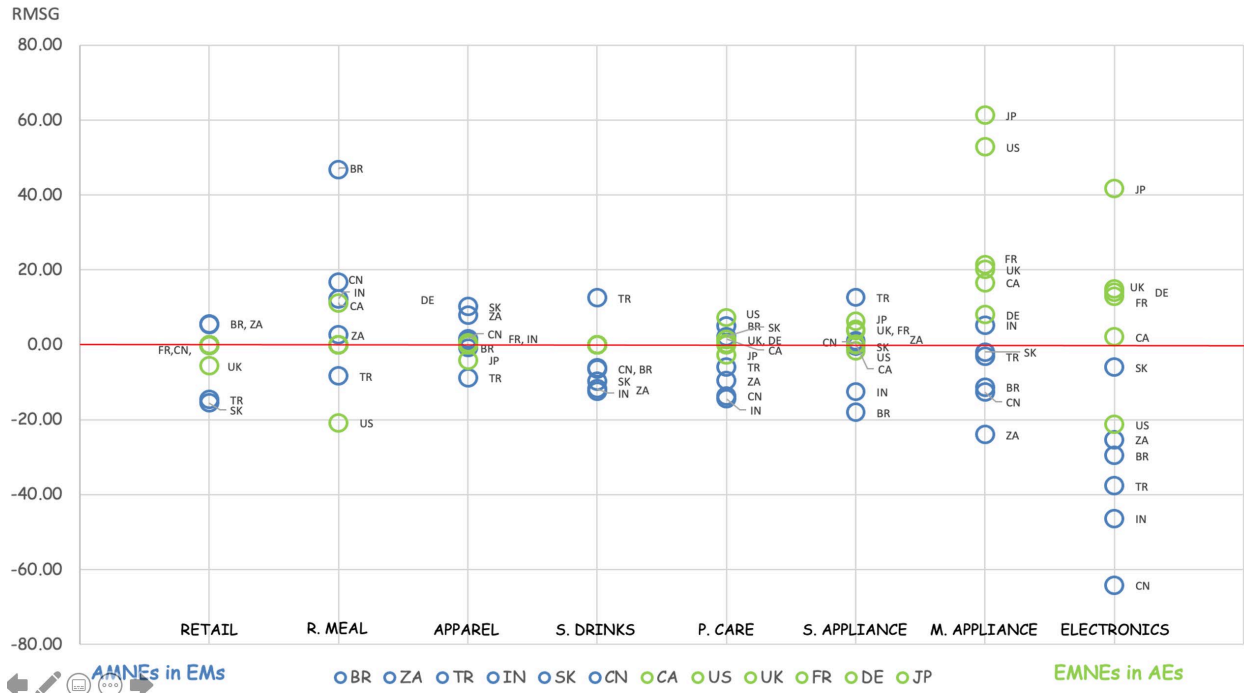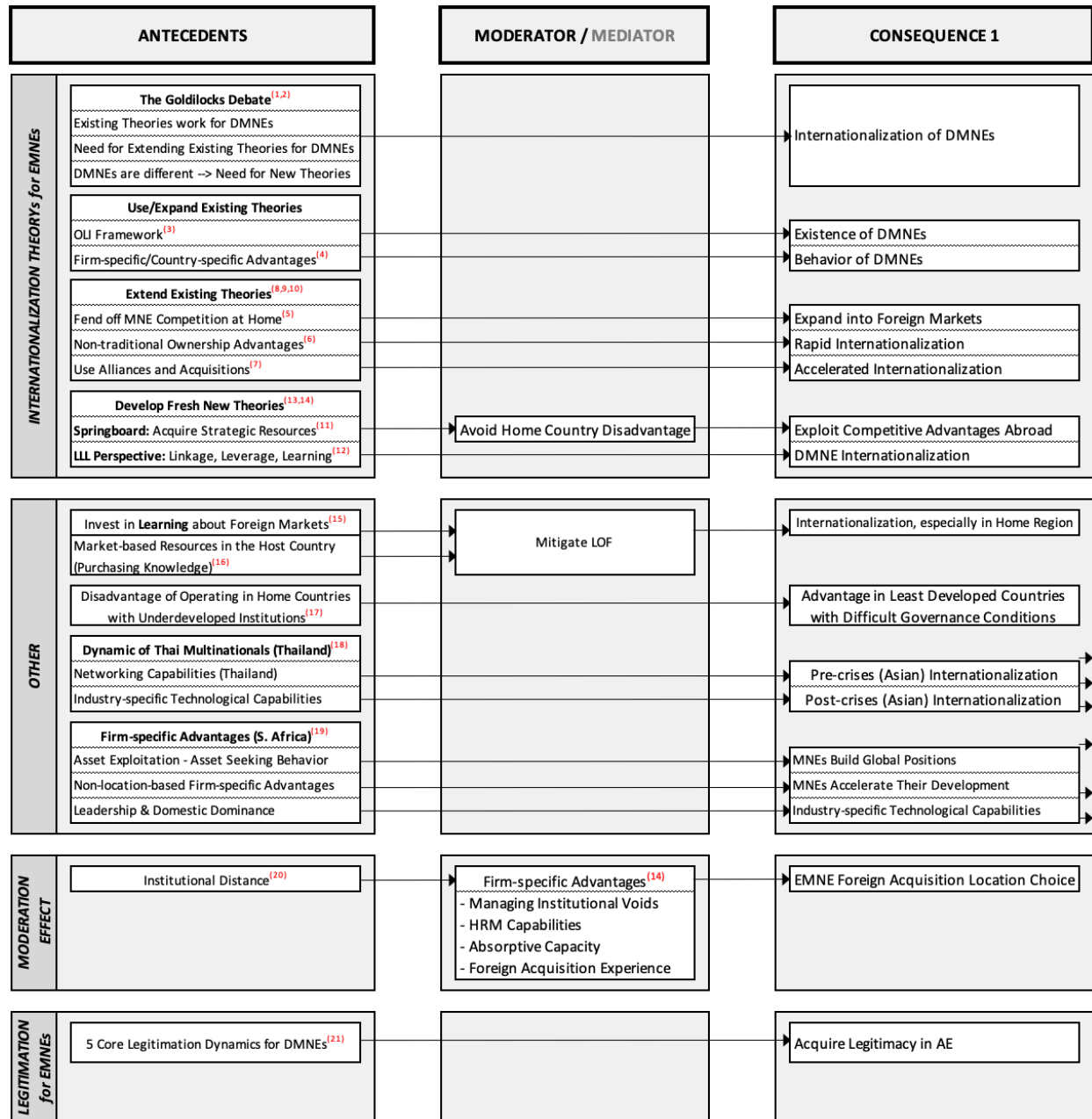
Figure 7. What Scholars Argue About the Use of Existing Theories for the EMNEs

ANTECEDENTS	MODERATOR / MEDIATOR	CONSEQUENCE 1

INTERNATIONALIZATION THEORYs for EMNEs

The Goldilocks Debate[1,2]
Existing Theories work for DMNEs
Need for Extending Existing Theories for DMNEs
DMNEs are different --> Need for New Theories

Use/Expand Existing Theories
OLI Framework[3]
Firm-specific/Country-specific Advantages[4]

Extend Existing Theories[8,9,10]
Fend off MNE Competition at Home[5]
Non-traditional Ownership Advantages[6]
Use Alliances and Acquisitions[7]

Develop Fresh New Theories[13,14]
Springboard: Acquire Strategic Resources[11]
LLL Perspective: Linkage, Leverage, Learning[12]

Avoid Home Country Disadvantage

Internationalization of DMNEs

Existence of DMNEs
Behavior of DMNEs

Expand into Foreign Markets
Rapid Internationalization
Accelerated Internationalization

Exploit Competitive Advantages Abroad
DMNE Internationalization

OTHER

Invest in **Learning** about Foreign Markets[15]
Market-based Resources in the Host Country (Purchasing Knowledge)[16]

Disadvantage of Operating in Home Countries with Underdeveloped Institutions[17]

Dynamic of Thai Multinationals (Thailand)[18]
Networking Capabilities (Thailand)
Industry-specific Technological Capabilities

Firm-specific Advantages (S. Africa)[19]
Asset Exploitation - Asset Seeking Behavior
Non-location-based Firm-specific Advantages
Leadership & Domestic Dominance

Mitigate LOF

Internationalization, especially in Home Region

Advantage in Least Developed Countries with Difficult Governance Conditions

Pre-crises (Asian) Internationalization
Post-crises (Asian) Internationalization

MNEs Build Global Positions
MNEs Accelerate Their Development
Industry-specific Technological Capabilities

MODERATION EFFECT

Institutional Distance[20]

Firm-specific Advantages[14]
- Managing Institutional Voids
- HRM Capabilities
- Absorptive Capacity
- Foreign Acquisition Experience

EMNE Foreign Acquisition Location Choice

LEGITIMATION for EMNEs

5 Core Legitimation Dynamics for DMNEs[21]

Acquire Legitimacy in AE

- (number) indicates the related reference (Please see References).

Table 1. Select Literature on Advantages and Disadvantages of EMNEs vs. AMNEs

Study	EMNEs Advantages	EMNEs Disadvantages
Cuervo-Cazurra (2012)	• Low-cost innovation appealing to both emerging and advanced markets • Ability to manage high transaction cost and political influences • Resilient to environment instability • Competitive advantage in other countries with problematic governance	• Less sophisticated innovation system • Underdeveloped capital market • Fewer developed suppliers • Less sophisticated financial infrastructure
Gu & Lu (2014)	• Interorganizational and interpersonal relationships (guanxi)	• Lack of track records and reputation • Lack of experience in global operations and offshore fundraising
Luo and Tung (2007)	• Risk taking • Non-path dependent growth • Home government support • Springboard strategies	• Latecomer to the global competition • Home institutional and market constraints • Strong global rival in home market • Poor governance • Lack of internationalization experience
Pant & Ramachandran (2012)		• Liability of foreignness • Liability of origin • Liability of advantages
Guillén and Garcia-Canal (2009)	• Accelerated internationalization • Strong political capabilities • High organizational adaptability • High network skills and political know-how	• Lack of resources upgrades • Home government constraints
Luo and Wang (2012)	• High efficiency in foreign market operation • Abilities to deal with uncertainties and harsh environments	
Williamson (2015)	• Country specific advantages such as low-cost labor • Low-cost innovation • Optimizing product and process for EMs • Dealing with weak institutions and infrastructures. • Economies of scale	• Lack of proprietary intangible assets • Lack of brand equity • Lack of Technological innovation

Table 1. Select Literature on Advantages and Disadvantages of EMNEs vs. AMNEs

Study	EMNEs advantages	EMNEs disadvantages
Pananond (2007)	• Reduced cost of imported technology • Learning from advanced partners • Networking capabilities • Network relationship viewed as way to compensate for lack of effective institutional intermediaries	• Limited choice of foreign markets that they can enter • Lack of technological development
Gammeltoft, Bernard, and Madhok (2010)	• Preferential government support • More horizontally/vertically integrated business groups • Advantage of cross-utilizing scarce resources	• Product limitation: cost-competitive products • Market limitation: other emerging markets
Hennart (2012)	• Local firm advantage due to imperfect market str. • Better understanding of emerging market customers • Profits arising from CSAs help fund development of FSAs.	• Weak firm specific advantages
Bernard (2010)	• Advantages in competing in less developed markets • Adversity advantage • Competitive in medium (not high or low) research intensive industries	• Smaller sales forces • Less R&D resources
James, Sawant, & Bendickson (2018)	• Deep understanding of emerging market customers • Ability to drive down cost • Capacity for just-right products with quality & cost • Ability to navigate unstable political and regulatory environments.	• Deficient in technological and product differentiation • Smaller firm sizes
Khanna & Palepu (2000)		Home market constraints • Infrastructure deficiencies, unreliable supply chain • Lack of complementary services • Institutional voids
Klein & Wocke (2007)	• Use of small-scale labor-intensive technologies • Focus on niche market opportunities	• Lack of product differentiation • Lack of pioneering technology
Rugman (2009)	Country Specific Advantages: • Low-cost labor; Finance; Natural resources	• Firm specific advantages other than economies of scale

Table 2. Family-owned Firms in the Data

GLOBAL BRAND OWNER	ORIGIN	INDUSTRY	DESTINATION	FAMILY-OWNED STATUS
Acer Inc	Taiwan	Consumer Electronics	Canada	-
AmorePacific Corp	South Korea	Beauty and Personal Care	France	Family-owned
Arçelik AS	Turkey	Consumer Appliances	Germany	Family-owned
AS Watson Group	HongKong	Store-based Retailing	France/UK	-
Carabao Group PCL	Thailand	Soft Drinks	UK	Family-owned
Central Group	Thailand	Store-based Retailing	Germany	Family-owned
Charoen Pokphand Group	Thailand	Ready Meals	Canada / USA	Family-owned
CJ Corp	South Korea	Ready Meals	USA	Family-owned
Delta Galil Industries Ltd	Israel	Apparel	USA	-
Ecovacs Robotics Co Ltd	China	Consumer Appliances	Germany	-
Fila Holding SpA	South Korea	Apparel	Japan	-
Foschini Group Ltd, The	South Africa	Apparel	UK	-
GlobalBev Bebidas & Alimentos SA	Brazil	Soft Drinks	Germany	-
Haier Group	China	Consumer Appliances	France / UK / Japan / Canada / USA	-
Hon Hai Precision Industry Co Ltd	Taiwan	Consumer Electronics	Japan	-
Huawei Technologies Co Ltd	China	Consumer Electronics	France / Germany / UK	Family-owned
ID Group SA	Argentina	Apparel	France / Germany	-
Lenovo Group Ltd	China	Consumer Electronics	Germany / Japan / USA	-
LG Corp	South Korea	Consumer Electronics	Canada / USA	Family-owned
LG Household & Health Care Ltd	South Korea	Beauty and Personal Care	Japan / Canada / USA	Family-owned
Li & Fung Ltd	China	Beauty and Personal Care	Germany / UK / Canada	Family-owned
Magimix SA	South Africa	Consumer Appliances	France	-
Midea Group Co Ltd	China	Consumer Appliances	Japan / Canada / USA	Family-owned
Nanjing Xinjiekou Department Store Ltd Co	China	Store-based Retailing	UK	-
Natura&Co	Brazil	Beauty and Personal Care	France / Germany / UK / Japan / Canada / USA	-
Natura Cosméticos SA	Brazil	Beauty and Personal Care	France	-
Pioneer Food Group Ltd	South Africa	Soft Drinks	Canada	-
SABMiller Ltd	South Africa	Soft Drinks	UK	-
Samsung Corp	South Korea	Consumer Electronics	ALL	Family-owned
Shandong Ruyi Technology Group Co Ltd	China	Apparel	France / UK / Japan / Canada / USA	-
Steinhoff International Holdings Ltd	South Africa	Store-based Retailing	France / Germany / UK / USA	-
Tata Global Beverages Ltd	India	Soft Drinks	Canada	Family-owned
TCL Corp	China	Consumer Electronics	UK	-
Techtronic Industries Co Ltd	China	Consumer Appliances	France / Germany / UK / Canada / USA	-
Union Swiss (Pty) Ltd	South Africa	Beauty and Personal Care	UK	-
WH Group	CHINA	Ready Meals	USA	-
Xiaomi Corp	China	Consumer Electronics	France	-
YGM Trading Ltd	HongKong	Apparel	Japan	-

Table 3. Descriptive Statistics and Correlations for AMNEs and EMNEs

		Correlations																		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Market Share	1.000																			
2	Brazil	.063	1.000																		
3	India	.161	-.127	1.000																	
4	S. Africa	.129	-.139	-.123	1.000																
5	S. Korea	-.052	-.131	-.116	-.127	1.000															
6	Turkey	.058	-.135	-.120	-.131	-.124	1.000														
7	Japan	-.088	-.076	-.067	-.074	-.069	-.072	1.000													
8	Canada	-.047	-.092	-.082	-.090	-.084	-.087	-.049	1.000												
9	France	-.080	-.095	-.085	-.093	-.087	-.090	-.050	-.062	1.000											
10	Germany	-.081	-.092	-.082	-.090	-.084	-.087	-.049	-.060	-.062	1.000										
11	UK	-.097	-.097	-.097	-.094	-.089	-.092	-.051	-.062	-.065	-.062	1.000									
12	Beauty_PC	.028	-.004	.028	.035	.051	.042	-.074	-.091	.054	.014	.089	1.000								
13	Appliances	-.012	-.024	-.007	-.052	-.035	-.054	.101	.074	.032	.080	.047	-.181	1.000							
14	Electronics	-.074	-.060	-.058	.029	.045	.036	-.076	.065	-.096	-.045	-.029	-.141	-.186	1.000						
15	ReadyMeal	-.031	.059	.090	-.033	-.013	.011	-.031	.023	.038	-.021	.048	-.156	-.204	-.159	1.000					
16	Soft Drinks	.321	-.021	.053	.048	-.049	.010	-.066	-.045	-.083	-.080	-.085	-.123	-.161	-.126	-.138	1.000				
17	Retailing	-.181	.027	-.125	-.016	-.020	-.044	.002	.051	.036	.051	-.041	-.167	-.220	-.171	-.188	-.149	1.000			
18	Age	.294	.153	.257	.052	-.036	.029	-.152	-.118	-.127	-.162	-.082	-.139	-.212	-.071	.243	.224	.106	1.000		
19	Year	-.033	-.022	.021	-.021	-.019	-.023	.048	.032	.013	.000	.029	-.017	.019	-.039	.019	.011	.002	.011	1.000	
20	EMNE	-.215	-.260	-.231	-.253	-.238	-.246	.291	.355	.367	.355	.372	-.018	.205	-.125	.002	-.140	.081	-.372	.087	1.000
Mean		5.197	.125	.101	.119	.107	.113	.039	.056	.059	.056	.062	.149	.168	.192	.098	.126	.121	77.434	2014	.321
Std. Deviation		7.637	.331	.302	.324	.309	.317	.192	.230	.237	.230	.240	.356	.374	.394	.298	.332	.327	55.660	2.851	.467

Table 4. Generalized Least Squares Estimates for AMNEs and EMNEs

Independent Variables	Coefficient	SE	Significance p-value
Emerging Markets			
Brazil	2.529	2.043	.216
India	4.244	2.183	.052
South Africa	4.273	2.066	.039
South Korea	.589	2.131	.782
Turkey	2.692	2.095	.199
Advanced Economies			
Japan	-.639	2.778	.818
Canada	.512	2.630	.846
France	-.148	2.634	.955
Germany	-.213	2.629	.935
UK	.254	2.503	.919
Industry			
Beauty and Personal Care	5.869	1.529	<.001
Consumer Appliances	8.319	1.504	<.001
Consumer Electronics	5.809	1.527	<.001
Ready Meals	-.142	1.590	.929
Soft Drinks	-1.303	1.644	.428
Store-based Retailing	.379	1.884	.840
Company Age	.019	.010	.069
EMNE Dummy	-187.487	69.362	.007
Year (Trend)	-.029	.020	.151
Year x EMNE Interaction	.092	.034	.007
Intercept	57.545	40.213	.152
Model Statistics			
Wald Chi Squared (d.f.)		140.06 (20)	<.001
Observations		1597	
Country-Company Dyads		189	

APPENDIX: INDUSTRY CATEGORY DESCRIPTIONS-EUROMONITOR PASSPORT

- **Store-based Retailing**
  Store-based retailing is the aggregation of grocery retailers and non-grocery specialists and mixed retailers. Sales of new and used goods to the general public for personal or household consumption from retail outlets or market stalls. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire and wholesale industries, including Cash and Carry. Excludes the informal retail sector. Online or catalogue sales of store-based retailers are counted within Internet retailing or Home shopping.

- **Ready Meal**
  This is the aggregation of shelf stable, frozen, dried, chilled ready meals, dinner mixes, frozen pizza, chilled pizza and prepared salads. Note: Ready meals are products that have had recipe "skills" added to them by the manufacturer, resulting in a high degree of readiness, completion and convenience. Ready meals are generally accepted to be complete meals that require few or no extra ingredients, however, in the case of canned/preserved ready meals, the term also encompasses meal "centers'; for dinner mixes, the term encompasses part meals. Some ready meals may require cooking; others may simply need reheating, prior to serving.

- **Apparel**
  Articles of dress; wearing apparel; garments. Items must be new when sold to the consumer; second-hand/used clothing is excluded. Antique and/or vintage clothing is also excluded. Sports clothing (broken out as a separate category) is included in total clothing figure...

- **Soft Drinks**
  This is the aggregation of the following categories: Carbonates, Fruit/vegetable juice, Bottled water, Functional drinks, Concentrates, RTD tea, RTD coffee and Asian specialty drinks.

- **Beauty and Personal Care**
  This is the aggregation of baby and child-specific products, bath & shower, deodorants, hair care, color cosmetics, men's grooming, oral hygiene, fragrances, skin care, depilatories and sun care. Black market sales and travel retail are excluded.

- **Small Appliances**
  Small appliances is an aggregation of the following categories: food preparation appliances, small cooking appliances, vacuum cleaners, irons, personal care appliances, heating appliances and air treatment appliances.

- **Consumer Electronics**
  Consumer Electronics refers to the sales of Computers and Peripherals, In-Home Consumer Electronics, In-Car Entertainment and Portable Consumer Electronics to the end consumer.